



海隆控股有限公司\*  
Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1623

TECHNOLOGICAL  
INNOVATION

DEVELOPMENT



RESEARCH &  
DESIGN



OPERATION

2023  
ANNUAL REPORT



PRODUCTION

2023 Annual Results  
Presentation

\* For identification purpose only

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## Results Highlights

# Results Highlights

## Oilfield Services

- ❖ Segment revenue increased significantly by 37.5% with an increase in sales
- ❖ Signed contracts with some prestigious customers such as ADNOC, Baoji Oilfield, Sichuan HongHua, Arabian Drilling, etc.
- ❖ Since Hilong won the litigations initiated by CITT and CBSA, brand image continues to enhance in the Canadian/ US markets
- ❖ Products such as high strength sour service drill pipes recognized by customers and will further facilitate the position in markets such as the Middle East/ US/ Canada
- ❖ Several research products, such as HL130S/HL135MS, HLNST drilling tools have achieved progress milestones
- ❖ In 2023, a couple of research projects have achieved progress milestones, production upgrading has been completed. More differential high technology drilling tools for high-end customers
- ❖ Shanghai Hilong Drilling Pipe was awarded “National Manufacturing Individual Champion”, automation elevated production

## Oilfield Equipment Manufacturing & Services

- ❖ Achieved significant growth by 10.5% in segment, continuously developing High-tech Integrated Turnkey Project business model
- ❖ Overall utilization rate and inter well relocation and installation speed of drilling & workover rigs improved in recent years with sufficient workloads
- ❖ Obtained drilling & workover contracts in existing markets and made breakthroughs in “existing markets with new business”, such as in Middle East, Africa and South America
- ❖ Obtained contracts in new markets such as the UAE, Central Asia, Libya and South East Asia and developed “new markets and new businesses”
- ❖ Enhanced existing drilling and workover service business, integrated technical services and oilfield trading service continued to grow with an increase in trading volume
- ❖ High technology R&D and digital transformation were actively promoted and made progress

**In 2023, Hilong achieved stable growth and improved performance, recording revenue of about RMB 4,251.5 mn (38.4% growth) and net profit of about RMB 171.5 mn (55.3% growth)**

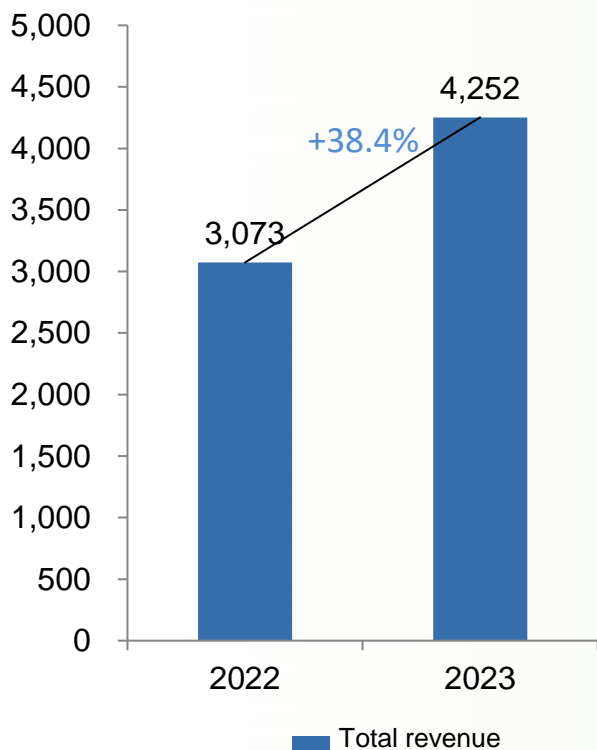
## Offshore Engineering Services

- ❖ Synergy among our “Four Centers” facilitated sales and contracts boost in the markets, segment revenue increased significantly by 311.9%
- ❖ Successfully completed the CGN project and CNOOC project and other projects
- ❖ Multiple projects such as in Thailand and Saudi Arabia executed with customers’ recognition
- ❖ The adaptive modification and elevation of Hilong 106 had been successfully implemented, entering the Middle East market first time with potential
- ❖ Focusing on Southeast Asia, Middle East, West Africa and South America markets, transforming into a high-tech specialized integrated EPCIC turkey service business model
- ❖ Contracts have been signed with Mermaid Subsea Services Tailand, Lamprell Energy and Lamprell Saudi Arabia, etc. with sufficient new orders
- ❖ Strengthened high technology R&D and digital transformation with significant progress

