SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
勝利油氣管道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1080)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB425,724,000, representing a decrease of approximately 34.5% compared to the corresponding period in 2010.
- Profit before taxation was approximately RMB18,199,000, representing a decrease of approximately 77.6% compared to the corresponding period in 2010.
- Gross profit margin was 6.7%, representing a decrease of 8.7% points compared to the corresponding period in 2010.
- Basic earnings per share was approximately RMB0.49 cents.
- The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2011.

The board of directors (the "Board") of Shengli Oil & Gas Pipe Holdings Limited (the "Company") hereby to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Interim Period") prepared in accordance of the International Financial Reporting Standards as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2011 RMB'000 (Unaudited)	For the six months ended 30 June 2010 RMB'000 (Unaudited)
Revenue	3	**425,724**	649,694
Cost of sales		**(397,335)**	(549,478)
Gross profit		**28,389**	100,216
Other income and gains	4	**34,430**	15,595
Selling and distribution expenses		**(8,088)**	(8,415)
Administrative expenses		**(24,896)**	(20,031)
Other expenses		**(5,872)**	(5,719)
Operating profit		**23,963**	81,646
Finance costs	5	**(4,314)**	(305)
Share of loss of an associate		**(1,450)**	—
Profit before tax	6	**18,199**	81,341
Income tax expenses	7	**(5,969)**	(12,008)
Total comprehensive income for the period		**12,230**	69,333
Total comprehensive income attributable to:			
Owners of the parent		**12,230**	69,333
Non-controlling interests		**—**	—
		12,230	69,333
Earnings per share attributable to owners of the parent			
— Basic *(RMB cents)*	9	**0.49**	2.79
— Diluted *(RMB cents)*	9	**0.49**	2.79

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**30 June 2011** *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**561,970**	336,753
Lease prepayments	*11*	**49,502**	49,520
Goodwill		**2,525**	2,525
Other intangible assets		**23**	—
Interests in associates	*12*	**250,450**	247,000
Interest in a jointly-controlled entity	*13*	**18,000**	—
Other financial asset		**54,298**	53,000
Deferred tax assets		**1,231**	—
Total non-current assets		**937,999**	688,798
CURRENT ASSETS			
Inventories		**620,143**	176,069
Trade and bills receivables	*14*	**422,968**	465,468
Prepayments, deposits and other receivables	*15*	**494,131**	210,998
Loan receivable	*16*	**300,000**	100,000
Lease prepayments	*11*	**1,028**	1,023
Held-to-maturity investment		**6,000**	—
Pledged deposits		**66,621**	87,300
Cash and cash equivalents		**324,267**	356,963
Total current assets		**2,235,158**	1,397,821
TOTAL ASSETS		**3,173,157**	2,086,619
CURRENT LIABILITIES			
Trade payables	*17*	**219,339**	68,357
Other payables and accruals	*18*	**341,393**	47,828
Tax payable		**7,861**	8,310
Interest-bearing bank loans	*19*	**285,336**	—
Total current liabilities		**853,929**	124,495
NET CURRENT ASSETS		**1,381,229**	1,273,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,319,228**	1,962,124

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*19*	**350,386**	—
Deferred tax liabilities		**612**	458
Total non-current liabilities		**350,998**	458
NET ASSETS		**1,968,230**	1,961,666
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	*20*	**219,032**	219,572
Less: Treasury shares		**(3,205)**	—
Reserves		**1,752,403**	1,742,094
TOTAL EQUITY		**1,968,230**	1,961,666

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Issued capital	Treasury shares (i)	Share premium	Statutory surplus reserve (ii)	Share options reserve (iii)	Other reserve	Retained earnings	Approved final dividend (iv)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011 (Audited)	**219,572**	**—**	**1,154,829**	**50,824**	**13,296**	**(9)**	**523,154**	**—**	**1,961,666**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**12,230**	**—**	**12,230**
Repurchase of shares (v)	**(540)**	**—**	**(7,489)**	**—**	**—**	**—**	**—**	**—**	**(8,029)**
Treasury shares	**—**	**(3,205)**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,205)**
Approved final dividend	**—**	**—**	**(22,286)**	**—**	**—**	**—**	**—**	**22,286**	**—**
Share-based payment	**—**	**—**	**—**	**—**	**5,568**	**—**	**—**	**—**	**5,568**
At 30 June 2011 (Unaudited)	**219,032**	**(3,205)**	**1,125,054***	**50,824***	**18,864***	**(9)***	**535,384***	**22,286***	**1,968,230**

	Issued capital	Share premium	Statutory surplus reserve	Share options reserve	Other reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010 (Audited)	211,656	1,033,948	9,685	—	(9)	475,129	1,730,409
Profit for the period	—	—	—	—	—	69,333	69,333
Appropriation of statutory surplus reserve	—	—	41,139	—	—	(41,139)	
Issue of new shares	7,916	166,231	—	—	—	—	174,147
Transaction costs attributable to overallotment of shares	—	(6,213)	—	—	—	—	(6,213)
Share-based payment	—	—	—	5,902	—	—	5,902
Dividend recognized as distribution	—	(43,590)	—	—	—	—	(43,590)
At 30 June 2010 (Unaudited)	219,572	1,150,376	50,824	5,902	(9)	503,323	1,929,988

* The aggregate of these reserve represents the consolidated reserve of RMB1,752,403,000 (31 December 2010: RMB1,742,094,000) on the interim condensed consolidated statement of financial position.

Notes:

(i) TREASURY SHARES

In June 2011, the Company repurchased 2,970,000 shares . These shares had yet not been formally cancelled at the end of the reporting period. The total consideration paid to repurchase these shares amounted to HKD3,838,000 (equivalent to RMB3,205,000) and such repurchased but not yet cancelled shares were recorded as treasury shares as at 30 June 2011.

(ii) STATUTORY SURPLUS RESERVE

As stipulated by the relevant laws and regulations for enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. The appropriations to such reserve are made out of net profit after taxation of the statutory financial statements of the relevant PRC subsidiaries. The amount and basis of allocation are determined by the Board each year. The statutory surplus reserve fund can be used to make up prior year cumulative losses, if any, and can be converted into capital.

