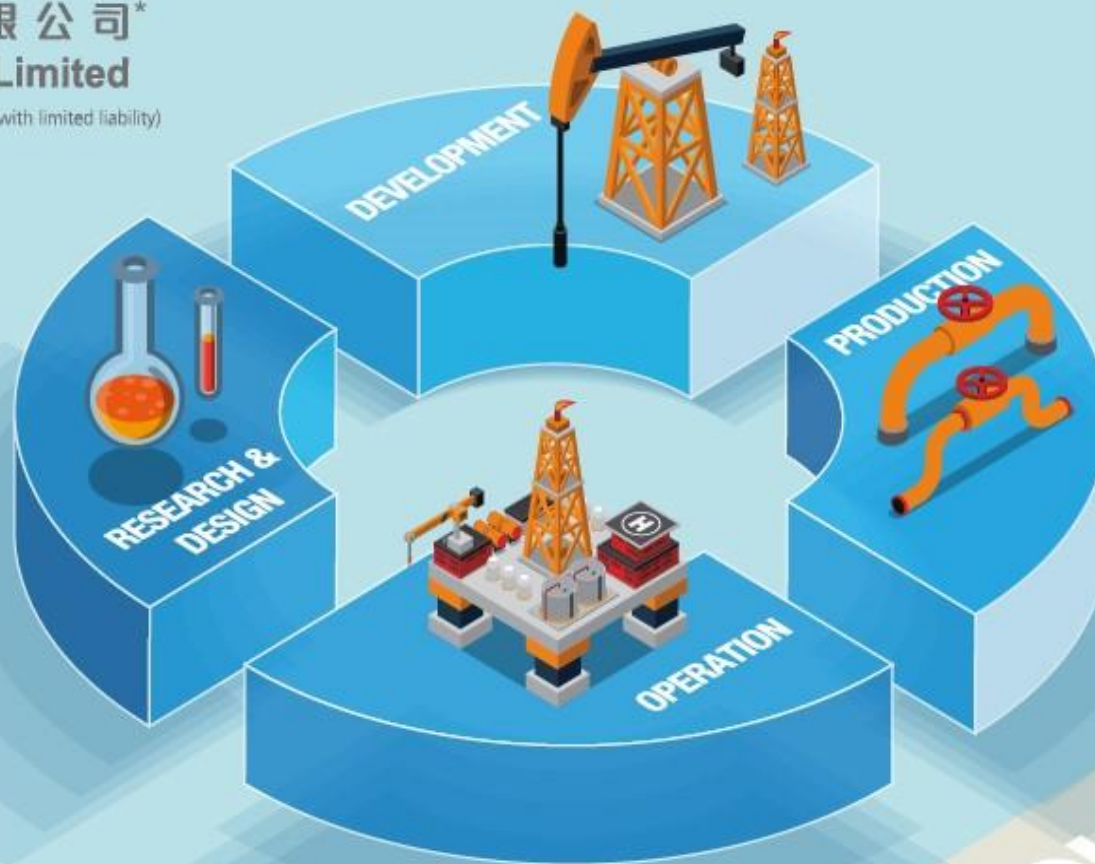




海隆控股有限公司*
Hilong Holding Limited

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



2022 Annual Results Presentation

TECHNOLOGICAL
INNOVATION

* For identification purpose only

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Results Highlights




Results Highlights

In 2022, Hilong achieved stable growth and improved performance, and recorded revenue of RMB 3,736 million


Oilfield Equipment Manufacturing & Services

- 
- ❖ Significant growth in revenue from 2021
 - ❖ Drill pipes and other products reported substantial increase in revenue
 - ❖ Signed a series of products and service contracts with prestigious customers and achieved new breakthroughs in North and South America, Middle East, Europe and other markets
 - ❖ Continued to explore new business areas while exploring the high-end market


Line Pipe Technology & Services

- 
- ❖ Revenue reported a slight decrease
 - ❖ Obtained several major projects in line pipe coating & CWC from prestigious customers
 - ❖ Signed some contracts in line pipe inspection services in the domestic market
 - ❖ Actively explore new areas in information technology business such as joint projects with telecom operators and participation in national chip projects

Oilfield Services

- 
- ❖ Revenue reported significant growth compared with 2021
 - ❖ Utilization rate and inter well relocation and installation speed of drilling & workover rigs continued to improve from 2021
 - ❖ Obtained several new, renewed and extended contracts and actively explore turnkey service business
 - ❖ Successfully operated many technical service contracts and will further develop more diversified businesses
 - ❖ Amount of new contracts in trade services doubled in 2022 from 2021, with sufficient orders on hand

