

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHU KONG PETROLEUM AND NATURAL GAS STEEL PIPE HOLDINGS LIMITED
珠江石油天然氣鋼管控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1938)

**2013 INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

The board (“Board”) of directors (“Directors”) of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013 together with the comparative figures for the previous corresponding period as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2013	2012	Change
Revenue (RMB'000)	1,200,111	2,057,523	-41.7%
Gross profit (RMB'000)	222,891	354,978	-37.2%
Gross profit margin	18.6%	17.3%	
Profit attributable to owners of the parent (RMB'000)	71,021	170,357	-58.3%
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)	0.07	0.17	-58.8%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	<i>Notes</i>	(Unaudited)	(Unaudited)
		RMB'000	RMB'000
			(Restated)
REVENUE	5	1,200,111	2,057,523
Cost of sales		(977,220)	(1,702,545)
Gross profit		222,891	354,978
Other income and gains	5	131,498	55,655
Selling and distribution costs		(32,722)	(46,715)
Administrative expenses		(159,433)	(95,098)
Other expenses		(1,897)	(1,765)
Finance costs	6	(70,169)	(50,756)
Changes in fair value of derivative financial instruments		7,102	(7,676)
Exchange gain/(loss), net		1,061	(375)
PROFIT BEFORE TAX	7	98,331	208,248
Income tax expense	8	(27,310)	(37,891)
PROFIT FOR THE PERIOD		71,021	170,357
Other comprehensive income/(loss):			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translating foreign operations		9,833	(1,958)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequently periods:</i>			
Gain on revaluation of properties		1,538,287	–
Income tax effect		(384,572)	–
Other comprehensive income/(loss) for the period, net of tax		1,163,548	(1,958)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,234,569	168,399
Profit attributable to:			
Owners of the parent		71,021	170,357
Total comprehensive income attributable to:			
Owners of the parent		1,234,569	168,399
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	RMB0.07	RMB0.17

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

		30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,656,296	2,211,264
Investment properties	11	2,016,207	6,159
Long-term prepayments and deposits		167,451	209,114
Prepaid land lease payments		654,098	506,725
Goodwill		4,075	4,075
Deferred tax assets		17,221	7,806
Pledged deposits		51,194	5,904
Total non-current assets		5,566,542	2,951,047
CURRENT ASSETS			
Inventories	12	1,026,555	807,872
Trade and bills receivables	13	1,635,938	1,385,829
Prepayments, deposits and other receivables		522,041	480,712
Pledged deposits		121,560	120,380
Derivative financial instrument	16	3,409	–
Cash and bank balances		1,240,105	1,039,348
Total current assets		4,549,608	3,834,141
CURRENT LIABILITIES			
Trade and bills payables	14	665,533	863,623
Interest-bearing loans and other borrowings	15	1,324,054	862,126
Other payables and accruals		536,074	484,219
Tax payable		125,934	71,093
Derivative financial instruments	16	89	3,784
Short-term notes		511,019	301,216
Total current liabilities		3,162,703	2,586,061
NET CURRENT ASSETS		1,386,905	1,248,080
TOTAL ASSETS LESS CURRENT LIABILITIES		6,953,447	4,199,127

		30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing loans and other borrowings	15	2,753,548	1,636,096
Deferred tax liabilities		398,682	2,974
Government grants		102,673	96,082
Total non-current liabilities		3,254,903	1,735,152
Net assets		3,698,544	2,463,975
EQUITY			
Equity attributable to owners of the parent			
Issued capital		88,856	88,856
Reserves		3,547,377	2,312,808
Proposed final dividend		62,311	62,311
Total equity		3,698,544	2,463,975

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 9 January 2008 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group are involved in the manufacture and sale of welded steel pipes and the provision of related manufacturing services. There were no significant changes in the nature of the Group's principal activities during the period.

In the opinion of the Directors, the ultimate holding company of the Company is Bournam Profits Limited, which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the accounting policy change of investment properties in Note 11 and the adoption of the standards, amendments and interpretations issued by the IASB effective for annual periods beginning 1 January 2013 as noted below:

IFRS 1 Amendments	Amendments to IFRS 1 <i>Government loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance</i>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>
IAS 19 (Revised 2011)	<i>Employee Benefits</i>
IAS 27 (Revised 2011)	<i>Separate Financial Statements</i>
IAS 28 (Revised 2011)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
IFRSs Amendments	<i>Annual Improvements to IFRSs 2009 – 2011 Cycle</i>

The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has one reportable operating segment: the manufacture and sale of seam welded steel pipes and the provision of related manufacturing services. Management monitors the operating results of the Group's business unit as a whole for the purpose of making decisions about resources allocation and performance assessment.

Information about products

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited) RMB'000	(Unaudited) RMB'000
Manufacture and sale of steel pipes:		
LSAW steel pipes	884,842	1,913,977
ERW steel pipes	214,128	102,142
SSAW steel pipes	35,305	–
Steel pipe manufacturing services:		
LSAW steel pipes	20,208	3,257
ERW steel pipes	4,070	2,666
Others*	41,558	35,481
	<u>1,200,111</u>	<u>2,057,523</u>

* Others mainly included the manufacture and sale of steel fittings, trading of anticorrosion equipment and sale of scrap materials.