(iii) SHARE OPTIONS RESERVE

Share options reserve represents the reserve arising from the share option scheme for eligible employees of the Group.

(iv) APPROVED FINAL DIVIDEND

The dividend represents final dividend for the year ended 31 December 2010 approved by the shareholders in the annual general meeting on 29 June 2011. Such dividend has not been paid at the end of this reporting period.

(v) REPURCHASE OF SHARES

In April 2011, the Company repurchased 6,450,000 shares. These shares had been cancelled by the Company on 18 May 2011. The total consideration to repurchase these shares amounted to HKD9,568,000 (equivalent to RMB8,029,000), of which RMB540,000 and RMB7,489,000 were debited to the Company's issued capital and share premium accounts, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(253,262)**	(474,015)
Net cash used in investing activities	**(401,004)**	(193,205)
Net cash from financing activities	**621,570**	36,981
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(32,696)**	(630,239)
Cash and cash equivalents at beginning of period	**356,963**	1,168,293
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**324,267**	538,054

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 3 July 2009. Its parent and ultimate holding company is Aceplus Investments Limited ("Aceplus"), a company incorporated in the British Virgin Islands. Mr. Yan Tangfeng is the ultimate controlling shareholder of the Company who holds the equity interest in the Company through his wholly owned investment holding company, named, Aceplus.

The Company acts as an investment holding company. The principal activities of the Group are manufacture, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 December 2009.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

Impact of new and revised IFRSs

The principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the audited annual financial statements of the Group for the year ended 31 December 2010, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRS"):

IFRS 1 Amendments	*Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendments	*Amendments to IAS 32 Financial Instruments: Presentation — classification of Right Issues*
IFRIC 14 Amendments	*Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*

Improvements to IFRS (issued in May 2010)

In May 2010, the IASB issued its third omnibus of amendment to its standards, including improvements to IFRS1, IFRS3, IFRS7, IAS1, IAS27, IAS34 and IFRIC 13, primarily with a view to remove inconsistencies and clarify wording.

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these Interim condensed consolidated financial statements.

IFRS 1 Amendment	*Amendment to IFRS 1 First-time Adoption of IFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
IFRS 9	*Financial Instruments* [4]
IFRS 10	*Consolidated Financial Statements* [4]
IFRS 11	*Joint Arrangements* [4]
IFRS 12	*Disclosure of Interests in Other Entities* [4]
IFRS 13	*Fair Value Measurement* [4]
IAS 1 Amendments	*Amendments to IAS 1 Presentation of Financial Statements — Presentation of other comprehensive income* [3]
IAS 12 Amendments	*Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
IAS 19 Amendments	*Amendments to IAS 19 Employee Benefits — Post-Employment benefits and Termination Benefits projects* [4]
IAS 27 (2011)	*Separate Financial Statements* [4]
IAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

a. Revenue

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts and the value of services rendered during the periods.

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(unaudited)	(Unaudited)
Sales of goods	**420,988**	627,936
Rendering of services	**4,736**	21,758
	425,724	649,694

b. Segment information

For management purpose, the Group has two reportable segments: spiral submerged arc welded pipe operation ("SSAW Pipes Business") and cold-formed section steel operation ("Cold-formed Section Steel Business"). The SSAW Pipes Business segment produces spiral submerged arc welded pipes which are mainly used for the oil industry and the Cold-formed Section Steel Business produces the cold-formed section steel which are mainly used for infrastructure industry.

These reportable segments form the basis on which the Group's chief operating decision maker makes decision about resource allocation and performance assessment.

Segment revenue and results

For the six months ended 30 June 2011 (Unaudited)

	SSAW Pipes Business *RMB'000*	**Cold-formed Section Steel Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
REVENUE				
Sales to external customers	**324,703**	**101,021**	**—**	**425,724**
Intersegment sales	**—**	**37**	**(37)**	**—**
Total revenue	**324,703**	**101,058**	**(37)**	**425,724**
Segment result	**17,350**	**3,740**	**—**	**21,090**
Interest income				**22,586**
Unallocated expenses				**(21,163)**
Finance costs				**(4,314)**
Profit before tax				**18,199**

For the six months ended 30 June 2010 (Unaudited)

	SSAW Pipes Business *RMB'000*	Cold-formed Section Steel Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
REVENUE				
Sales to external customers	591,017	58,677	—	649,694
Intersegment sales	—	2,610	(2,610)	—
Total revenue	591,017	61,287	(2,610)	649,694
Segment result	92,039	3,076	—	95,115
Interest income				1,798
Unallocated expenses				(15,267)
Finance costs				(305)
Profit before tax				81,341

The inter-segment sales were based on agreed selling price between two parties.

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' fees, finance costs, share-based payments, foreign currency exchange gains/losses and items not directly related to the core business of segments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets

As at 30 June 2011 (Unaudited)

	SSAW Pipes Business *RMB'000*	**Cold-formed Section Steel Business** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Segment assets	**3,086,615**	**141,083**	**(1,782,655)**	**1,445,043**
Unallocated assets				**1,728,114**
Total consolidated assets				**3,173,157**

As at 31 December 2010 (Audited)

	SSAW Pipes Business *RMB'000*	Cold-formed Section Steel Business *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment assets	2,048,565	124,700	(1,417,914)	755,351
Unallocated assets				1,331,268
Total consolidated assets				2,086,619

Geographical information

Revenue from external customers

	For the six months ended	
	30 June 2011 *RMB'000* **(Unaudited)**	30 June 2010 RMB'000 (Unaudited)
Mainland China	**264,698**	649,694
Other country	**161,026**	—
	425,724	649,694

The revenue information above is based on the location of the customers. The other country represents Myanmar.

Information about major customers

For the six months ended 30 June 2011, revenue of approximately RMB161,026,000 was derived from sales to a single customer. For the six months ended 30 June 2010, revenue of approximately RMB407,931,000 was derived from sales to two major customers.