# Financial Overview

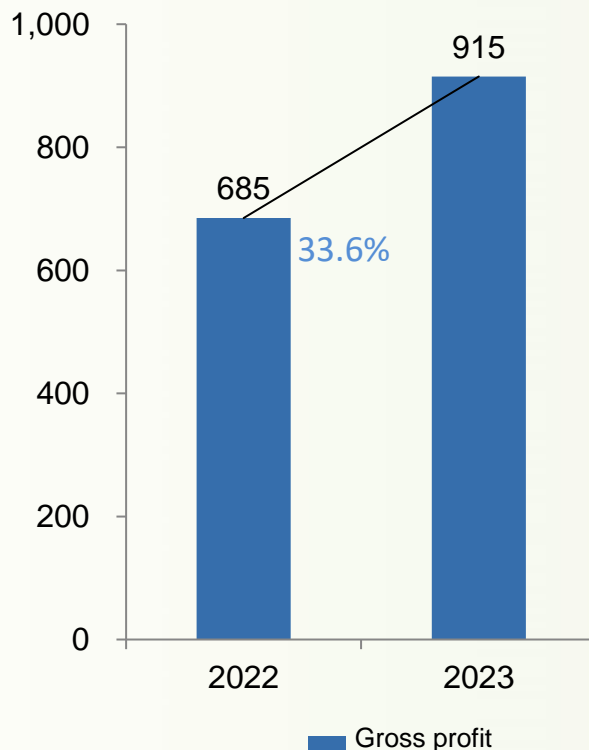
## Revenue

RMB mm



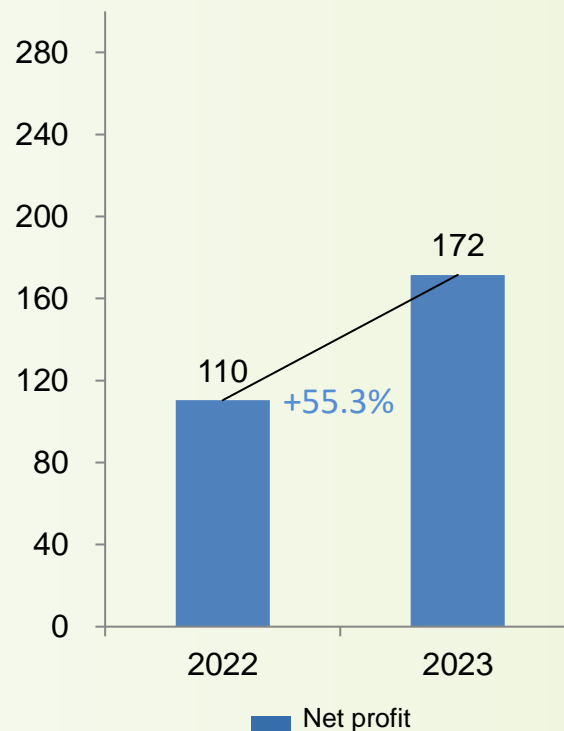
## Gross Profit


RMB mm