* for identification only

Geographical information

The revenue information based on the locations of costumers is as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited) RMB'000	(Unaudited) RMB'000
Sales to external customers:		
Mainland China	919,257	1,312,755
Americas	59,597	202,230
European Union	5,772	20,792
Middle East	175,096	171,190
Other Asian countries	40,389	347,671
Others	–	2,885
	<u>1,200,111</u>	<u>2,057,523</u>

Over 90% of the Group's assets and capital expenditure are located in Mainland China.

Information about a major customer

For the six months ended 30 June 2013, revenue from one customer of the Group amounting to RMB232,141,000 had individually accounted for over 19% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and discounts; and the value of services rendered, net of business taxes and surcharges during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue		
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	<u>1,200,111</u>	<u>2,057,523</u>
Other income and gains		
Bank interest income	8,622	3,178
Subsidy income from the PRC government	122,170	51,205
Compensation	27	47
Others	<u>679</u>	<u>1,225</u>
	<u>131,498</u>	<u>55,655</u>

The subsidy income represented subsidies granted by the local finance bureaus to Panyu Chu Kong Steel Pipe (Lianyungang) Co Ltd. (番禺珠江鋼管(連雲港)有限公司) and Panyu Chu Kong Steel Pipe Co. Ltd. (“PCKSP”) as awards for their investment and high product quality, respectively. There are no unfulfilled conditions or contingencies relating to such subsidies.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on interest-bearing loans and other borrowings	89,077	52,580
Interest on finance lease	4,317	4,615
Total interest expense on financial liabilities		
not at fair value through profit or loss	93,394	57,195
Less: Interest capitalised	(23,225)	(6,439)
	70,169	50,756

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	808,143	1,506,840
Depreciation	39,501	22,174
Impairment of trade receivables (reversed)/recognised	(150)	185

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

The major components of the income tax expense in the interim condensed consolidated statement of comprehensive income are as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China charge for the period	36,719	39,284
Deferred	(9,409)	(1,393)
Total tax charge for the period	27,310	37,891

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of RMB71,021,000 (2012: RMB170,357,000), and the weighted average number of ordinary shares of 1,011,142,000 (2012: 1,011,142,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	RMB'000	RMB'000
At beginning of the period/year	2,211,264	1,420,346
Additions	364,231	825,659
Acquisition of subsidiaries (<i>Note 17</i>)	120,222	17,568
Disposals	–	(236)
Depreciation	(39,343)	(52,075)
Exchange realignment	(78)	2
At end of the period/year	2,656,296	2,211,264

11. INVESTMENT PROPERTIES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 (Restated)
Buildings		
At beginning of the period/year	6,159	4,864
Change in fair value	(2)	1,295
At end of the period/year	6,157	6,159
Land		
At beginning of the period/year	–	–
Transfer from own properties	2,010,050	–
At end of the period/year	2,010,050	–
	2,016,207	6,159

In the previous year, investment properties, subsequent to initial recognition, were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation was recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

According to the board resolution, with effect from 31 March 2013, measurement method subsequent to initial recognition has been changed to fair values. Accordingly, gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise. The management believes that the new policy results in a more appropriate presentation of the Group's investment properties.

This change in accounting policy has been applied retrospectively. The effects of the change in accounting policy in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012, the condensed consolidated statements of financial position at 31 December 2012 are set out below.

Impact on Condensed Consolidated Statement of Financial Position

	31 December 2012 RMB'000
Increase in investment property	4,394
Increase in deferred tax liabilities	709
Increase in revaluation surplus	710
Increase in retained profits	3,056
Decrease in exchange fluctuation reserve	81

Impact on Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2012 RMB'000
Decrease in administrative expenses	20

In June 2013, owner-occupied land with carrying amount of RMB471,763,000 were transferred to investment properties after the change of the permitted use from industrial use to commercial use. Relevant increase in fair value arising between the carrying amount at that date and the fair value amounted to RMB1,538,287,000. After recognition of deferred tax liabilities of RMB384,572,000, the net amount of RMB1,153,715,000 was recognised in other comprehensive income and accumulated in revaluation surplus under equity.

The Group's investment properties are held under medium term leases and are situated in the PRC and Hong Kong. The investment properties of building are leased to third parties under operating leases.

At 30 June 2013, the fair value of investment properties was based on the valuation by RHL Appraisal Limited, an independent professionally qualified valuer, on an open market, existing use basis.

12. INVENTORIES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Raw materials	382,239	227,868
Work in progress	269,925	229,681
Finished goods	374,391	350,323
	<u>1,026,555</u>	<u>807,872</u>

13. TRADE AND BILLS RECEIVABLES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Trade receivables	1,624,674	1,369,152
Impairment	(6,453)	(6,603)
	<u>1,618,221</u>	<u>1,362,549</u>
Trade receivables, net		
	1,618,221	1,362,549
Bills receivable	17,717	23,280
	<u>1,635,938</u>	<u>1,385,829</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is averagely 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Within 60 days	987,076	1,052,706
61 to 90 days	222,764	85,426
91 to 180 days	118,911	48,475
181 to 365 days	180,217	94,378
1 to 2 years	88,072	71,737
2 to 3 years	20,453	8,870
Over 3 years	728	957
	1,618,221	1,362,549

14. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Within 90 days	149,505	169,427
91 to 180 days	9,000	7,895
181 to 365 days	21,044	6,771
1 to 2 years	16,236	6,870
2 to 3 years	2,615	641
Over 3 years	2,212	4,580
	200,612	196,184
Bills payable	464,921	667,439
	665,533	863,623

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

All the bills payable bear maturity dates within 180 days.