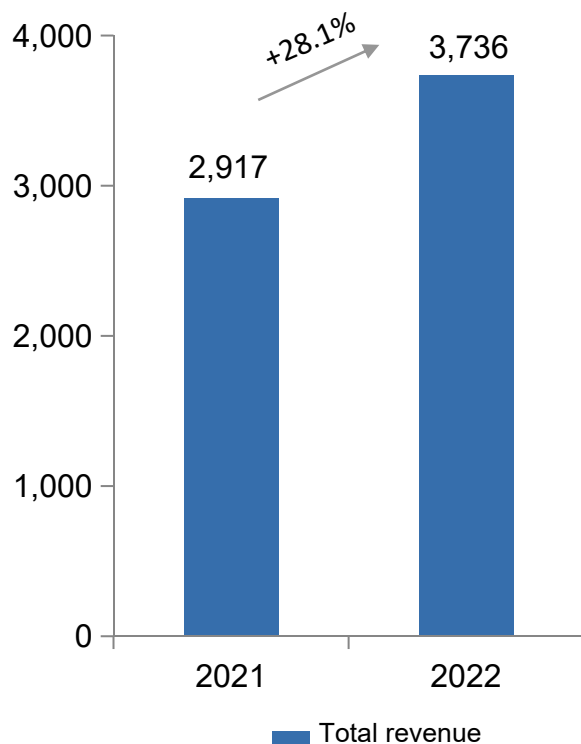
Offshore Engineering Services

- 
- ❖ Successfully completed the Bangladesh's pipeline laying project
 - ❖ The Bohai Kenli & Bozhong construction project with CNOOC was proceeding smoothly and the laying of many pipelines has been completed
 - ❖ Advanced the preparatory work for the offshore wind power installation subcontract and the offshore T&I turnkey project
 - ❖ Faced great challenges in project contracting and revenue declined