4. OTHER INCOME AND GAINS

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**22,586**	1,798
Gain on sales of materials	**9,977**	13,255
Fair value gains of derivative financial instrument	**1,298**	—
Government grants	**133**	—
Quality inspection and testing service income	**94**	399
Gain on disposal of property, plant and equipment	**—**	143
Others	**342**	—
	34,430	15,595

5. FINANCE COSTS

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on interest–bearing bank loans	**4,314**	305

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold (i)	**392,368**	540,916
Cost of services provided	**4,967**	8,562
	397,335	549,478
Staff costs (including directors' remuneration):		
Wages, salaries and bonuses	**21,046**	22,386
Retirement benefit scheme contributions	**2,216**	1,836
Welfare and other expenses	**2,327**	3,357
Expense of share-based payments	**5,568**	5,902
	31,157	33,481
Depreciation of property, plant and equipment	**14,917**	12,411
Amortization of lease prepayments	**159**	159
Exchange losses, net	**2,575**	4,961
Auditors' remuneration	**500**	512

(i) The amount included a reversal of write–off of inventories of RMB92,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB1,132,000).

7. INCOME TAX EXPENSES

The major components of income tax expense are as follows:

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
Mainland China	**7,046**	12,008
Deferred income tax	**(1,077)**	—
	5,969	12,008

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for the six months ended 30 June 2011 and 30 June 2010.

The statutory tax rate of China Petro Equipment Holdings Pte Ltd. ("CPE"), a subsidiary of the Company incorporated in the Republic of Singapore ("Singapore"), was 17% for the six months ended 30 June 2011 and 30 June 2010. No provision for Singapore Income Tax has been made as the income of the Group neither arising in nor derived from Singapore.

The statutory tax rate of Shandong Shengli Steel Pipe Co., Ltd. ("Shangdong Shengli"), a subsidiary of the Company established in the PRC was 25%. Shandong Shengli is entitled to an exemption from income tax for the two years commencing from its first profit-making year of operations and thereafter, entitled to a 50% relief for the subsequent three years. Shandong Shengli was exempted from income tax in year 2008 and 2009 and enjoyed 50% relief in year 2010, 2011 and 2012.

The tax charge for the six months ended 30 June 2011 and 30 June 2010 can be reconciled to the profit before tax in the interim condensed consolidated statement of comprehensive income as follows:

		For the six months ended	
	Notes	**30 June 2011**	30 June 2010
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit before tax		**18,199**	81,341
Tax at tax rate applicable to the Group's principal place of operation		**4,550**	20,335
Effect of expenses that are not deductible for tax purpose		**298**	147
Tax effect of tax loss not recognized	*(i)*	**3,397**	3,534
Share of loss of an associate		**363**	—
Others	*(ii)*	**1,693**	—
Effect of tax exemption		**(4,332)**	(12,008)
		5,969	12,008

Note:

(i) No deferred tax assets have been recognized for tax loss of RMB 13,588,000 (six months ended 30 June 2010: RMB14,136,000) derived from subsidiaries of the Group as the management of the Group is of the view that it is not probable that taxable profits of that subsidiaries will be available against which tax loss can be utilized.

(ii) Others mainly represents withholding income tax accrued by Shangdong Shengli for deemed interest income of the Company for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

(iii) Pursuant to PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends to be paid by the Company's PRC operating subsidiaries based on their profits generated from 2008 onwards to "non-resident" investors who do not have an establishment or place of business in the PRC. In accordance to PRC tax circular (Guoshuihan [2008] 112) effective from 1 January 2008, "non-resident" investors located in countries having tax treaties with the PRC are entitled to certain preferential tax rates or exemptions. But the preferential tax rate or exemptions need the approval of local tax authority. According to the "Agreement Between the Government of the People's Republic of China and the Government of the Republic of Singapore for Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income", if a Singapore resident company directly owns at least 25% interest in a PRC company, 5% dividend withholding tax shall be applied. The approval of relevant tax authority was not obtained by the PRC subsidiary of the Group, the Group is therefore liable to 10% withholding tax on dividends to be distributed by PRC subsidiary in respect of earnings generated from 1 January 2008 and afterwards.

As at 31 December 2010 and 30 June 2011, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognized was RMB620 million and RMB645 million, respectively. No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Company, the shareholder of Shandong Shengli, the Group's principal operating subsidiary, has resolved that the profit from its operations for the relevant period will be retained and not be distributed. Therefore, it is probable that such differences will not reverse nor subject to withholding tax in the foreseeable future.

8. DIVIDENDS

On the annual general meeting of the Company held on 29 June 2011, the Company's shareholders approved payment of a final dividend of RMB0.00895 per share (equivalent to HK$0.01064 per share) for the year ended 31 December 2010 (2009: RMB0.0176 per share (equivalent to HK$0.02 per share)), which will be charged to the share premium account. The above mentioned final dividend has not been paid or recognized as a liability by the end of the reporting period.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the six months ended 30 June 2011 and 30 June 2010 were based on the consolidated profit attributable to owners of the Company for the respective period of approximately RMB 12,230,000 (for the six months ended 30 June 2010: RMB69,333,000) and the weighted average number of shares of 2,488,432,044 (for the six months ended 30 June 2010: 2,483,535,912), which was determined on the basis that a total of 6,450,000 issued shares were repurchased by the Company on 18 May 2011 (for the six months ended 30 June 2010: an additional 90,000,000 new shares were issued and exercised by Macquarie Capital Securities Limited on 14 January 2010).

The calculation of diluted earnings per share for the six months ended 30 June 2011 was calculated on the basis of no exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the Company's shares for the six months ended 30 June 2011.

10. PROPERTY, PLANY AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment at a total cost of RMB241,223,000 (six months ended 30 June 2010: RMB94,986,000).

Property, plant and equipment with a net book value of RMB542,000 (six months ended 30 June 2010: RMB474,000) were disposed of by the Group during the six months ended 30 June 2011.

11. LEASE PREPAYMENTS

As at 30 June 2011, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate net book value of approximately RMB33 million (31 December 2010: RMB33 million). The Directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2011.