15. INTEREST-BEARING LOANS AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
	%			
Current				
Finance lease payables	7.02	2013 – 2014	33,015	31,970
Bank loans				
– secured	6.6~7.59	2013 – 2014	144,000	41,000
– unsecured	4.2~7.8	2013 – 2014	1,035,979	689,156
Government loans				
– unsecured	4.2	2014	111,060	100,000
			<u>1,324,054</u>	<u>862,126</u>
Non-current				
Finance lease payables	7.02	2014 – 2015	54,397	70,878
Bank loans				
– secured	2.07~7.59	2014 – 2016	913,098	537,000
– unsecured	4.2~6.6	2014 – 2018	1,070,321	698,218
Government loans				
– unsecured	4.2	2014	279,000	330,000
Bonds payables	6.05	2018	436,732	–
			<u>2,753,548</u>	<u>1,636,096</u>
			<u>4,077,602</u>	<u>2,498,222</u>

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	1,179,979	730,156
In the second year	490,098	35,000
In the third to fifth years, inclusive	1,493,321	1,200,218
	3,163,398	1,965,374
Government loans repayable:		
Within one year	111,060	100,000
In the second year	279,000	330,000
	390,060	430,000
Finance lease payables:		
Within one year	33,015	31,970
In the second year	35,946	33,964
In the third to fifth years, inclusive	18,451	36,914
	87,412	102,848
Bonds payables:		
In the fifth year	436,732	–
	4,077,602	2,498,222

The Group's bank loans are secured by:

- (a) certain property, plant and equipment of the Group with a net carrying amount of approximately RMB150,960,000 (31 December 2012: RMB141,765,000) as at the end of the reporting period;
- (b) certain leasehold lands of the Group with a net carrying amount of approximately RMB342,643,000 (31 December 2012: RMB114,981,000) as at the end of the reporting period.

In addition, the Company has guaranteed certain of the Group's bank loans up to RMB1,894,473,000 (31 December 2012: RMB1,028,218,000) as at the end of the reporting period.

On 30 April 2013, the Group issued bonds with a principal amount of US\$72,000,000. The bonds will be repayable in full by 30 April 2018 and may be redeemed at the option of the Group in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the bonds, at their principal amount, together with interest accrued to the date of redemption. The bonds, which are unsecured, bear coupon interest rate at 5.6% per annum for five years payable semiannually.

16. DERIVATIVE FINANCIAL INSTRUMENT

	30 June 2013	
	Assets (Unaudited) RMB'000	Liabilities (Unaudited) RMB'000
Cross currency swap	3,409	–
Interest rate swap	–	89
	<u>3,409</u>	<u>89</u>

The Group has entered into a cross currency swap contract and interest rate swap contract to manage its exchange rate and interest rate exposures. Those contracts are not designated for hedge purpose and are measured at fair value through profit or loss. Changes in the fair value of non-hedging derivatives amounting to RMB7,104,000 were credited to the statement of consolidated comprehensive income during the six months ended 30 June 2013 (Six months ended 30 June 2012: RMB7,676,000 as expenses).

17. BUSINESS COMBINATION

On 29 May 2013, the Group acquired 100% equity interests in Nanjing Rongyu Group Limited and its two subsidiaries, Nanjing Rongyu Group Market Management Company Limited and Nanjing Xixia Hill Roll Steeling Company Limited (the “Nanjing Rongyu Group”) from four independent third parties. The Nanjing Rongyu Group is engaged in the manufacture and sale of screw-thread steels which are mainly used as construction materials of building, bridge and roads. The purchase consideration for the acquisition was RMB80,366,500 in the form of cash, with RMB50,366,500 paid at the acquisition date and the remaining RMB30,000,000 was outstanding as at 30 June 2013.

The fair values of the identifiable assets and liabilities of the Nanjing Rongyu Group as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment (<i>note 10</i>)	120,222
Prepaid land premiums	15,252
Deposit paid for purchase of property, plant and equipment	1,900
Inventories	33,243
Trade and bills receivables	4,290
Prepayment, deposits and other receivables	214,439
Cash and bank balance	51,811
Interest-bearing loans and other borrowings	(42,000)
Trade and bills payables	(14,502)
Other payables and accruals	(285,195)
Government Grants	(7,951)
Deferred tax liabilities	(11,142)
Total identifiable net assets at fair value	<u>80,367</u>
Satisfied by cash	50,367
Consideration payables	<u>30,000</u>
	<u>80,367</u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	(50,367)
Cash and bank balance acquired	51,811
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,444

18 COMPARATIVE AMOUNTS

As further explained in note 11 to the interim condensed consolidated financial statements, due to the change in accounting policy of investment properties during the current period, the accounting treatment and presentation of certain items and balances in the interim condensed consolidated financial statements have been revised or added to comply with the changed accounting policy. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current period's presentation and accounting treatment.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company, I would like to present to you the unaudited interim results of the Group for the six months ended 30 June 2013.