Financial Overview

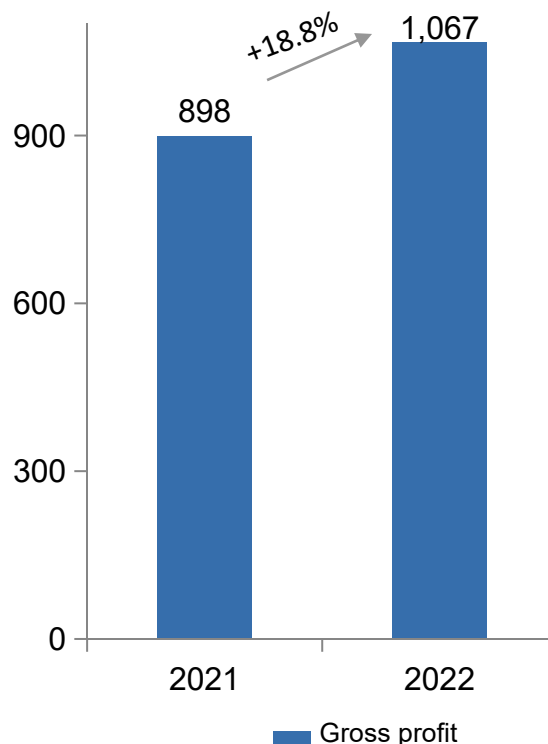
Revenue

RMB mm



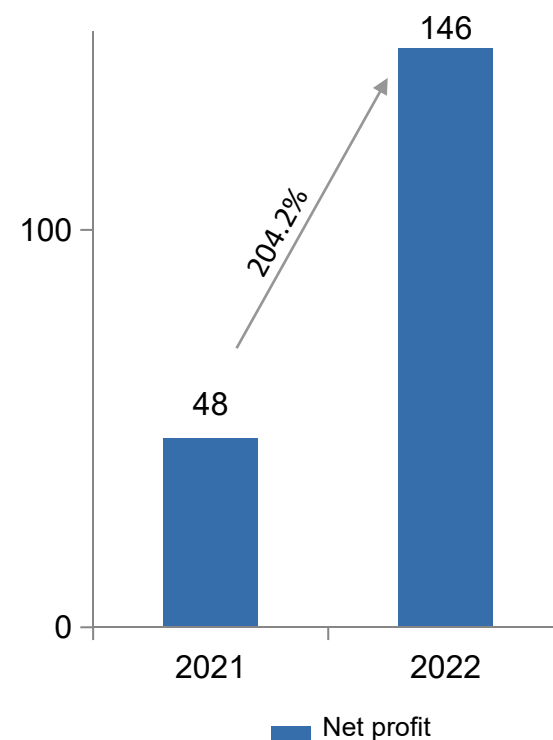
Gross Profit


RMB mm



Net Profit

RMB mm



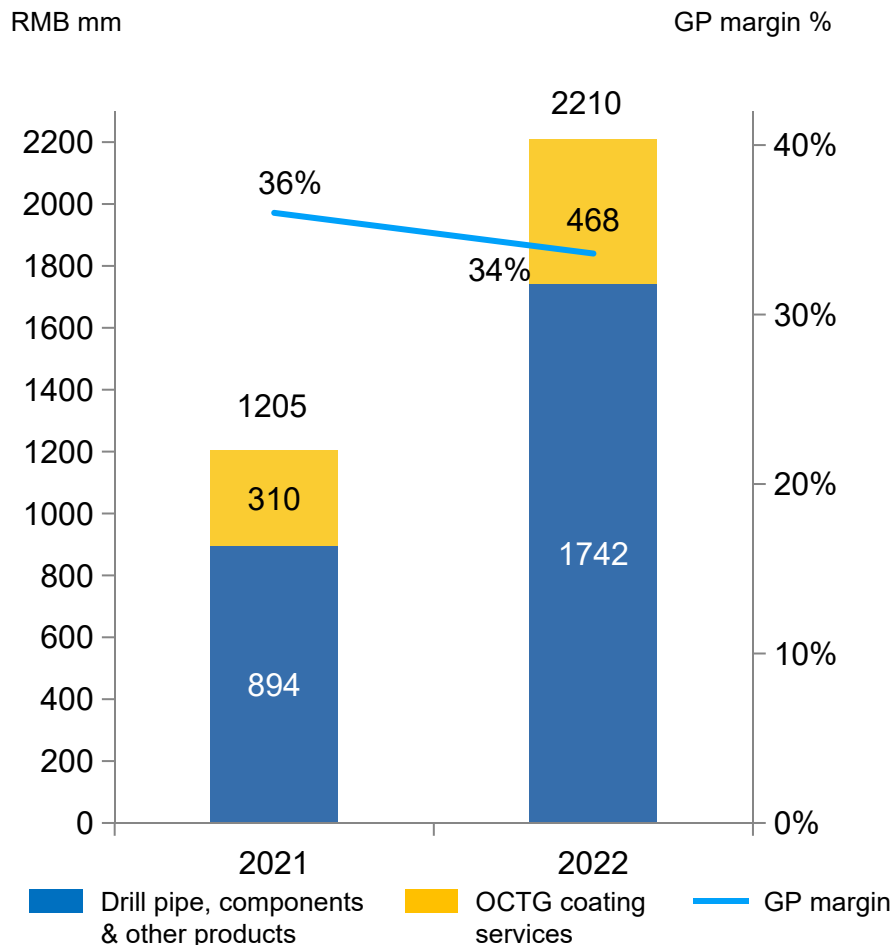
 In 2022, the Company realized a total revenue of RMB3,736 million and net profit of RMB146 million

Business Review



Oilfield Equipment Manufacturing and Services

Segment Revenue of RMB2210 million

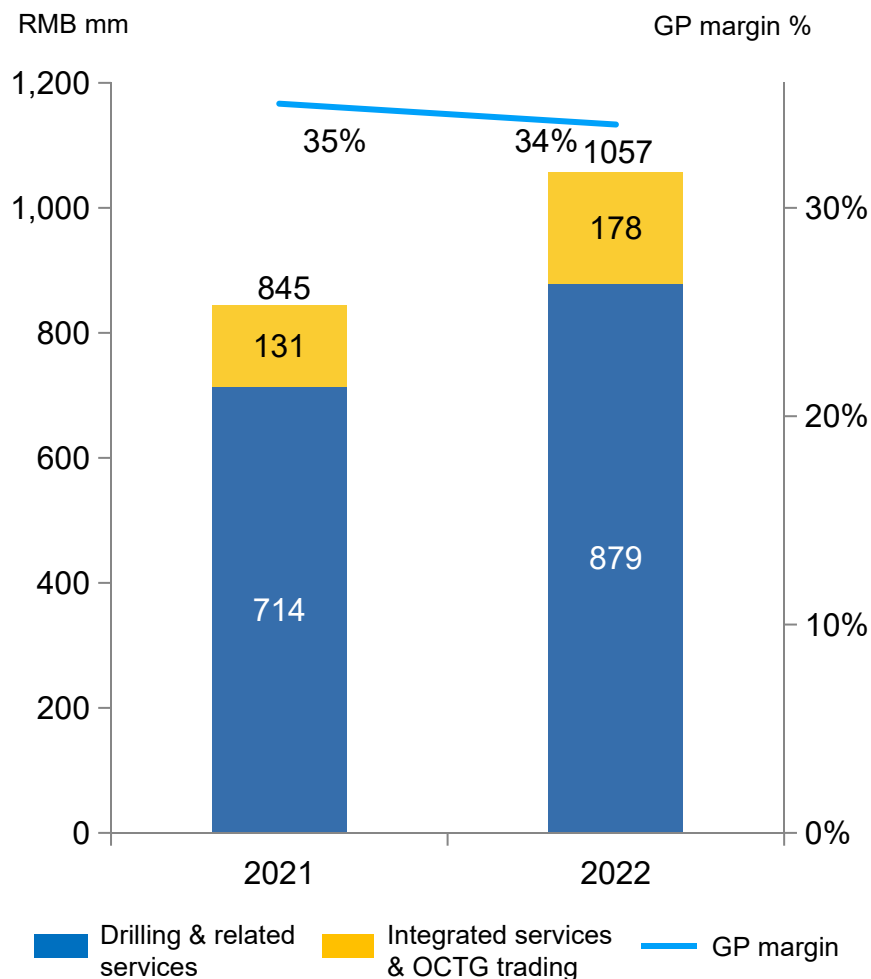


Increased Market Demand & Significant Growth in Revenue

- ◆ Demand for oilfield equipment in the industry increased significantly due to the positive impact of factors such as upstream capital expenditures beginning to increase
- ◆ Drill pipes reported substantial increase in sales compared to 2021
- ◆ Revenue from coating businesses also increased in 2022
- ◆ As the sole Chinese company responding to the litigations, won the damage litigations and the anti-dumping & anti-subsidizing investigations initiated by CITT and CBSA against Chinese exports of drill pipes to Canada, significantly enhancing Hilong's brand image in the Canadian/US market
- ◆ Signed a series of contracts with prestigious customers such as Ensign US, ConocoPhillips; successfully executed the project contracted with ADNOC and achieved breakthrough with the entry of V150 drill pipes into South American and European markets
- ◆ Continued to explore new business areas while developing high-end markets
- ◆ Attaching great importance to scientific and technological research and development as well as talents echelon construction