## Net Profit

RMB mm

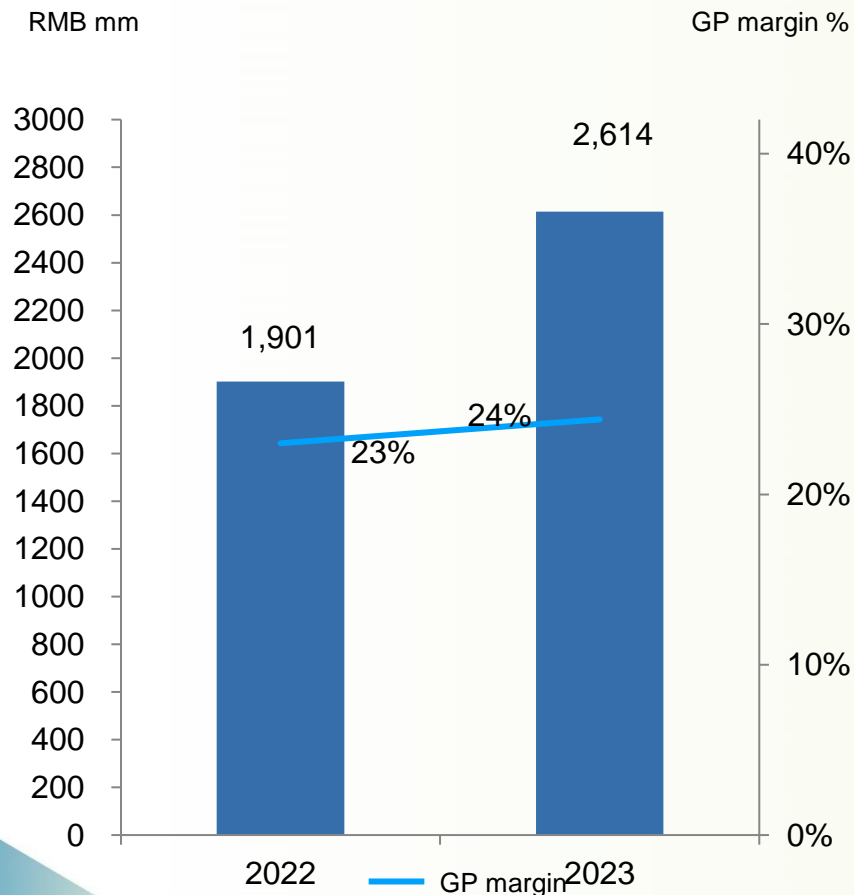


 In 2023, the Company realized a total revenue of RMB4251.5 million and net profit of RMB171.5 million