12. INTERESTS IN ASSOCIATES

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Share of net assets	**129,382**	125,932
Goodwill on acquisition	**121,068**	121,068
	250,450	247,000

Particulars of the associates of the Group are as follows:

Company name	**Place and date of incorporation/ operations**	**Registered capital**	**Percentage of equity interest held by the Group**	**Principal activities**
Beijing Golden Fortune Investment Co., Ltd（北京慧基泰展投資有限公司）(i)	The PRC/Mainland China 23 May 2006	RMB 108,360,000	25%	natural gas distribution and gas pipeline construction
Tengzhou Fifth Season Real Estate Development Co., Ltd（滕州市第五季房地產開發有限公司）(ii)	The PRC/Mainland China 26 January 2011	RMB 20,000,000	49%	Development and sale or lease of Real Estate and property management

(i) Summarized financial information of Beijing Golden Fortune Investment Co., Ltd ("Golden Fortune") at the date of acquisition and at the end of reporting period is as follows:

	30 June 2011 *RMB'000*	21 December 2010 *RMB'000*
Total assets	**1,202,470**	1,157,916
Total liabilities	**(683,379)**	(631,762)
Net assets	**519,091**	526,154
Non-controlling interests	**(21,163)**	(22,425)
	497,928	503,729
The Group's share of net assets of Golden Fortune	**124,482**	125,932
Goodwill arising on the acquisition of Golden Fortune	**121,068**	121,068

Although completion of the acquisition of Golden Fortune was on 21 December 2010, the management of the Group are of the view that the Group's share of profits and other comprehensive income of Golden Fortune during the period from 21 December 2010 to 31 December 2010 is insignificant and accordingly, the Group's share of profits and other comprehensive income of Golden Fortune for the year ended 31 December 2010 has not been accounted for. During the six months ended 30 June 2011, the Group's share of loss of Golden Fortune amounted to RMB1,450,000.

(ii) On 26 January 2011, Shandong Muxin Investment Co., Ltd ("Shandong Muxin"), a wholly owned subsidiary of the Company, entered into an agreement with Tengzhou Fifth Season Property Management Co., Ltd and an individual, Wang Hui, pursuant to which, the three parties agreed to make an aggregate capital contribution of RMB10,000,000 to set up a new real estate and property management company named Tengzhou Fifth Season Real Estate Development Co., Ltd (滕州市第五季房地產開發有限公司) ("Tengzhou Fifth Season"). Shandong Muxin contributed RMB4,900,000, accounting for 49% of equity interest in Tengzhou Fifth Season. Tengzhou Fifth Season did not commence operation as of the end of the reporting period.

13. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Cost of investment	**18,000**	—

On 27 January 2011, Shangdong Muxin entered into an agreement with an individual, Chen Zujie to set up a partnership in the PRC, Shenzhen Taihe Tiandi Investment Partnership (深圳市泰和天地投資合夥企業) ("Shenzhen Taihe"), pursuant to which, Shandong Muxin and Chen Zujie contributed RMB18,000,000 and RMB2,000,000 respectively. Shenzhen Taihe is primarily engaged in the business of equity investment, investment management and investment consultation. The registered capital of Shenzhen Taihe was RMB20,000,000.

Pursuant to the partnership agreement, Shandong Muxin acts as partner with limited liability and Chen Zujie acts as executive partner with unlimited liability. Each of Shandong Muxin and Chen Zujie are entitled with one vote in the partnership meeting. The audited return on investment of Shenzhen Taihe will be distributed to the partners in the following orders:

(i) Appropriation of 10% of the annual profit to all partners according to the percentage of capital contribution and the time of contribution.

(ii) provision of short-term management fee.

(iii) Appropriation of 80% of the residual profit to all partners based on their shares of the equitable interests after appropriation of 20% of the residual profit to executive partner.

14. TRADE AND BILLS RECEIVABLES

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Trade receivables	**379,585**	410,391
Bills receivables	**43,383**	55,077
	422,968	465,468

The Group generally allows a credit period of 90 days to trade customers. All of the bills receivable are within 90 days.

The aged analysis of the Group's trade receivables as at the end of the reporting periods are as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within 90 days	**181,354**	297,305
Over 90 days but within 1 year	**189,150**	70,231
Over 1 year	**9,081**	42,855
	379,585	410,391

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Advance to suppliers	**441,707**	189,421
Tender deposits to customers	**13,811**	10,588
Other tax receivables	**30,854**	2,663
Others	**7,759**	8,326
	494,131	210,998

The Group's other tax receivables mainly represents value added tax ("VAT") receivable.

16. LOAN RECEIVABLE

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Loan receivable, within one year	**300,000**	100,000

The Group's loan receivable represents a secured loan granted to third parties through financial institutions in the PRC. As at 30 June 2011, the loan bears an interest of 16% per annum and will be due within one year.

17. TRADE PAYABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Related parties	**—**	809
Non-related parties	**219,339**	67,548
	219,339	68,357

The aged analysis of the Group's trade payables as at the end of the reporting periods is as follows:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**162,695**	29,339
Over 90 days but within 1 year	**56,577**	38,077
Over 1 year	**67**	941
	219,339	68,357

The trade payables are non-interest-bearing and the payment terms with suppliers are mainly on credit of 90 days to 120 days from the time when goods are received from suppliers.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Advances from customers	**304,502**	13,634
Payable on acquisition of property, plant and equipment	**20,600**	9,868
Other tax payable	**3,265**	—
Others	**13,026**	24,326
	341,393	47,828

19. INTEREST-BEARING BANK LOANS

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current Bank Loans:		
Unsecured	**50,000**	—
Secured	**200,386**	—
Current portion of long term bank loans — unsecured	**34,950**	—
	285,336	—
Non-current Bank Loans:		
Unsecured	**350,386**	—

The interest rate of the bank loans during the six months ended 30 June 2011 ranged from 3.20% to 6.44% per annum (year ended 31 December 2010: Nil).