Oilfield Services

Segment Revenue of RMB1057 million

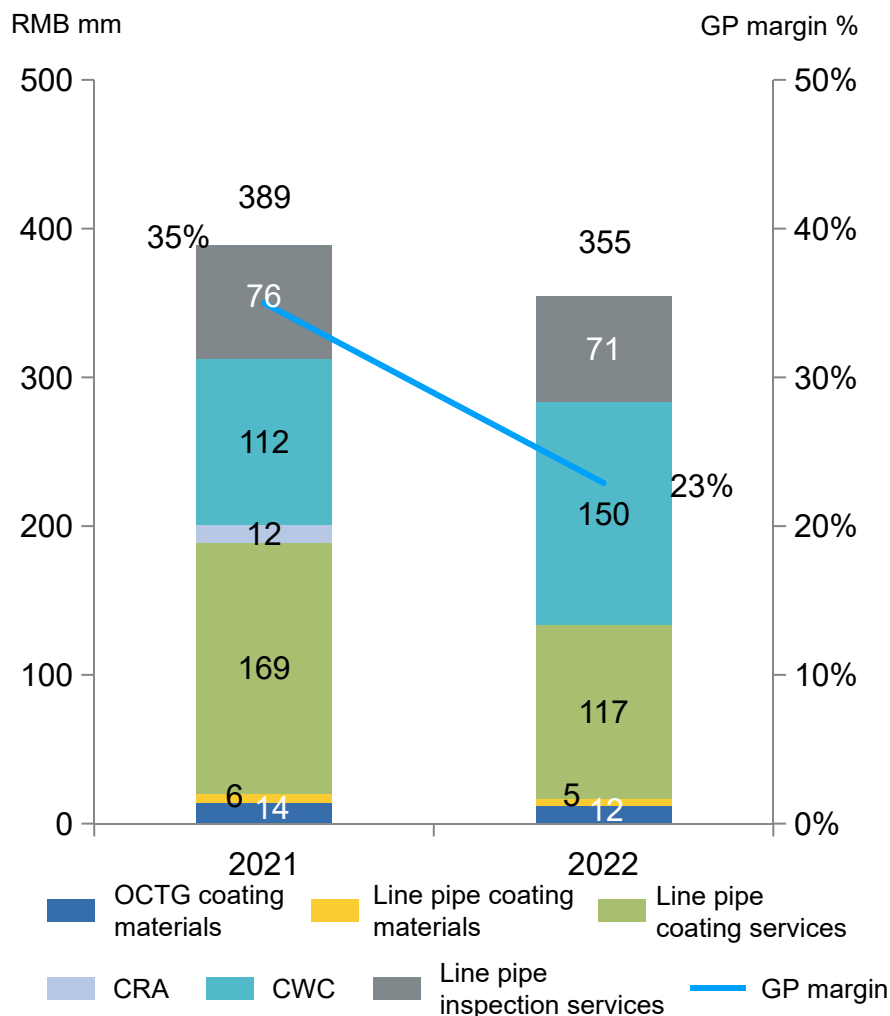


Achieved Stable Growth

- ❖ Take advantage of favorable conditions including the increase in capital expenditure at the upstream of the industry, penetrated into the overseas oil services market, ensuring the stable growth of the segment
- ❖ Utilization rate and inter well relocation and installation speed of drilling & workover rigs continued to improved, several drilling rigs under standby were revitalized
- ❖ The operation performance of Hilong teams were well approved by the customers, i.e. HL58/59 set new records of shortest local drilling cycles for three times in Oman, and won recognition and cash awards
- ❖ Signed several new/ renewed/ extended contracts, and actively exploring turnkey service business
- ❖ In Iraq, HL22 has safely completed all drilling work on the first turnkey well since the company's inception.
- ❖ Successfully operated many technical service businesses, including oilfield environmental protection, production enhancement technology, MPD technology, etc.
- ❖ Contracts amount signed in the trade services doubled from 2021, with sufficient orders on hand