## Business Review

# Oilfield Equipment Manufacturing and Services

## Segment Revenue of RMB2614 million

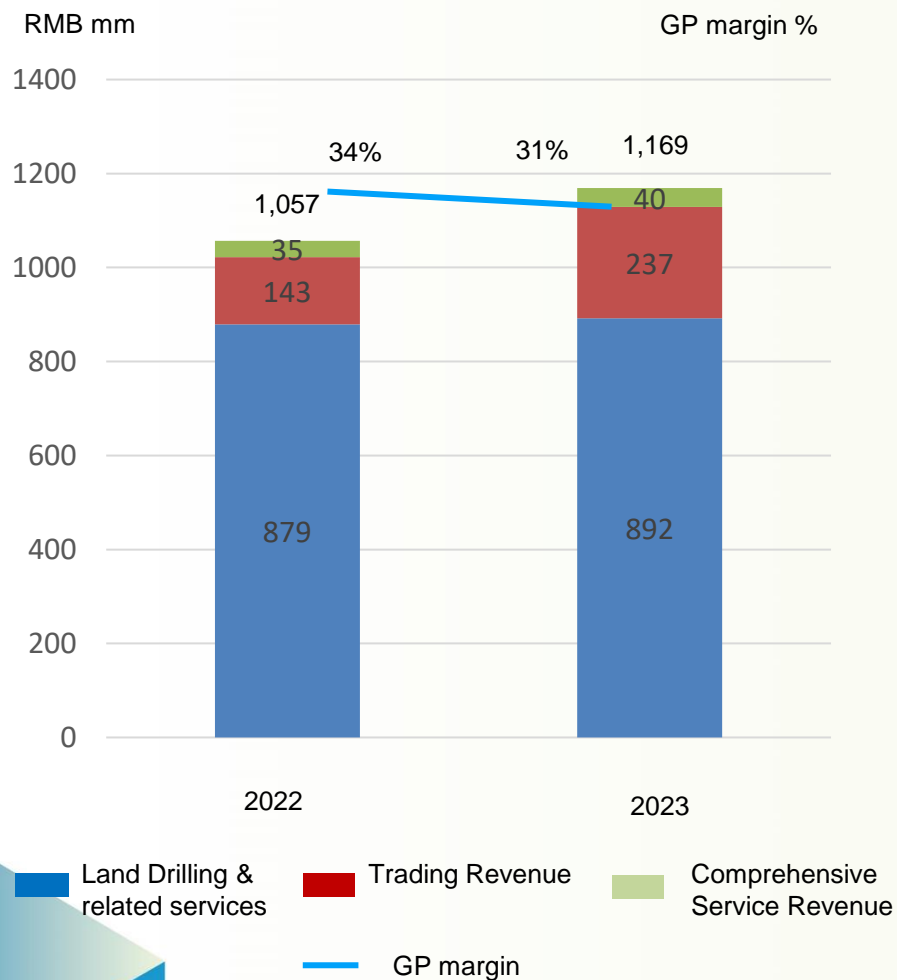


## Strengthened R&D, Increased Market Demand New orders, Growth in Revenue

- ❖ Demand for oilfield equipment and drilling tools increased significantly due to positive impacts such as increased upstream Capex, segment revenue increased significantly by 37.5%
- ❖ Sales of various types of drilling tools, such as drilling pipes, heavy weight drill pipes and components increased significantly with the development of high-end markets and customers, elevation and optimization of high technology production process, sales order volume is sufficient
- ❖ Since Hilong won the litigations initiated by CITT and CBSA against Chinese exports of drill pipes to Canada, Hilong's brand image continues to enhance in the Canadian/ US markets
- ❖ Signed a series of contracts with ADNOC, Baoji Oilfield, Sichuan Honghua, Arabian Drilling Company and Egyptian Drilling Company in respect of supply of high-tech drilling tools and components
- ❖ Products such as high strength sour service/ high strength/ high torque drilling tools had been highly recognized by customers in the Middle East and US/Canada markets, and will further facilitate our development in markets such as the Middle East/ US/ Canada
- ❖ In 2023, a couple of research projects have achieved progress milestones:
  - HL130S/HL135MS and other high strength sour service, high strength, high torque drilling pipe and products had achieved significant progress, HL125S acquired a series of international orders
  - Promotion project of HLNST special screw head had acquired new orders in North American market; high-pressure resistant special screw head development for marine riser established R&D technology advancement project, breakthrough technology for higher-end customers
  - R&D such as the research of electronic labeling drilling pipe and wellhead interaction technology for deep wells and the research of intelligent drilling pipe had achieved optimal results and progress
  - The informatization and automation transformation had elevated production capacity after the assembly line had been upgraded in 2023