For the first half of 2013, China's GDP growth for the period slowed to 7.6%. Together with the continuing crisis in the euro zone, we believe 2013 would be a rather challenging and arduous year. Some planned national pipeline constructions in China originally set to commence during the first half of 2013 have been delayed, due to change of the China government. Such delays caused alterations of the tendering schedules for some of the projects. However, the demand for pipeline in the long-run shall remain unchanged. Turning to our overseas business, the negotiation for a number of projects, few of which have entered into the closing stage, have been prolonged and beyond our expectation. As a result, the Group's business performance has been adversely affected by lower output and a decrease in the number of new orders.

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB1,200.1 million, down by approximately 41.7% compared with that for the same period in 2012 (1H2012: RMB2,057.5 million). Profit attributable to owners of the Company was approximately RMB71.0 million, down by approximately 58.3% compared with that for the same period in 2012 (1H2012: RMB170.4 million). Earnings per share was approximately RMB0.07 (1H2012: RMB0.17). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (1H2012: Nil).

Entering into 2013, the Group continued to implement its long term development strategies of enhancing its integrated strength and expansion. During the period, the Company tapped into the screw-thread steel manufacturing business by acquiring 100% stake in Nanjing Rongyu Group Market Management Company Limited* (南京鎔裕集團市場管理有限公司), Nanjing

* for identification only

Rongyu Group Company Limited* (南京鎔裕集團有限公司), and Nanjing City Xixia Hill Roll Steeling Company Limited* (南京市棲霞山軋鋼有限公司) (collectively the “Nanjing Rongyu Group”) for a consideration of approximately RMB80 million. The Nanjing Rongyu Group is a screw-thread steel producer in Nanjing and has an annual production capacity of 1 million tonnes. We believe this acquisition can extend the Group’s product diversification and bring forth new business opportunities for the Group, and therefore achieving sustainable growth in both sales and profit by widening its income sources with better risk diversification. This will also strengthen the Group’s brand name in the PRC and in the world.

Despite the short-term setback in the first half of 2013, the Group will continue its expansion strategy in order to lay the foundation for future development. The Group has made satisfactory progress with its capacity upgrade project. At the production base of the Group located at Zhuhai Gaolan Port Economic Zone in Guangdong Province, one more Spiral Submerged Arc-Welded (“SSAW”) steel pipe production line will be installed in the second half of this year, adding an annual capacity of 300,000 tonnes; the self-owned wharf for steel pipe transportation will also be ready for operation towards the end of this year. Under the “Integration of Steel Plates and Pipes” strategy, the Group has commenced the initial stage of the building of the steel plate process plant at Lianyungang. The development plan of the Lianyungang plant consists of one pre-welding and precision welding SSAW production line, one self-developed and patented Longitudinal Submerged Arc-Welded (“LSAW”)-COE production line and a steel plate processing production line in planning with an annual production capacity of 2 million tonnes to manufacture steel plate for internal use. In Saudi Arabia, the setting up of the joint-venture with Abdel Hadi Abdullah Al Qahtani & Sons, Co. (“AHQ”), a Saudi Arabian company, for an installation of a LSAW production line with an annual capacity of 300,000 tonnes, which is expected to be completed in the first quarter of 2014. By implementing the above mentioned expansions and developments, the Group will be positioned as an vertically integrated enterprise with a comprehensive range of steel pipe products, wide and cross-industries product range, international reach and logistic capability. All these will give unparalleled advantages to the Group, not just domestically but internationally, in order to retain its leading position within the industry.

The Group has been as optimistic as ever on the prospect of steel pipes industry. The Group has been aggressively bidding for related projects and to achieve more orders to capture the growth in the industry. The Group has also been progressively gearing up its production capacity. By the end of 2013, the Group’s production facilities is expected to include a total of six LSAW steel pipe production lines, two SSAW steel pipe production lines and one electric resistance welded (“ERW”) steel pipe production line with an aggregate annual production capacity of 2.71 million tonnes, and two screw-thread steel production lines with an aggregate annual production capacity of 1 million tonnes.

In addition to the traditional oil and gas transmission pipes, the Group has also successfully produced pipes for use in nuclear power generation, clad pipes for transmission of crude oil and gas with high sulphur content, windmill foundation pillars and offshore oil platforms, etc., which widened the application range of the Group’s products. In terms of the technological advancement, the Group is developing subsea LSAW steel pipes at a water depth of 3,000 metres to cope with the demand of deep sea exploration projects across the world. Besides, our own invention of COE, a unique and self-developed LSAW production method, has been

* *for identification only*

adopted in our production process, which showcased our own research and development ability. Our products are also well adapted for the projects and technologies described in the Guide of Offshore Engineering Equipment Research 2013 (海洋工程裝備科研項目指南 2013), which will serve as guidance for the emerging strategic industries for the country's development.

Other than the business development described above, the Group has completed the change of the land use of a piece of land owned by the Group in Panyu from industrial uses into commercial uses during the period under review. As at 30 June 2013, after the change of land use, the market value of the land was valued at RMB2.01 billion. Though the Group has no concrete plan for the development of the land, we believe it is a good opportunity to realise the true value of the land by changing its land use.