The above secured bank loans were secured by certain assets of the Group and their respective carrying value are as follows:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Bank balances	**52,810**	—
Trade receivables	**113,023**	—
	165,833	—

The maturity profile of the interest-bearing bank loans as at 30 June 2011 and 31 December 2010 is as follows:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
With maturities:		
Within one year	**285,336**	—
In the second year	**74,950**	—
In the third to fifth years, inclusive	**275,436**	—
	635,722	—

20. SHARE CAPITAL

	Number of shares	**Share capital** *HKD'000*
Share of HK$0.1 each		
Authorized:		
— Upon incorporation	3,800,000	380
— Increase on 21 November 2009	4,996,200,000	499,620
At 31 December 2010 and 30 June 2011	5,000,000,000	500,000

	Number of shares	Share capital	
		HKD'000	*RMB'000*
Issued and fully paid:			
One share allotted and issued at nil paid on date of incorporation	1	—	—
One share allotted and issued at nil paid on 23 September 2009	1	—	—
Issue of shares on Group Reorganization	99,998	10	9
Issue of shares on Capitalization of shareholder's Loans	100,000	10	9
Issue of shares on Listing	600,000,000	60,000	52,914
Issue by capitalization of the share premium account relating to Capitalization Issue	1,799,800,000	179,980	158,724
Issue of shares on over allotment	90,000,000	9,000	7,916
At 31 December 2010 and 1 January 2011	2,490,000,000	249,000	219,572
Repurchase of shares	(6,450,000)	(645)	(540)
At 30 June 2011	2,483,550,000	248,355	219,032

21. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the period are as follows:

	Number of share options
Granted on 10 February 2010 and outstanding as at 31 December 2010	24,000,000
Outstanding as at 30 June 2011	22,500,000

Pursuant to the Company's announcement on 10 February 2010, the Company granted to eligible participants ("Grantees") a total of 24,000,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company, at an exercise price of HK$2.03 per share.

The share options granted has a 10-year exercisable period and shall vest as follows:

Vesting date	Percentage of Share options to vest
First anniversary of the date of Grant	One-third of the total number of share options granted
Second anniversary of the date of Grant	One-third of the total number of share options granted
Third anniversary of the date of Grant	One-third of the total number of share options granted

The closing price of the Company's shares immediately before 10 February 2010, being the date of grant, was HK$1.98.

The aggregate fair value of the options determined at the date of grant, using the Binomial model were HK$29,100,000.

The following assumptions were used to calculate the fair values of share options granted on 10 February 2010:

Grant date share price	HK$1.98
Exercise price	HK$2.03
Contractual life	10 years
Expected volatility	67%
Dividend yield	0%
Risk-free interest rate	2.87%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognized in profit or loss, with a corresponding adjustment to the share option reserve.

During the six months ended 30 June 2011, the Group recognized share-based payments of RMB5,568,000, which has been charged to the condensed consolidated statement of comprehensive income.

22. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Within one year	**6,850**	6,850
In the second to fifth years, inclusive	**3,425**	6,850
	10,275	13,700

Operating lease payments represent rentals payable by the Group for factory premises. Leases are negotiated for lease terms of 3 years.

23. COMMITMENTS

(i) Capital commitments

The Group had the following amounts of contractual commitments for the acquisition and construction of property, plant and equipment as at the end of the reporting period.

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Contracted, but not provided for:	**86,525**	229,347

(ii) Investment commitments

The Group had the following amounts of investment commitments as at the end of the reporting period:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Associate	**4,900**	—
Authorized, but not contracted for:		
Joint-controlled entity	**255,000**	—

24. RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The Directors of the Company consider that the following entities are related parties of the Group:

Name of related party	**Relationships with the Company**
Shengli Steel PipeCo., Ltd. ("Shengli Steel Pipe")	Common directors
Zibo Shengli Coating Engineering Co., Ltd. ("Shengli Coating")	Common directors and associate of Shengli Steel Pipe
Aceplus	Ultimate holding company
SEAVI Advent Equity V(A) Ltd, ("SEAVI")	Shareholder of the Company and with representative in the Company's board of directors
Golden Fortune	Associate of the Company
Tengzhou Fifth Season	Associate of the Company
Shenzhen Taihe	Jointly-controlled entity of the Company

(b) Significant related party transactions

The Group has the following transactions with related parties during the six months period ended 30 June 2011 and 30 June 2010:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Utilities income received from:		
— Shengli Coating	**—**	199
Rental expense paid to:		
— Shengli Steel Pipe	**3,425**	3,200

(c) Trade balances and other receivables with related parties

The Group has significant trade and other receivables and payables with the following related parties as at the end of the reporting periods:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payable:		
— Shengli Steel Pipe	**—**	809
Other receivable:		
— Shengli Steel Pipe	**—**	4,167

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the six months period ended 30 June 2011 and 30 June 2010 were as follows:

	For the six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Compensation of key management personnel of the Group Salaries and allowances	**3,518**	1,864
Retirement benefits scheme contributions	**57**	61
Share-based payments	**4,380**	4,721
	7,955	6,646

25. EVENTS AFTER THE REPORTING PERIOD

On 12 August 2011, Shandong Shengli entered into an agreement with Huayou Xingye (Xinjiang) Oil Equipment Manufacturing Co., Ltd ("Huayou Xinjiang"), and the shareholders of Huayou Xinjiang, Beijing Huayou Xingye Energy Investment Co., Ltd ("Huayou Beijing"), Tianjin Dehua Oil Equipment Manufacturing Co., Ltd ("Tianjin Dehua") and Mr. Chengxinyuan ("Mr. Cheng"), pursuant to which Shandong Shengli and Huayou Beijing will subscribe for new equity by contribution of cash of RMB99,000,000 and RMB1,000,000, respectively, in the registered capital of Huayou Xinjiang. Upon the completion of the subscription of new equity, the equity interest of Huayou Xinjiang held by Shandong Shengli, Huayou Beijing, Tianjin Dehua and Mr. Cheng will be 55%, 27.222%,15.556% and 2.222%, respectively.

26. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 13 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the six months ended 30 June 2011, the Group recorded an unaudited revenue of RMB425,724,000, representing a decrease of 34.5% when compared to RMB649,694,000 in the same period last year. The decrease was mainly due to the reduction in the revenue from SSAW pipeline business as a result of the tightening measures adopted by the PRC government, and the resultant delays in the commencement of the construction of a number of major national oil and gas pipelines in the PRC. For the six months ended 30 June 2011, among the two core business segments of the Group, revenue from SSAW pipes business was RMB324,703,000 (for the six months ended 30 June 2010: RMB591,017,000), representing a decrease of approximately 45.1% compared to the same period last year, whereas revenue from cold-formed section steel was RMB101,021,000 (for the six months ended 30 June 2010: RMB58,677,000), representing an increase of approximately 72.2% compared to the same period last year.