# Oilfield Services

## Segment Revenue of RMB1169 million

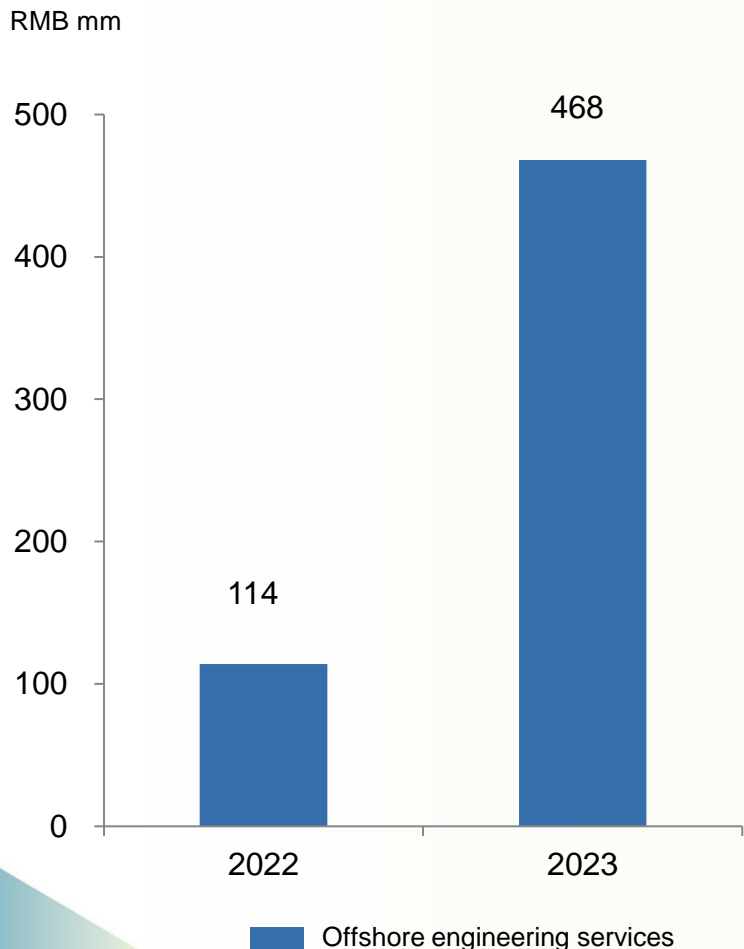


## High Technology Integrated Turkey Service Achieved Stable Growth

- ❖ Created business development model of existing drilling and workover service, technical service and oilfield trade service, ensuring the stable segment growth, revenue grew significantly by **10.5%**
- ❖ Overall utilization rate and inter well relocation and installation speed of drilling & workover rigs improved compared to 2022 with sufficient new workloads
  - Non-productive time rate (NPT) and zero-day rate have presented a downward trend in recent years, which indicated a continued and effective improvement in the Company's operational efficiency
- ❖ Obtained a couple of drilling & workover contracts in existing markets such as Nigeria, Ecuador, Pakistan and Iraq, and signed several contracts for rock fragments processing, waste processing and geomorphology restoration processing, making breakthroughs in **“existing markets with new business”**, HL22 successfully completed integrated turkey project in Iraq
- ❖ Obtained a number of contracts in **new markets** such as the UAE, Malaysia and China; developed **“new markets and new businesses”** in Kuwait and Libya with more high technology services
- ❖ Newly developed high technology services, such as MPD technology, environmental services such as drilling and workover mud/cuttings processing and well site restoration, and nanofluids production enhancement technology, continued to grow steadily
- ❖ The volume of oilfield trade services also increased significantly compared with 2022, bringing new business income
- ❖ Technology R&D and digital transformation were actively promoted to elevated operation management efficiency:
  - The R&D project regarding MPD technology had conducted preliminary research and achieved positive results
  - Hilong had conducted R&D of nanofluids production enhancement technology with the compatibility test and technology verification experiment