Line Pipe Technology and Services

Segment Revenue of RMB355 million



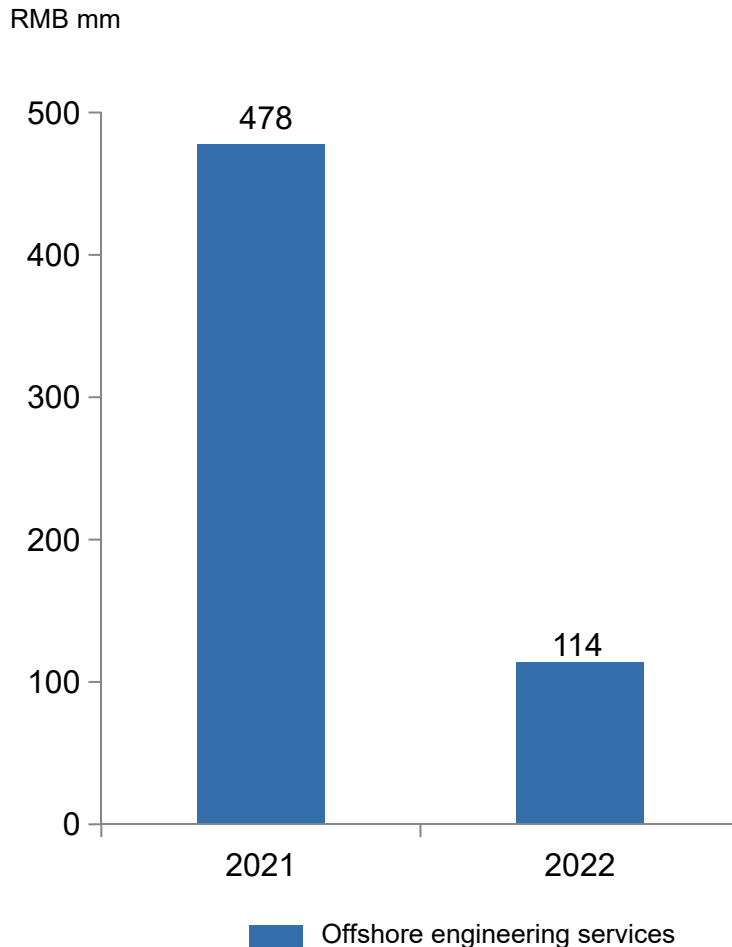
Slight decline in Revenue

- Obtained some major projects from prestigious customers in respect to line pipe coating and CWC businesses
- Due to the impact of the Shanghai lockdown and other factors on site work, the delivery of some orders was delayed during the reporting period, resulting in a slight decline in revenue
- Line pipe inspection services signed several contracts in the domestic market while actively promoting overseas business layout
- Signed the water cycle testing platform project of Shandong Special Equipment Testing Institute Group Company Limited
- For the information technology business, actively explore new areas such as joint information/digital business with operators, participation in national chip projects, large refining bases, city gas, smart wear, etc.



Offshore Engineering Services

Segment Revenue of RMB114 million



Decline in Segment Revenue

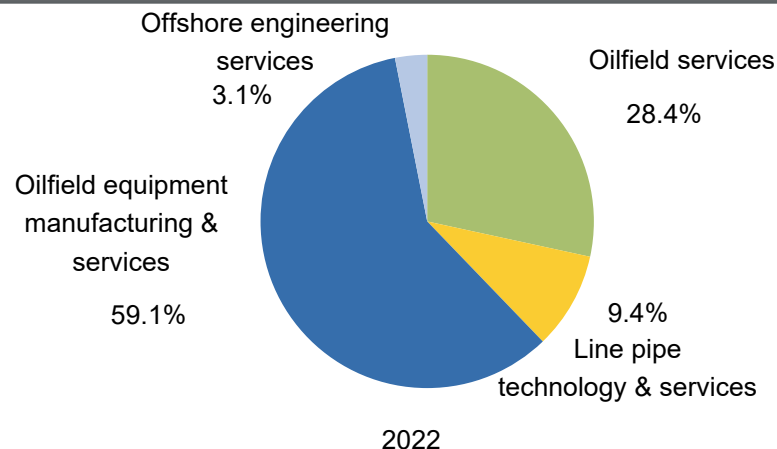
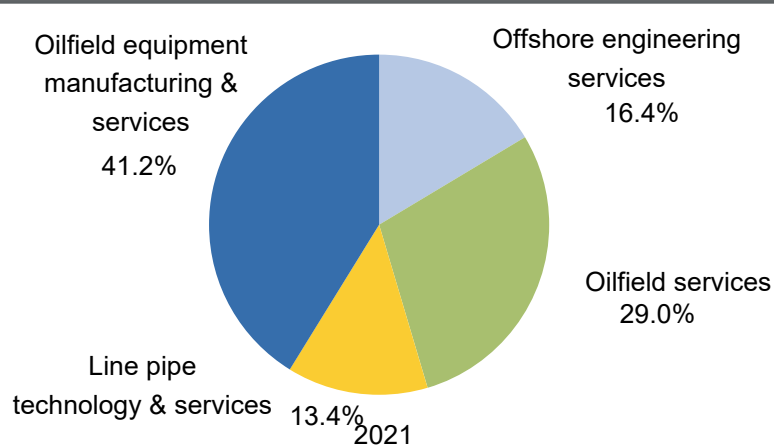
- ❖ Successfully completed the closing work of Bangladesh's pipeline laying project and the finishing and submission of completion documents
- ❖ The Bohai Kenli & Bozhong construction project with CNOOC was proceeding smoothly and the laying of many pipelines has been completed
- ❖ Advanced the preparatory work for the offshore wind power installation subcontract and the offshore T&I turnkey project, laying a good foundation for the construction in 2023
- ❖ Reasonably arranged the receivables collection of completed projects; completed the repair and maintenance of the barge with low cost
- ❖ Actively exploring the domestic and international markets, and to date, various contracts or letters of intention have been signed with several customers; actively promoted organizational transformation, introduction of core talents and market exploration of new business
- ❖ Affected by unfavorable factors such as the sharp decrease in work volume in the domestic wind power market and the pandemic lockdown, the contracting of projects faced tremendous challenges and revenue decreased