Gross profit

For the period under review, gross profit amounted to RMB28,389,000 (for the six months ended 30 June 2010: RMB100,216,000), representing a decrease of 71.7% when compared to the same period last year. The overall gross profit margin was 6.7% (for the six months ended 30 June 2010: 15.4%), representing a decrease of 8.7 points when compared to the same period last year. The decrease in the overall gross profit margin was primarily caused by the following reasons: (1) the low utilization rate of the Group's production facilities, as a result of which, the Group was unable to leverage its economies of scale; (2) the decline in national pipeline projects; (3) the decline in orders and unit price of the processing services; and (4) the increase in sales of steel pipes which has a relatively low profit margin. Profit before tax was RMB18,199,000 (for the six months ended 30 June 2010: RMB81,341,000), representing a decrease of approximately 77.6% from the same period last year, which was mainly attributable to the decrease in revenue and increase in costs and expenses.

Other income and gains

For the six months ended 30 June 2011, other income and gains was RMB34,430,000, representing an increase of RMB18,835,000 when compared to the same period last year. The increase was mainly attributable to the significant increase in interest income, which amounted to RMB22,586,000 for the period, compared to only RMB1,798,000 for the same period last year.

Selling and distribution expenses

For the six months ended 30 June 2011, selling and distribution expenses amounted to RMB8,088,000, representing a decrease of 3.9% when compared to the same period last year. Selling and distribution expenses mainly included transportation costs, and fees relating to preparation and participations of biddings by the Group.

Administrative expenses

For the six months ended 30 June 2011, administrative expenses were RMB24,896,000, representing an increase of 24.3% when compared to the same period last year. The main reason for the increase in the relevant expenses was that the Group increased the salaries of its management and administrative staffs during the period. Another factor attributable to such increase was the increase in administrative expenses of the Hong Kong office, which was only established close to the end of the second quarter of the previous year.

Finance costs

For the six months ended 30 June 2011, finance costs were approximately RMB4,314,000, representing a significant increase compared to RMB305,000 for the same period last year. The increase was mainly due to the obtaining of RMB635 million loans by the Group during the six months ended 30 June 2011 to meet its capital needs during the business expansion, which led to the increase of related finance costs.

Income tax expenses and net profits

The major operating subsidiary of the Group is entitled to a 50% deduction of the normal PRC corporate income tax for three years starting from 1 January 2010 and therefore the applicable tax rate for the Group's primary business for the six month ended 30 June 2011 was 12.5%. After deduction of tax of RMB5,969,000 (For the six months ended 30 June 2010: RMB12,008,000), the Group recorded an unaudited net profit of RMB12,230,000 (For the six months ended 30 June 2010: RMB69,333,000).

Assets and liabilities

As of 30 June 2011, the total assets of the Group were approximately RMB3,173,157,000 (as of 31 December 2010: RMB2,086,619,000) and the net assets of the Group were approximately RMB1,968,230,000 (as of 31 December 2010: RMB1,961,666,000). Net assets per share amounted to RMB0.79, representing an increase of RMB0.01 when compared to that of 31 December 2010. The total liabilities of the Group were RMB1,204,927,000 as of 30 June 2011 (as of 31 December 2010: RMB124,953,000). The increase in total liabilities is due to the new bank loans of RMB635,722,000 and increase in trade payable and advances from customers. The increase in inventory, advances to suppliers and advances from customers as of 30 June 2011 was caused by the increase in sales orders towards the end of the reporting period. There is no inventory risk since all inventories were made based on actual sales orders. As of 30 June 2011, the Group had cash and cash equivalents of RMB324,267,000.

Use of proceeds raised from the initial public offering

The Group raised net proceeds of approximately RMB1,098,500,000 from its initial public offering and listing of its shares on the Stock Exchange on 18 December 2009. None of the proceeds was utilized on or before 31 December 2009. Upon the exercise of the over-allotment option on 1 January 2010, net proceeds from the initial public offering increased to RMB1,269,900,000. As of 30 June 2011, RMB362,900,000 of the net proceeds from the initial public offering had been utilized by the Company in the manner as described in the prospectus dated 9 December 2009 ("Prospectus"), and the balance of RMB907,000,000 has not yet been utilized. The Group intends to continue to apply the proceeds in the same manner as disclosed in the Prospectus. The Group will continue to implement a prudent fiscal policy, and maintain a strong liquidity position and adequate cash, in order to meet the capital requirements for its day-to-day operations and future development. The Group did not entered into any hedging arrangements during the period under review.

Project	Cumulative use of proceeds from the initial public offering	
	Allocated amount *RMB (million)*	**Actual incurred amount** *RMB (million)*
(1) construction of a LSAW pipe production line with an annual capacity of 200,000 tonnes, and an anti-corrosion coating production line	650	—
(2) construction of SSAW pre-welding and precision welding steel pipes production facilities with an annual capacity of 360,000 tonnes, and a SSAW production line with an annual capacity of 100,000 tonnes	440	361.4
(3) upgrading of cold-formed section steel production facilities to a ERW pipe production line with an annual capacity of 100,000 tonnes	50	The plan has been temporarily suspended
(4) working capital and other general corporate purposes	130	1.5
Total	1,270	362.9

INTERIM DIVIDENDS

The Board did not recommend the payment of an interim dividend during the six months ended 30 June 2011 (for the six months ended 30 June 2010: Nil).

BUSINESS REVIEW

The Group is one of the largest manufacturers of oil and natural gas line pipes in the PRC, and is principally engaged in two business segments: SSAW pipes and cold-formed section steel.