Appreciation

Looking forward, on the back of the enormous potential of the steel pipes industry, the Group has laid a solid foundation, formulated definite development strategies and improved its competitive strengths for its sustainable growth. The Group will adhere to its product diversification and “Integration of Steel Plates and Pipes” strategies and aspire to be a leading world class LSAW steel pipe manufacturer. On behalf of the Group, I would like to express my gratitude to all staff members for their valuable contribution to the Group's development. I would also like to thank our shareholders for their continuous tremendous support to the Group in this consolidation stage for accumulating strength to embrace the prosperities in the future. The Group and its staff members will work hard as a team to maintain the Group's leading position and market the name “PCK”, which is one of the most reputable brand names in the steel pipe industry, aiming to further entrench our role model image in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group mainly manufactures and sells longitudinal welded steel pipes and screw-thread steel and provides manufacturing service for processing raw materials into welded steel pipes. Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are one of the largest LSAW steel pipes manufacturers in China. We are capable of manufacturing LSAW steel pipes that meet the X80 standard, and have also been accredited 11 certifications from international classification societies and industry associations such as Det Norske Veritas (“DNV”) and American Petroleum Institute (“API”). In addition, we are the first and sole Chinese manufacturer that has successfully developed deep sea pipelines for use at a water depth of 1,500m. Our products are widely applicable in major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

Our Group is able to manufacture pipes for offshore projects and is classified as one of the companies in the offshore engineering equipment industry (海洋工程裝備製造業) during the 12th Five-Year Plan. We benefited and were supported by China's strategic policies. We were supported by policy banks and insurance institutions in China. We have maintained good relationship with China Development Bank, the Export-Import Bank of China and China Export & Credit Insurance Corporation and we have obtained medium-term loans and credit facilities from them.

The Group received new orders of approximately 113,000 tonnes for the period under review and approximately 27% were received from three major oil and gas companies in China. The Group has delivered approximately 200,000 tonnes of welded steel pipes during the period under review.

On May 2013, the Group acquired 100% equity interests in the Nanjing Rongyu Group from four independent third parties. The Nanjing Rongyu Group is engaged in the manufacture and sale of screw-thread steel mainly used as construction materials of buildings, bridges and roads. The consideration for the acquisition was approximately RMB80 million in cash, of which 90% of the consideration shall be payable within 30 days after the date of signing of the share transfer agreements and completion of registration for a change of ownership in the Nanjing Rongyu Group. The remaining 10% of the consideration shall be payable by cash after deducting the uncollectible account receivables and contingent liabilities owing to vendors, if any, within seven business days after the first anniversary of the date of the share transfer agreements. The Group has commenced production of screw-thread steel since completion of the acquisition but no sales of screw-thread steel has been recorded during the period under review.

During the period under review, the Group has completed the change of the permitted use of a piece of land (the "Land") in Panyu from industrial uses into commercial uses. The Land, with a total site area of approximately 125,000 square metres, is situated at the east of intersection of Changsha Road and Qinghe Road, Shiji Town, Panyu, Guangzhou, the PRC* (中國廣州番禺區石基鎮清河路與長沙路交匯處以東). The total permitted construction area of the Land is approximately 401,000 square metres. The Land, which comprises three parcels of land, is part of the 11 parcels of adjoining land on which the Group's factory complex and headquarters in Shiji Town, Panyu, Guangdong, the PRC were built, and accounts for approximately 27% of the total site area of approximately 461,000 square metres of these 11 parcels of land. The Land has been used by the Group for temporary storage of its products. The Land is free from any assignments, leases or encumbrances up to the date of this report. Total premium paid by the Company for the change of land use was approximately RMB425.5 million. After completion of the change of land use, the Land is now permitted for commercial uses. The net book value of the Land at cost as at the date of this report was approximately RMB452.2 million. According to the valuation report as at 30 June 2013 issued by RHL Appraisal Limited, an independent valuer, the market value of the Land was RMB2.01 billion. The Land was stated at market value as at 30 June 2013. Currently, the Group has no specific plan in developing the Land. The Company however will make an announcement, if any specific plan is materialised.

* for identification only

Financial Review

During the period under review, the turnover of the Group was approximately RMB1,200.1 million (1H2012: RMB2,057.5 million), representing a decrease of approximately 41.7% as compared with that for the corresponding period in 2012; gross profit amounted to approximately RMB222.9 million (1H2012: RMB355.0 million), representing a decrease of approximately 37.2% as compared with that for the corresponding period in 2012; net profit attributable to the owners of the Company was approximately RMB71.0 million (1H2012: RMB170.4 million), representing a decrease of approximately 58.3% as compared with that for the corresponding period in 2012; earnings per share were RMB0.07 (1H2012: RMB0.17), representing a decrease of approximately 58.8% as compared with that for the corresponding period in 2012.