Financial Performance

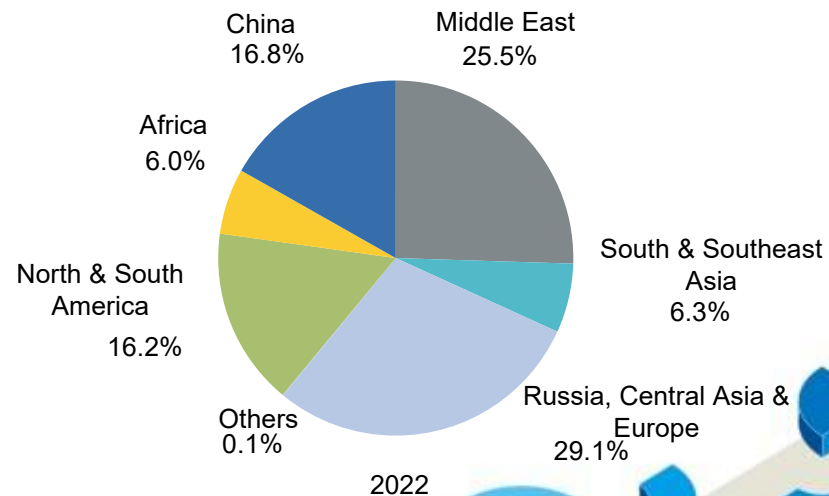
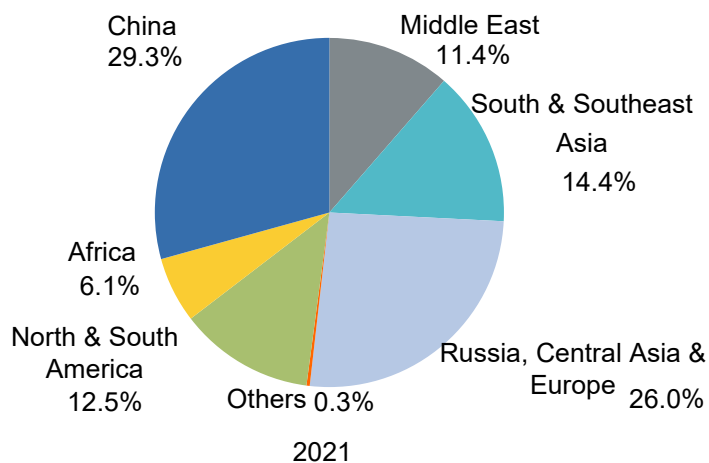