SSAW Pipes

As one of the largest manufacturers of oil and natural gas line pipes in the PRC, the Company is one of the few suppliers in the PRC which are able to provide SSAW pipes of high pressure and large diameter that meet the long-haul requirements for the transportation of (among other things) crude oil, refined petroleum products and natural gas. In addition, the Company is also the only non-state owned enterprise among a few approved and qualified manufacturers in China to provide services to major domestic oil and natural gas companies ("qualified manufacturers"). The Group specializes in the design, manufacture, anti-corrosion processing and other value-added services of SSAW pipes that are used to transport crude oil, refined petroleum products and natural gas.

As of 30 June 2011, an aggregate length of approximately 19,300 km of the Group's SSAW pipes had been installed in major trans-national oil and gas pipelines, among which, 94.4% was installed within the PRC, and the remaining 5.6% was installed overseas. It is expected that after the completion of construction and commencement of operations of the SSAW pre-welding and precision welding steel pipes production facilities invested and built by the Group with an annual capacity of 360,000 tonnes in the second half of 2011, the total annual capacity of the Group's SSAW pipe production line will reach 1,000,000 tonnes, which is estimated to account for about one third of the current total capacity of all qualified manufacturers in the PRC. For the six months ended 30 June 2011, total revenue from the SSAW pipe business segment amounted to RMB324,703,000 (for the six months ended 30 June 2010: RMB591,017,000), accounting for approximately 76.3% of the Group's total revenue for the period (for the six months ended 30 June 2010: 91.0%). The SSAW pipe business is mainly divided into (1) sales of SSAW pipes; (2) processing services of SSAW pipes; and (3) anti-corrosion processing services.

Revenue from the sales of SSAW pipes amounted to RMB288,997,000 (for the six months ended 30 June 2010: RMB523,268,000), representing a decrease of 44.8% when compared to the same period last year. Approximately 49.9% of the relevant sales was generated from national pipeline projects (for the six months ended 30 June 2010: 73.8%). Revenue from processing services of SSAW pipes was RMB4,721,000 (for the six months ended 30 June 2010: RMB20,781,000), representing a decrease of 77.3% when compared to that of the same period last year. For the period, 100% of the relevant revenue from anti-corrosion processing was generated from national pipeline projects (during the six months ended 30 June 2010: 90.5%). As a result of the reduction of orders from national pipeline projects and lesser demand for anti-corrosion processing services from regional pipeline projects in the first half of the year, there was a significant decrease in revenue from anti-corrosion processing services during the period. For the six months ended 30 June 2011, revenue from anti-corrosion processing services was RMB30,985,000 (for the six months ended 30 June 2010: RMB46,968,000), representing a decrease of 34.0% when compared to the same period last year.

In 2011, some oil and gas pipeline projects were re-launched by the government in the first year of the 12th National Five-Year Plan. The Company will actively seize the opportunities, and believes that its business can benefit from the exciting opportunities offered in the 12th National Five-Year Plan. However, due to the production time and revenue recognition policies of the Group, the benefit brought to the Group by such re-launching has not been reflected in its results under review. As of the six months ended 30 June 2011, the Group sold a total of 65,066 tonnes of SSAW pipes (for the six months ended 30 June 2010: 127,846 tonnes), representing a decrease of 49.1%.

Sales volume (tonnes)	**First half of 2011**	First half of 2010	Change (%)
Sales of SSAW pipes	**56,094**	95,352	–41.2%
Processing services of SSAW pipes	**8,972**	32,494	–72.4%
Total	**65,066**	127,846	–49.1%
Anti-corrosion services (square metre)	**542,430**	756,313	–28.3%

In the first half of 2011, the Group provided SSAW pipes for a number of national and regional pipeline projects, among which, national pipelines projects included the Third Shaanxi-Beijing Gas Pipeline (陝京三線), the Taishan-Qingdao-Weihai Gas Pipelines (泰青威管線), the Rizhao-Dongming Gas Pipelines (日照東明管線), the China-Myanmar Gas Pipelines (中緬管線), and the Tieshan Port-Shankou and Daniudi Gas Pipelines (鐵山港 — 山口和大牛地管線); and regional pipeline projects included the Jingbian-Xi'an Pipelines (靖邊 — 西安管線), the Yantai-Zibo Pipelines (烟台港 — 淄博管線). The projects that the Company provided anti-corrosion services during the period under review included the Third Shaanxi-Beijing Gas Pipeline (陝京三線), the Taishan-Qingdao-Weihai Gas Pipelines (泰青威管線), the Rizhao-Dongming Gas Pipelines (日照東明管線) and the China-Myanmar Gas Pipelines (中緬管線). Due to the reduction in the overall production volume, during the six months ended 30 June 2011, the utilization rate of the capacity of SSAW pipes was 28.3% (for the six months ended 30 June 2010: 54.1%), representing a decrease of 25.8% points when compared to the same period last year.

Cold-formed Section Steel

In addition to SSAW pipes, its major business, the Group also utilizes welding technologies and various equipment to produce cold-formed section steel. Cold-formed section steel is one of the major materials applied in modern construction. Our cold-formed section steel is mainly used in the construction industry and the manufacture of automobiles and freight containers. The Group has three existing cold-formed section steel production lines with an annual capacity of 60,000 tonnes, which can be reconfigured to produce cold-formed section steel products with various specifications, such as square and rectangular tubes and round steel pipes.

For the six months ended 30 June 2011, revenue from sales of cold-formed section steel amounted to RMB101,021,000 (for the six months ended 30 June 2010: RMB57,699,000), representing an increase of 75.1% when compared to the same period last year. Revenue from processing services of cold-formed section steel for the same period was nil (for the six months ended 30 June 2010: RMB978,000). The overall revenue from cold-formed section steel business amounted to RMB101,021,000 (for the six months ended 30 June 2010: RMB58,677,000), representing an increase of 72.1% when compared to the same period last year. The increase in revenue was mainly attributable to the increase in both orders and sales volume of cold-formed section steel as a result of the Group's reinforced efforts in developing its cold-formed section steel market.

Sales volume (tonnes)	**The first half of 2011**	The first half of 2010	Change (%)
Cold-formed section steel	**21,098**	18,025	17.0

FUTURE PROSPECTS

The 12th National Five-Year Plan of the PRC clearly states that the construction of oil and gas pipelines is one of priority targets of the Plan. The construction oil and gas pipelines is closely linked to the huge domestic demand for energy in the PRC. The Directors are confident that the construction of major oil and gas pipelines in the PRC will be carried out in a gradual and planned manner.