Revenue

Sales by geography

	Six months ended 30 June			
	2013		2012	
	<i>RMB'000</i>	% of revenue	<i>RMB'000</i>	% of revenue
	(unaudited)		(unaudited)	
Domestic sales	919,257	76.6%	1,312,755	63.8%
Overseas sales	280,854	23.4%	744,768	36.2%
Total	<u>1,200,111</u>	<u>100.0%</u>	<u>2,057,523</u>	<u>100.0%</u>

Sales by products

	Six months ended 30 June			
	2013		2012	
	<i>RMB'000</i>	% of revenue	<i>RMB'000</i>	% of revenue
	(unaudited)		(unaudited)	
Manufacture and sale of steel pipes				
<i>LSAW steel pipes</i>	884,842	73.7%	1,913,977	93.0%
<i>ERW steel pipes</i>	214,128	17.9%	102,142	5.0%
<i>SSAW steel pipes</i>	35,305	2.9%	—	—
Sub total	<u>1,134,275</u>	<u>94.5%</u>	<u>2,016,119</u>	<u>98.0%</u>
Steel pipes manufacturing services				
<i>LSAW steel pipes</i>	20,208	1.7%	3,257	0.2%
<i>ERW steel pipes</i>	4,070	0.3%	2,666	0.1%
Sub total	<u>24,278</u>	<u>2.0%</u>	<u>5,923</u>	<u>0.3%</u>
Others	<u>41,558</u>	<u>3.5%</u>	<u>35,481</u>	<u>1.7%</u>
Total	<u>1,200,111</u>	<u>100.0%</u>	<u>2,057,523</u>	<u>100.0%</u>

During the period under review, our overseas sales were approximately RMB280.9 million (1H2012: RMB744.8 million), accounted for approximately 23.4% (1H2012: 36.2%) of our total revenue. Our domestic sales was approximately RMB919.3 million (1H2012: RMB1,312.8 million), accounted for 76.6% (1H2012: 63.8%) of our total revenue. The decreases in both overseas sales and domestic sales were mainly attributable to the decrease in both domestic and export sales orders received by the Group. This was due to the delay in the opening of the bidding processes of a number of pipeline projects in the PRC and overseas. As such, a number of contracts that the Group initially expected to bid for had not been made available.

Gross Profit and Gross Profit Margin

	Six months ended 30 June			
	2013		2012	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Manufacture and sale of steel pipes				
<i>LSAW steel pipes</i>	163,916	18.5%	327,710	17.1%
<i>ERW steel pipes</i>	31,121	14.5%	2,966	2.9%
<i>SSAW steel pipes</i>	1,890	5.4%	–	–
Sub total	196,927	17.4%	330,676	16.4%
Steel pipes manufacturing services				
<i>LSAW steel pipes</i>	12,988	64.3%	1,910	58.6%
<i>ERW steel pipes</i>	249	6.1%	337	12.6%
Sub total	13,237	54.5%	2,247	37.9%
Others	12,727	30.6%	22,055	62.2%
Total	222,891	18.6%	354,978	17.3%

During the period under review, the gross profit of the Group was approximately RMB222.9 million (1H2012: RMB355.0 million), representing a decrease of approximately 37.2% as compared with that for the corresponding period in 2012. The decrease was primarily attributable to the decrease in sales as compared with that for the corresponding period in 2012. The overall gross profit margin was approximately 18.6% which was higher than that of approximately 17.3% for the same period in 2012. The increase in gross profit margin was mainly due to the Group has delivered orders to a number of individual customers with higher profit margin during the period under review.

Other income and gains were approximately RMB131.5 million (1H2012: RMB55.7 million), representing an increase of approximately 136.3% as compared with that for the corresponding period in 2012. Such increase was due to the increase in subsidy from the PRC government for the period under review as compared with the corresponding period in 2012. Government subsidies were mainly related to awards for investment in Lianyungang.

Selling and distribution expenses were approximately RMB32.7 million (1H2012: RMB46.7 million), representing a decrease of approximately 30.0% as compared with that for the corresponding period in 2012. Such decrease in selling and distribution expenses was in line with the decrease in sales as compared with that for the corresponding period in 2012. The percentage of selling and distribution expenses to our revenue was approximately 2.7%, which was similar with that of 2.3% for the same period in 2012.

Administrative expenses were approximately RMB159.4 million (1H2012: RMB95.1 million), representing an increase of approximately 67.7% as compared with that for the corresponding period in 2012. The increase in administrative expenses was mainly due to (i) the new production bases in Zhuhai and Lianyungang where production had commenced since June 2012 and September 2012, respectively; and (ii) the increase in research and development expenses as compared with that for the corresponding period in 2012.

Finance costs were approximately RMB70.2 million (2012: RMB50.8 million), representing an increase of 38.2% as compared with that for the corresponding period in 2012. The increase was due to the increase in average borrowing balance to finance both the working capital and capital expenditure of the Group. The percentage of interest expenses (annualized) to our total borrowing was 3.0%, which was lower than that of 3.6% for the corresponding period in 2012.

The Group entered into a cross currency swap contract with a financial institution to manage the exchange rate exposure of the three-year term loan of RMB300 million. Unrealised change in fair value of such derivative instrument of approximately RMB7.1 million (1H2012: RMB7.7 million expenses) was recorded as income for the period under review.

Income tax expenses decreased by approximately 27.9% from approximately RMB37.9 million in 2012 to approximately RMB27.3 million in 2013. The decrease was mainly due to the decrease in our profit before tax. Panyu Chu Kong Steel Pipe Company Limited (“PCKSP”), a wholly-owned subsidiary of the Company, was qualified as a High Technology Enterprise and entitled to a reduced tax rate of 15% in 2013 (2012: 15%). The Group’s effective tax rate for the period under review was approximately 27.8% which was higher than that for the corresponding period in 2012 of approximately 18.2%. This was mainly due to (i) some of the subsidiaries ceased to enjoy a 50% tax exemption from 2013 onwards; and (ii) the Lianyungang and Zhuhai production bases were subject to income tax at a standard rate of 25%.