Revenue Breakdown

Revenue Breakdown by Segment

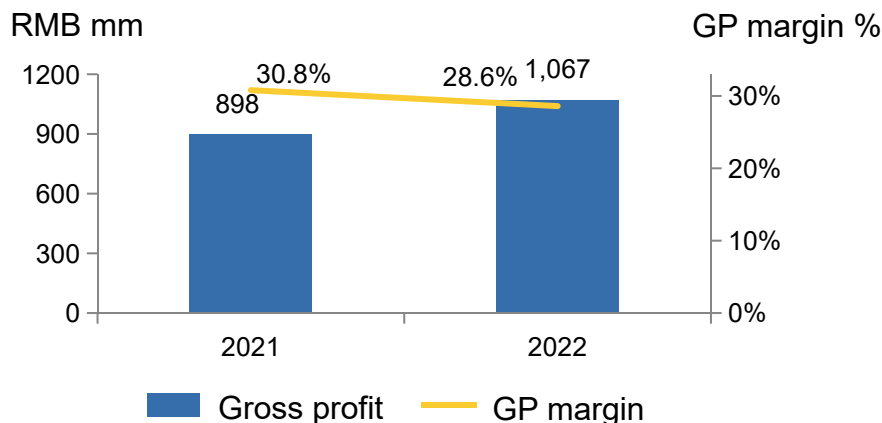


Revenue Breakdown by Region

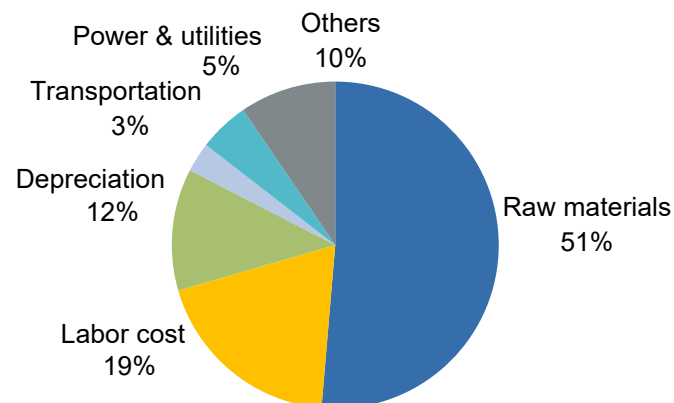


Cost, Gross Profit and Account Receivable

Slight Decline in Gross Profit Margin



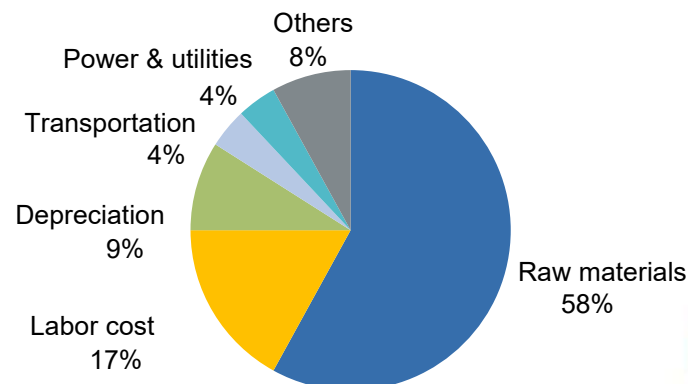
Total Cost in 2021: RMB2,019 million



Account Receivable

'000 RMB	12/31/2022	12/31/2021
- within 90 days	1,055,178	702,057
- over 90 days and within 180 days	270,982	211,797
- over 180 days and within 360 days	122,830	157,964
- over 360 days and within 720 days	56,397	163,462
- over 720 days	51,304	161,555

Total Cost in 2022: RMB2,669 million

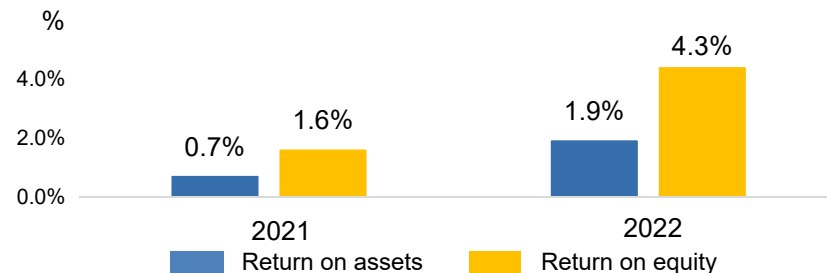


Capital Structure and Return Rate

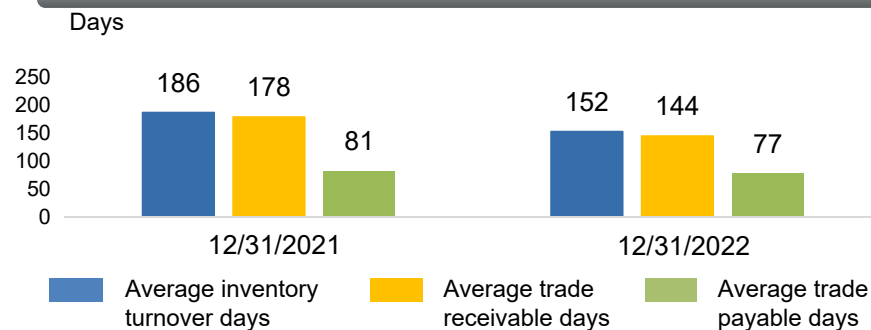
Capital Structure

	12/31/2022	12/31/2021
RMB mm		
Cash & cash equivalents	778	629
Current assets	4,613	4,127
Total assets	7,801	7,072
Short-term debt	569	607
Long-term debt	2,546	2,433
Total liabilities	4,446	4,029
Shareholders' equity	3,323	3,015
Minority interest	32	27
Total equity	3,355	3,043

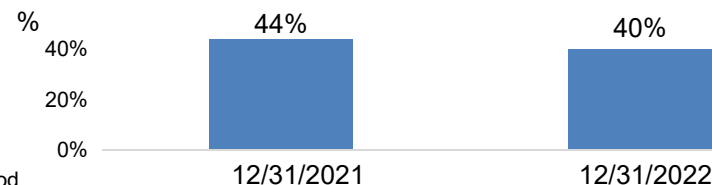
Return on Assets & Return on Equity¹



Turnover Days for Current Assets²



Gearing Ratio: Net Debt/Total Capital³



Note:

1. Return on assets = net profit / ending balance of total assets;
Return on equity = net profit / ending balance of total equity

