

**HILONG HOLDING LTD:
A TOTALLY UNIMPRESSIVE OIL-FIELD EQUIPMENT COMPANY**

It Is A Publicly Listed Company In Name, Only

Bank borrowings and other financial liabilities of Hilong Holding Ltd () (Code: 1623, Main Board, The Stock Exchange of Hongkong Ltd), during the 49-month period, ended January 31, 2011, rose about 346.46 percent, from 172,450,000 renminbi to 769,923,000 renminbi.

And servicing that amount of debt could well be challenging for this Company, which disseminated its Global Offering Prospectus on Friday, March 11, 2011, when it Offered a total of 400 million, 10-Shares at an Offer Price, ranging between \$HK2.50 per Share and \$HK3.70 per Share.

As the statistics with regard to for the 45-month, track-record period, ended September 30, 2010, indicates, debt service, net of finance income, shot up from about 8.83 million renminbi in respect of the 2007 Financial Year to about 19.91 million renminbi in respect of the 9 months, ended September 30, 2010.

That is an increase of about 125.48 percent. (Please refer to **‘The Financials’**, below.)

Hilong Holding Ltd is hoping to obtain, net of expenses, about \$HK1,161,000,000 in its **Initial Public Offering (IPO)** of 400 million shares, that amount of money to be utilised as to:

- o \$HK329 million for the expansion of the Company’s oilfield services business by spending all of that money on buying drilling rigs and other equipment;
- o \$HK290 million for the expansion of coating materials and services business;
- o \$HK235 million for the retirement of some bank debt;
- o \$HK188 million for the retirement of debt to related parties;
- o \$HK118 million to upgrade production capacity for the Company’s drill pipes; and,
- o \$HK1 million to be tipped into the Working Capital Account

Clearly, this Company is coming to the Main Board of The Stock Exchange of Hongkong Ltd in order to raise what it must see as much-needed money because, among other things, Management sees the necessity to reduce some of the Company’s debt before servicing existing debt liabilities become too onerous.

The following table is lifted from Page 169 of the Global Offering Prospectus and, with regard to the build-up of the Company’s debt, it is self-explanatory:

<u>As of December 31,</u>			<u>As of</u>	<u>‘As of</u>
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>September 30, 2010</u>	<u>January 31,</u>
				<u>2011</u>

(In thousands of RMB)

Non-current					
Bank borrowing—unsecured	20,000	15,300	10,600	7,075	5,900
Related party borrowing	—	5,112	11,796	11,746	10,543
Less: Current portion of non-current borrowing	(4,700)	(4,700)	(10,318)	(16,446)	(15,243)
Current					
Bank borrowings — secured	79,000	159,519	264,000	288,000	400,956
Bank borrowing — unsecured	73,450	132,000	152,000	167,000	182,000
Series A convertible preferred shares	—	—	—	166,068	170,524
Current portion of non-current borrowing	<u>4,700</u>	<u>4,700</u>	<u>10,318</u>	<u>16,446</u>	<u>15,243</u>
Total	<u>172,450</u>	<u>311,931</u>	<u>438,396</u>	<u>639,889</u>	<u>769,923</u>

The Business

Hilong Holding Ltd is an integrated, oilfield equipment and service provider.

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