The Company deeply believes that the expansion of production capacity and the improvement of product quality are the only keys for the Group to meet the overall development needs of the country and to secure a greater market share. In the second half of the year, the Company's plan to expand its capacity will progress as scheduled. The new pre-welding and precision steel pipes welding production facilities imported from Germany with an annual capacity of 360,000 tonnes will be put into production. Upon the completion of the expansion plan in the second half of this year, the Group's annual capacity of SSAW pipes will increase from the current level of 640,000 tonnes to 1,000,000 tonnes. The Directors believe that the Group will become one of the largest manufactures of SSAW pipes in the PRC. The new production facilities will enable the Company to better grasp the opportunities brought by the 12th National Five-Year Plan. Observing from recent developments, The Company believes that the oil and gas pipeline industry began to pick up gradually in 2011, and has been growing at an accelerated speed.

To diversify our products offerings, the Company will strive to expand its capability in the design and production of LSAW pipes. The Company plans to build a LSAW pipe production line with an annual capacity of 200,000 tonnes in the future.

Meanwhile, the Company will continue to focus on enhancing its product research and development capabilities and identifying different market needs in order to explore new opportunities, thereby expanding the Company's size and enhancing its long-term competitive strengths.

The long-term development of the Company will depends on its research and development capability. The quality inspection centre of Shandong Shengli Steel Pipe Co., Ltd. (山東勝利鋼管有限公司), a subsidiary of the Company, received the National Laboratory Accreditation Certificate issued by China National Accreditation Board for Conformity Assessment (中國合格評定國家認可委員會) (the "National Accreditation Board"). The recognition by the National Accreditation Board demonstrated that the Company processes technical skills to carry out the production, inspection and testing of pipes according to relevant international standards, and has the qualification to undertake external testing tasks. The Company can also participate in bilateral and multilateral cooperation with laboratories overseas, thereby promoting the development of the industrial technologies and enhancing the Company's presence and competitiveness in the domestic and international markets.

In addition to keep on enhancing its efforts in research and development, the Company also places an emphasis on personnel training. The Company has completed the preparatory work for its enterprise engineering master program, in which the Company will cooperate with Shandong University. About 40 engineering and management personnel who hold bachelor's degrees will participate in this program.

The economy in the PRC is growing rapidly. The rapid urbanization has created immense opportunities for the domestic oil and pipeline related industries. In order to improve transportation efficiency, the domestic oil and gas pipelines have been switching to larger diameter pipes, which will bring greater benefits to pipe manufacturers, and provide a solid foundation for the Company's future business development. In addition, as the PRC government has been promoting the replacement of other energy sources with natural gas, the use of natural gas in medium and small cities and rural areas in the PRC is increasing. According to the 12th National Five-Year Plan, natural gas consumption will increase from 3.8% of the total energy consumption in 2009 to around 8% to 10% in 2020. The PRC needs to import natural gas from Central Asia and Russia, thus build more pipelines to transmit the imported natural gas from the northwest and northeast China to the eastern and southern China. It is expected that about half of these pipelines will use SSAW pipes. Accordingly, the Company believes that the pipeline related industries will continue to grow rapidly. The Company is also confident of the long-term outlook of the industry.

CORPORATE GOVERNANCE

Overview

The Directors recognize the importance of incorporating elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Board has strived to uphold good corporate governance and adopt sound corporate governance practices. The Group has adopted the principles and code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules. To the best knowledge of the Directors, for the period ended 30 June 2011, the Company has complied with the code provisions of the CG code and none of the Directors is aware of any information that would reasonably indicate that the Company is not in compliance with the requirement of the code provisions of the CG Code during the period.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries to all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2011.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the financial reporting process and internal control procedures of the Group. All members of the Audit Committee are appointed by the Board. The Audit Committee currently consists of three Directors, namely, Mr. Leung Ming Shu, Mr. Huo Chunyong and Mr. Teo Yi-Dar. Mr. Leung Ming Shu currently serves as the chairman of the Audit Committee. During the period under review, the Audit Committee has convened one meeting with full attendance.

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 June 2011, and reviewed the internal control system and its execution.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial statements for the period under review. The external auditor has reviewed the interim financial information for the six months ended 30 June 2011 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In April 2011, the Company carried out three share repurchases for a total of 6,450,000 shares at HK$9,567,645 in aggregate. All the shares repurchased in April were cancelled on 18 May 2011.

In June 2011, the Company carried out three share repurchases for a total of 2,970,000 shares at HK$3,838,560 in aggregate. All the shares repurchased in June were not cancelled as of 30 June 2011 and was subsequently cancelled on 1 August 2011.

Based on the above, as at 30 June 2011, the Company had repurchased a total of 9,420,000 shares at HKD13,406,205 in aggregate. Among which 6,450,000 shares had been cancelled prior to 30 June 2011, whereas the remaining 2,970,000 shares were cancelled prior to the date of this announcement.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2011.

PUBLICATION OF ANNUAL/INTERIM RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.slogp.com).

The interim report for the year 2011 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and available on the said websites in due course.

APPRECIATION AND COMMITMENT TOWARDS OUR GOAL

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers and employees of the Company for their continuous support and encouragement for the success and improvement of the Company. We considered the oil and gas pipelines industry is closely related to national economic and strategic development. As one of the major participants in this industry, we are committed to using the highest quality and technical standards and fully utilizing every opportunity to become the pioneer in the global line pipe industry, to maximize the investment value and returns to shareholders.

By order of the Board
Shengli Oil & Gas Pipe Holdings Limited
Zhang Bizhuang
Executive Director and the Chief Executive Officer

Zibo, Shandong, 14 August 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Bizhuang, Mr. Wangxu, Ms. Han Aizhi and Mr. Liu Yaohua; the non-executive Directors of the Company are Mr. Yan Tangfeng and Mr. Teo Yi-Dar; and the independent non-executive Directors of the Company are Mr. Huo Chunyong, Mr. Guo Changyu and Mr. Leung Ming Shu.