# Offshore Engineering Services

## Segment Revenue of RMB468 million



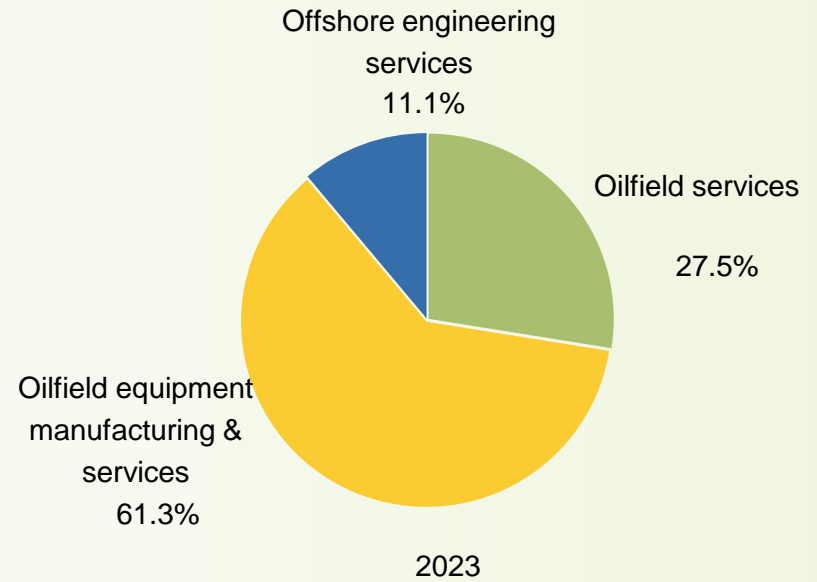
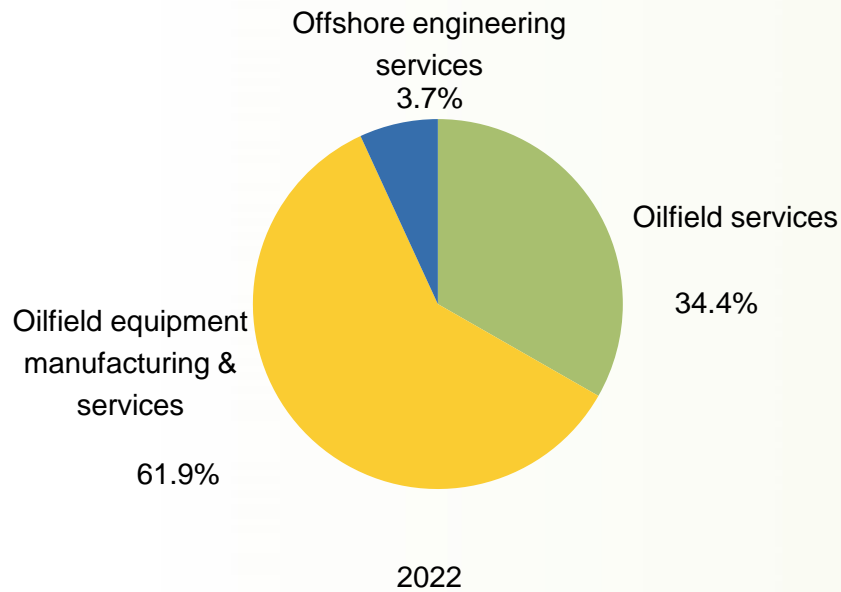
## Orders on Hand & Revenue Increased Transforming to EPCIC

- ❖ Transformation to EPCIC offshore engineering integrated turnkey businesses model, segment revenue increased significantly by **311.9%** compared with 2022
- ❖ Expanded market channels, elevated construction of bidding system, improved bidding quality and the synergy among our “Four Centers”, successfully completed the CGN project and CNOOC project; Acquired high-end customers’ recognition, such as the offshore construction projects in Thailand and in Saudi Arabia, etc.
  - The adaptive modification and elevation of Hilong 106 had been successfully completed, entering the Middle East market for the first time
- ❖ Continued to develop markets worldwide, Hilong offshoring engineering had focused on Southeast Asia and the Middle East markets, and explored the opportunities of West Africa and South America
- ❖ Signed a contract with Mermaid Subsea Services (Thailand) to provide high technology engineering and construction services such as submarine pipeline laying, expansion and bending installation
- ❖ Signed contracts with Lamprell Energy and Lamprell Saudi Arabia and other high-end customers, breakthrough Middle East offshore engineering market
- ❖ Won the bid for several projects in Southeast Asia, the Middle East, Africa and South America, orders and workloads are sufficient
- ❖ Continuously developed high-tech R&D and digitalization capacity, several R&D projects made significant progress:
  - The research on large-sized block floating bracket technology has been carried out with research, analysis, and information collection
  - Anchored ship near platform sea pipe laying program has been carried out preliminary research
  - The thematic study on pipeline landing in the near-shore section developed successfully
  - Research on the development of calculation programs for barge inclination experiments, visualization of offshore installation of wind power projects, and digital system also achieved preliminary results