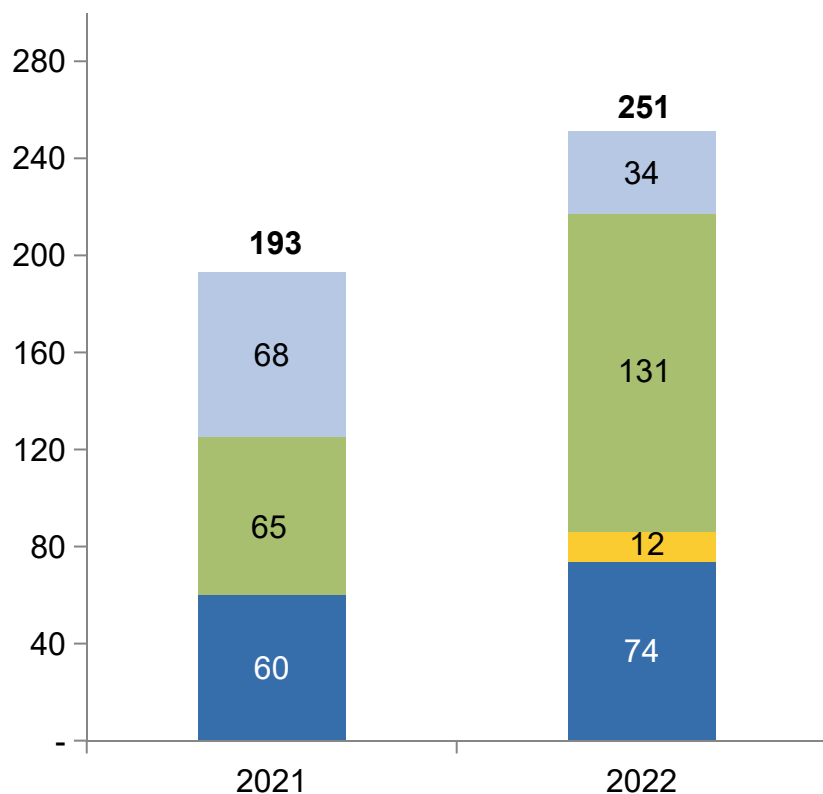
2. Average inventory days = days in the period * average inventory of this period / cost of sales of this period
Average trade receivables days = days in the period * average net trade receivables of this period / revenue of this period
Average trade payables days = days in the period * average trade payables of this period / cost of sales of this period

3. 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

Capital Expenditure

Capex Breakdown

RMB mm



Oilfield equipment manufacturing & services

Line pipe technology & services

Oilfield services

Offshore engineering services

Major Capex Projects in 2022

- ❖ The Company strictly controls capex except maintenance requirement to ensure the cash flow for daily operation
- ❖ Oilfield services
 - ◆ Entered a new business area in the Middle East with the addition of Coiled Tubing unit
 - ◆ Maintenance & upgrading capex for existing rigs
- ❖ Offshore engineering services
 - ◆ Routine repair and maintenance of Hilong 106 barge
- ❖ Oilfield equipment manufacturing & services
 - ◆ Maintenance & upgrade capex for certain plants to meet the requirement of regulatory authorities for safety and environmental protection purposes



Business Outlook



Grasp the Opportunities Brought by The Recovering Global Market And The Continuous Development in China

Oilfield Equipment Manufacturing & Services

Overseas market:

- ❖ Continue to enhance the promotion of high value-added drilling tools for high-end customers and ensure the production quality of special high-end products
- ❖ Develop the high-end markets in Middle East/Americas, etc.
- ❖ Intensify the R&D of special buckles, high-strength sour service drill pipes, titanium alloy based drill pipes and intelligent drill pipe etc.
- ❖ Continue to strengthen the marketing of HLNST special buckles, 125S/135MS and V150 drill pipes
- ❖ Explore market opportunities for offshore drill pipes and special well completion & maintenance pipes in the Gulf of Mexico

China market:

- ❖ Adopt differentiated marketing strategies for different customers, focusing on the development and promotion of high-end special buckles and other drilling products

Line Pipe Technology & Services

- ❖ Make every effort to organize production and continue to focus on exploring market opportunities brought by the new peak of domestic oil & gas pipeline network construction and developing overseas projects
- ❖ The information technology business will focus on three major technology products, namely industrial intelligent sensors, industrial special robots and industrial Internet platforms
- ❖ Strive to be a leader in industrial internet technology, products and solutions in the oil & gas chemical industry



Oilfield Services

- ❖ Secure for new contracts for drilling / workover in Nigeria, Ecuador and Pakistan; secure new turnkey contracts in Iraq and Ecuador; in the Middle East, Africa and Malaysia, continue to seek for new markets and new customers
- ❖ Consolidate our existing business, actively develop technical services for directional and horizontal wells, and seek for continuous workload for MPD and other services
- ❖ Execute existing projects in trade services and strive to form linkages with other businesses to facilitate drilling / workover services, technical services and external cooperation
- ❖ Actively seize opportunities to participate in oil exhibitions in Beijing, the U.S. and the Middle East

Offshore Engineering Services

- ❖ On the basis of continuing to stabilize the installation and offshore pipeline laying business, actively explore engineering services including onshore associated gas recovery and onshore wellhead oil and gas treatment, and focus on offshore wind power and other new energy business
- ❖ Accelerate the market layout and channel construction in domestic, Asia Pacific and Middle East, and focus on contracting and executing projects such as engineering commissioning and digital intelligence in the international market
- ❖ Introduction of talents, adhere to the innovation-driven and international development route, and strive to become an engineering service company with EPCI integrated service capability

Q & A