Future Plan and Prospects

In the first half of 2013, the National Development and Reform Commission (“NDRC”) promulgated the “12th Five-Year Plan of the Natural Gas”, which stated that an additional 44,000km of trunk lines and branch lines for transmission of natural gas would be built under the 12th Five-Year Plan. In addition, according to the “12th Five-Year Plan of Energy Development” promulgated by the NDRC, an additional 29,000km of crude oil pipelines would be constructed under the 12th Five-Year Plan. The China government further plans to speed up the construction of oil and gas pipelines in the northwest, northeast and southwest regions of China and offshore areas as strategic channels to import oil and gas into China and further improve the pipeline network in China.

Furthermore, China plans to speed up the construction of coal seam gas pipeline networks and shale gas pipeline networks. China government targets to double its oil and gas pipelines from 77,000km in 2010 to 150,000km in 2015. Major oil and gas national projects such as the West-East Pipelines III, the Xinjiang-Guangdong-Zhejiang Pipeline and the Xinjiang-Shandong Pipeline are expected to commence construction during the period of the 12th Five-Year Plan. These will boost the demand for our pipes.

For maximising the utilisation of offshore resources in China, more deep sea exploration projects are expected in the future. It is expected that 2 to 3 deepwater wells will commence exploration and 15,000km of transmission network from offshore wells to the coastal LNG terminals will be constructed during the period of the 12th Five-Year Plan. As the Group is the only domestic LSAW supplier for deep sea oil and gas exploration projects at a water depth of 1,500m, we expect robust demand for the Group's products from offshore projects.

Pipelines are the most economical, environmental-friendly and efficient way of transmission of oil and gas. Apart from the transmission of oil and gas, our product range can be diversified into other areas such as construction of ultra-high voltage transmission towers, coal slurry pipelines, oil sand pipelines, crude gas and nuclear reactors transmission pipes, insulation coating pipes for air-conditioning systems, and oil platform construction.

For overseas market, given the rising volume in natural gas pipeline construction in South America, the Middle East, Australia and Russia, the Group expects that those oil and gas companies will continue investing in pipeline construction projects.

The Board is confident of the future prospect of the steel pipe industry and aims to provide one-stop service of providing different kinds of high quality welded steel pipes to buyers. The Group has strategically located its new production bases in Zhuhai and Lianyungang, China and Saudi Arabia to capture the rising demands. The Group has planned to further construct one new SSAW production line and wharf in Zhuhai in the second half of 2013 and one new LSAW production line in Saudi Arabia in the first quarter 2014. The SSAW production line in Zhuhai is expected to commence production in the third quarter of 2013. The LSAW production line at Saudi Arabia, in the form of joint venture in which the Group has 50% stake is expected to commence production in the first quarter of 2014.

Apart from the steel pipes production lines, the Group has implemented the "Integration of Steel Plates and Pipes" strategy and planned to construct a steel plate processing production line with a planned annual capacity of 2 million tonnes at Lianyungang, which is expected to be completed by 2015. This steel plate processing production line is capable of producing API-grade steel plate and is expected to meet our own consumption requirement. By vertically integrating our supply chain, it will improve our steel pipe profitability and enable us to secure stable supply of quality steel plates for production of steel pipes.

Benefited from the urbanisation with intensive construction of buildings, bridges and roads in China, we expect robust demand for the screw-thread steel provided by the newly-acquired Nanjing Rongyu Group. The Board expects the Nanjing Rongyu Group will make considerable contributions to the Group in the future.

The Group intends to fund the capital expenditure by internally generated funds and bank borrowings.

The Group strives to be the leading manufacturer of high quality welded steel pipes in both domestic and international markets and will continue to seek opportunities to realise sustainable growth of our business. Based on our experienced management team, research and development capabilities, well established relationship with our major suppliers and customers, and our diversified and high quality product range, the Group is well-positioned to capture the tremendous growth of the domestic and global steel pipe markets.

Employees

As at 30 June 2013, the Group had 4,076 full time employees in total (at 31 December 2012: 3,964). The Group provides competitive remuneration package to retain its employees including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

Exchange Risk Exposure

During the period under review, most of the Group's operating transactions are settled in RMB except for the export sales which are mostly denominated in US dollars. Most of the Group's assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. Apart from a cross currency swap contract to manage the exchange rate exposure of the three-year term loan of RMB300 million entered by the Group in 2012, the Group did not adopt other hedging policies nor instruments of foreign currency for hedging purposes during the period under review.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil) to the shareholders.

Contingent Liabilities

As at 30 June 2013, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 30 June 2013, the Group pledged certain property, plant, equipment and land use rights with an aggregate net book value of RMB150,960,000 (at 31 December 2012: RMB141,765,000) and RMB342,643,000 (at 31 December 2012: RMB114,981,000) respectively, to secure bank loans granted to the Group.

Liquidity and Financial Resources

As at 30 June 2013, the cash and cash equivalents and current ratio of the Group, as a ratio of current assets to current liabilities, were approximately RMB1,240.1 million (at 31 December 2012: RMB1,039.3 million) and 1.44 (at 31 December 2012: 1.48) respectively.