## Financial Performance

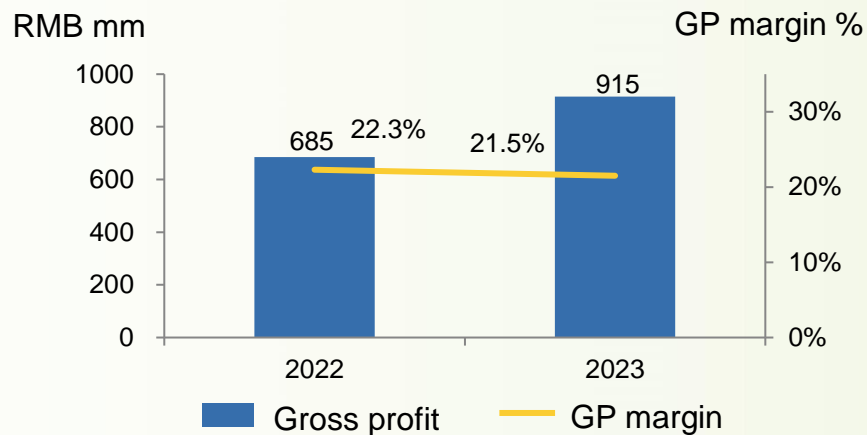
# Revenue Breakdown

## Revenue Breakdown by Segment



# Gross Profit and Account Receivable

## Gross Profit and Gross Profit Margin



## Account Receivable

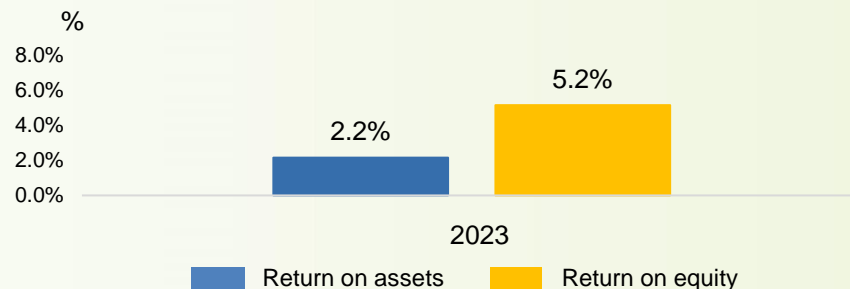
'000 RMB	12/31/2023	12/31/2022
- within 90 days	1,422,475	915,317
- over 90 days and within 180 days	203,426	270,982
- over 180 days and within 360 days	72,602	129,575
- over 360 days and within 720 days	106,670	61,789
- over 720 days	78,199	136,058

# Capital Structure and Return Rate

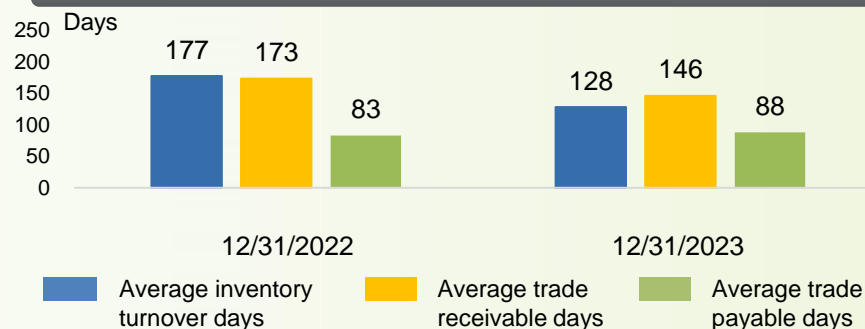
## Capital Structure

	12/31/2023	12/31/2022
RMB mm		
Cash & cash equivalents	840	780
Current assets	5,141	4,612
Total assets	7,958	7,892
Short-term debt	2,744	702
Long-term debt	119	2,593
Total liabilities	4,629	4,574
Shareholders' equity	3,336	3,286
Minority interest	-7	32
Total equity	3,329	3,318

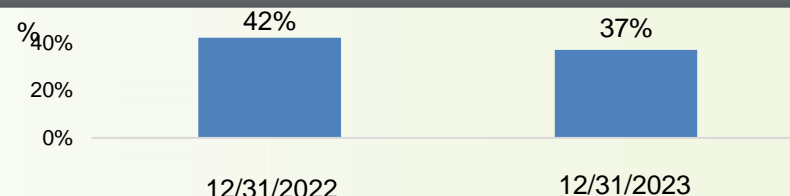
## Return on Assets & Return on Equity<sup>1</sup>



## Turnover Days for Current Assets<sup>2</sup>



## Gearing Ratio: Net Debt/Total Capital<sup>3</sup>



Note:

- Return on assets = net profit / ending balance of total assets;  
Return on equity = net profit / ending balance of total equity
- Average inventory days = days in the period \* average inventory of this period / cost of sales of this period  
Average trade receivables days = days in the period \* average net trade receivables of this period / revenue of this period  
Average trade payables days = days in the period \* average trade payables of this period / cost of sales of this period
- Net Debt = Long term debt + short term debt + lease liabilities – cash and cash equivalents and restricted cash – financial assets at fair value through profit or loss,  
total capital = total equity + net debt

## Business Outlook



## Transforming to Specialized high-tech Company with Digitalization Elevating Integrated Turkey Project Services

### Oilfield Equipment Manufacturing & Services

#### Overseas Markets:

- ❖ Focus on US/Canada and Middle East markets, continue to provide high-end customers with high value-added products of drilling tools, and strengthen the development of differentiated high technology drilling tools
- ❖ Further explore US/Canada, Middle East and other markets. Endeavor to increase our share of the international market and enhance the image of our brand service
- ❖ Stabilize businesses in the Americas and other markets and acquire new high-end orders. Promote high-end products such as HLNST special screw heads; continue to develop high-end markets, such as the Brazilian deep-water market and offshore blocks invested by Mexican international companies, etc.
- ❖ Design more high-tech products such as super high-strength HLU165, DPR corrosion-resistant and fatigue-resistant drilling tools and system, V150 deep-water drilling tools

#### Domestic Market:

- ❖ Develop based on existing business opportunities while vigorously explore differentiated markets, cooperate with leading domestic business partners
- ❖ Provide high-end customers with a variety of high-tech drilling tools to meet their differentiated requirements, which are compatible with unconventional oil and gas resources

#### Technology R&D:

- ❖ Accelerate the automation and digitalization of equipment and production lines to elevation quality control
- ❖ Design and develop of super high-strength, corrosion-resistant and fatigue-resistant drilling tools, systems and HLNST special screw head, HL130S/HL135MS drilling pipes, RFID electronic labeling of drilling pipes, and intelligent drilling pipes, etc.

#### Business Development:

- ❖ Further develop business model of existing drilling and workover service, technical service and oilfield trade service, elevate Integrated turnkey project service
- ❖ Accomplish drilling & workover projects in existing markets such as Nigeria, Ecuador, Iraq and Oman, continue to strive for new business in new markets
- ❖ breakthrough of "existing market with new business", and develop various types of businesses, including drilling turnkey, oilfield environmental protection, oilfield trade service, etc.
- ❖ Continue to develop "new markets and new businesses" in the UAE, Libya, South East Asia, Central Asia and Europe. Facilitate the business opportunities in Libya, which will further benefit our African market
- ❖ Accelerate digital transformation; strengthen the promotion of drilling & workover rig automation, RSS and MPD drilling business; increase the construction and promotion of trade platforms

#### Technology R&D:

- ❖ Promote the R&D of oilfield production enhancement, especially nanofluids technology
- ❖ R&D and promotion of oilfield environmental protection/MPD/oilfield related technology

### Offshore Engineering Services

#### Business Development:

- ❖ Continue to develop specialized high technology EPCIC offshore engineering company
- ❖ Accelerate the layout markets in the Middle East and Southeast Asia, Central Asia, South America, etc. Improve the efficiency of offshore engineering management
- ❖ Integrate various resources and realize the integration of the company's EPCIC service capabilities
- ❖ Develop "Four Centers" of offshore engineering to form integrated and coordinated internal management
- ❖ Focusing on innovative technology and services, such as offshore installation, ship leasing business, offshore construction management, and integrated turkey service for offshore engineering, etc.

#### Technology R&D:

- ❖ Promote the digital transformation of the company and apply for a number of qualifications of offshore engineering
- ❖ Continue to carry out the research and application of various R&D projects

Q & A