As at 30 June 2013, the Group's aggregate borrowings were approximately RMB4,588.6 million (at 31 December 2012: approximately RMB2,799.4 million), of which approximately RMB3,553.5 million (at 31 December 2012: RMB2,395.4 million) were bank borrowings, approximately RMB87.4 million (at 31 December 2012: RMB102.8 million) were for obligations under finance leases, approximately RMB511.0 million (at 31 December 2012: RMB301.2 million) were short term notes and approximately RMB436.7 million (at 31 December 2012: nil) were USD bonds.

The gearing ratio, expressed as a percentage of the summation of interest-bearing borrowings, finance lease, bonds and short term notes over total assets of approximately RMB10,116.2 million (at 31 December 2012: RMB6,785.2 million) is approximately 45.4% (at 31 December 2012: 41.3%).

On 31 October 2012, the Group entered into a facility agreement for a three-year term loan of USD36 million with a syndicate of banks. The loan carried interest rates linked to London Interbank Offered Rate and is repayable by four semi-annual installments starting 18 months after the date of the facility agreement. The purpose of this loan to finance the construction cost of the new production base at Lianyungang. Under the terms of the facility agreement, Mr. Chen Chang is required to remain as Chairman of the Group; and he and his family collectively are required to maintain at least 60% of the voting rights in the Company free from any security, otherwise it will constitute a default.

The maturity profile of the Group's total borrowings as at 30 June 2013 was spread over a period of five years, with approximately 40% (at 31 December 2012: 42%) of the total borrowings repayable within one year, and the remaining 60% (at 31 December 2012: 58%) repayable between two to five years. The Group has to finance its working capital by short term borrowings as around 90% of the cost of sales was incurred on the procurement of steel plates and steel coils. Once the Group receives sales proceeds from its customers, it will repay the short term borrowings. Taking into account cash held at the balance sheet date and available banking facilities, the Group has sufficient liquidity and strong financial position to repay its short term borrowings.

As at 30 June 2013, approximately 38% (at 31 December 2012: 33%) of the Group's total borrowings were denominated in RMB which carried interest rates linked to the benchmark lending rate published by the People's Bank of China, approximately 26% (at 31 December 2012: 37%) of total borrowings were denominated in RMB which carried fixed interest rate, approximately 20% (at 31 December 2012: 30%) of total borrowings as at 30 June 2013 were denominated in US dollars and HK dollars with interest rates linked to the London Interbank Offered Rate for US-dollar loans and Hong Kong Interbank Offered Rate for HK-dollar loans and approximately 16% (at 31 December 2012: nil) of the total borrowings as at 30 June 2013 were denominated in US dollars which carried fixed interest rate.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On May 2013, the Group acquired 100% equity interests in the Nanjing Rongyu Group from four independent third parties. The Nanjing Rongyu Group is engaged in the manufacture and sale of screw-thread steel mainly used as construction materials of buildings, bridges and roads. The consideration for the acquisition was approximately RMB80 million in cash,

of which 90% of the consideration shall be payable within 30 days after the date of signing of the share transfer agreements and completion of registration of change of ownership in the Nanjing Rongyu Group. The remaining 10% of the consideration shall be payable by cash after deducting the uncollectible account receivables and contingent liabilities owing to vendor, if any, within seven business days after the first anniversary of the date of the share transfer agreements.

The acquisition of Nanjing Rongyu Group was part of the Group's diversification strategy and can bring forth new business opportunities for the Group for achieving sustainable growth in both sales and profit by widening its income sources with better risk diversification. At the same time, the Group can also strengthen its brand name in the PRC. Moreover, the screw-thread steel produced by the Nanjing Rongyu Group can be used for the construction of the Group's production bases in Lianyungang and Zhuhai. This can lower the cost of construction and ensure the quality of the construction materials to be used by the Group.

Save as disclosed above, the Group had no other material acquisitions or disposals during the period under review.

Events after the Reporting Period

There are no significant events subsequent to 30 June 2013, being the date of interim consolidated financial statements was prepared, which would materially affect the Group's operating and financial performance.

Corporate Governance

Save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

CG Code A.2.1

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive". Mr. Chen Chang, the Chairman and founder of the Group, is also responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders' benefits.

The Board will nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2013.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities for the six months ended 30 June 2013.

Audit Committee

The Company’s Audit Committee comprises Mr. See Tak Wah (Chairman), Mr. Chen Ping and Mr. Liang Guo Yao who are the independent non-executive Directors of the Company.

The Audit Committee has reviewed the Group’s unaudited consolidated interim results for the six months ended 30 June 2013 in conjunction with the Company’s external auditor.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed and reviewed the adequacy and effectiveness of the Group’s internal control system and financial reporting system.

Publication of Interim Results Announcement

This interim results announcement is available for viewing on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company’s website at <http://www.pck.com.cn> or <http://www.pck.todayir.com> and the 2013 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

By Order of the Board
**Chu Kong Petroleum and Natural Gas
Steel Pipe Holdings Limited**
Chen Chang
Chairman

Hong Kong, 23 August 2013

As at the date of this announcement, the Board comprises three executive Directors, namely Mr Chen Chang, Ms Chen Zhao Nian and Ms Chen Zhao Hua; and three independent non-executive Directors, namely Mr Chen Ping, Mr Liang Guo Yao and Mr See Tak Wah.