PCK

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

AUDITED CONSOLIDATED FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") announces the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 (the "Consolidated Financial Statements") together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000 (Restated)
REVENUE	5	**2,027,057**	3,925,995
Cost of sales		**(1,714,113)**	(3,259,406)
Gross profit		**312,944**	666,589
Fair value gains on investment properties		**196,501**	1,302
Other income and gains	5	**222,098**	102,840
Selling and distribution expenses		**(131,511)**	(88,493)
Administrative expenses		**(337,537)**	(217,240)
Other expenses		**(6,518)**	(5,566)
Finance costs	6	**(173,777)**	(77,361)
Share of profit and loss of a joint venture		**(299)**	–
PROFIT BEFORE TAX	7	**81,901**	382,071
Income tax expense	8	**(40,430)**	(70,861)
PROFIT FOR THE YEAR		**41,471**	311,210
Profit attributable to:			
Owners of the parent		**41,471**	311,210
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB0.04**	RMB0.31

Details of the dividends payable and proposed for the year are disclosed in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (Restated)
PROFIT FOR THE YEAR	**41,471**	311,210
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**22,219**	(722)
Income tax effect	**–**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**22,219**	(722)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**1,538,287**	–
Income tax effect	**(384,572)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**1,153,715**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,175,934**	(722)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,217,405**	310,488
Total comprehensive income attributable to:		
Owners of the parent	**1,217,405**	310,488

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 RMB'000**	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**2,903,523**	2,211,264	1,420,346
Investment properties		**2,216,313**	6,159	4,864
Long term prepayments and deposit		**211,650**	209,114	174,973
Prepaid land lease payments		**859,617**	506,725	339,776
Goodwill		**4,075**	4,075	4,075
Investment in a joint venture		**75,647**	–	–
Deferred tax assets		**43,954**	7,806	4,394
Pledged deposits		**5,907**	5,904	165
Total non-current assets		**6,320,686**	2,951,047	1,948,593
CURRENT ASSETS				
Inventories		**1,148,337**	807,872	1,190,235
Trade and bills receivables	11	**1,219,104**	1,385,829	803,321
Prepayments, deposits and other receivables		**535,226**	480,712	462,357
Pledged deposits		**127,596**	120,380	47,483
Derivative financial instruments		**13,675**	–	–
Cash and bank balances		**1,609,517**	1,039,348	981,779
Total current assets		**4,653,455**	3,834,141	3,485,175
CURRENT LIABILITIES				
Trade and bills payables	12	**535,443**	863,623	666,583
Interest-bearing bank loans and other borrowings	13	**3,017,516**	862,126	1,434,816
Other payables and accruals		**393,757**	484,219	323,443
Tax payable		**67,080**	71,093	39,512
Derivative financial instruments		**480**	3,784	–
Short term notes	14	**206,926**	301,216	–
Total current liabilities		**4,221,202**	2,586,061	2,464,354
NET CURRENT ASSETS		**432,253**	1,248,080	1,020,821
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,752,939**	4,199,127	2,969,414
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	13	**2,148,077**	1,636,096	732,289
Fixed rate bonds	15	**431,453**	–	–
Government grants		**106,345**	96,082	34,153
Deferred tax liabilities		**447,995**	2,974	2,760
Total non-current liabilities		**3,133,870**	1,735,152	769,202
Net assets		**3,619,069**	2,463,975	2,200,212
EQUITY				
Equity attributable to owners of the parent				
Issued capital		**88,856**	88,856	88,856
Reserves		**3,530,213**	2,312,808	2,064,631
Proposed final dividend	9	**–**	62,311	46,725
Total equity		**3,619,069**	2,463,975	2,200,212

NOTES TO FINANCIAL STATEMENTS

31 December 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 year.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Bournam Profits Limited ("Bournam"), which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 *– Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

In addition, 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, the 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. 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. In June 2013, owner-occupied lands with a 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 the 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 the asset revaluation reserve under equity.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits* – *Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* – *Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – *Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
IFRS Amendments	*Annual Improvements to IFRSs 2010-2012 Cycle*[2]
IFRS Amendments	*Annual Improvements to IFRSs 2011-2013 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in the statement of profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in the statement of profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle* set out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 July 2014. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the manufacture and sale of welded steel pipes and the provision of related manufacturing services; and

(b) property development and investment for its rental income potential.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Steel pipes RMB'000	Property development RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	**2,027,057**	**–**	**2,027,057**
Segment results:	**(84,755)**	**193,145**	**108,390**
Reconciliation:			
Corporate and other unallocated expenses			**(26,489)**
Profit before tax			**81,901**
Segment assets	**11,863,435**	**2,545,032**	**14,408,467**
Reconciliation:			
Elimination of intersegment receivables			**(540,240)**
Corporate and other unallocated assets			**(2,894,086)**
Total assets			**10,974,141**
Segment liabilities	**7,605,224**	**725,711**	**8,330,935**
Reconciliation:			
Elimination of intersegment payables			**(540,240)**
Corporate and other unallocated liabilities			**(435,623)**
Total liabilities			**7,355,072**
Other segment information:			
Share of profit and loss of a joint venture	**(299)**	**–**	**(299)**
Impairment losses recognised in the statement of profit or loss	**(35)**	**–**	**(35)**
Impairment losses reversed in the statement of profit or loss	**243**	**–**	**243**
Depreciation and amortisation	**(106,333)**	**(5)**	**(106,338)**
Investment in a joint venture	**75,647**	**–**	**75,647**
Capital expenditure*	**1,173,230**	**454,970**	**1,628,200**

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Steel pipes RMB'000	Property development RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	3,925,995	–	3,925,995
Segment results:	392,750	19	392,769
Reconciliation:			
Corporate and other unallocated expenses			(10,698)
Profit before tax			382,071
Segment assets	9,334,180	19,981	9,354,161
Reconciliation:			
Corporate and other unallocated assets			(2,568,973)
Total assets			6,785,188
Segment liabilities	4,321,239	–	4,321,239
Reconciliation:			
Corporate and other unallocated liabilities			(26)
Total liabilities			4,321,213
Other segment information:			
Impairment losses recognised in the statement of profit or loss	(329)	–	(329)
Impairment losses reversed in the statement of profit or loss	57	–	57
Depreciation and amortisation	(60,638)	–	(60,638)
Capital expenditure*	1,022,318	–	1,022,318

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

Information about steel pipe products

The revenue of the major products is analysed as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Manufacture and sale of steel pipes:		
LSAW steel pipes	**1,440,276**	3,495,594
SSAW steel pipes	**136,835**	–
ERW steel pipes	**249,455**	319,502
Steel pipe manufacturing services:		
LSAW steel pipes	**32,166**	25,342
ERW steel pipes	**6,037**	9,084
Others*	**162,288**	76,473
	2,027,057	3,925,995

* Others mainly included the manufacture and sale of steel fittings, screw-thread steels and scrap materials, and the trading of equipment.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

	2013	2012
	RMB'000	RMB'000
		(Restated)
Sales to external customers:		
Mainland China	**1,671,209**	2,862,763
America	**83,145**	623,841
European Union	**1,788**	44,354
Middle East	**114,589**	324,831
Other Asian countries	**91,395**	67,320
Others	**64,931**	2,886
	2,027,057	3,925,995

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

Information about a major customer

Revenue of approximately RMB382,864,000 (2012: RMB107,575,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

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 year.

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

	2013	2012
	RMB'000	RMB'000
		(Restated)
Revenue		
Manufacture and sale of welded steel pipes and the provision of related manufacturing services	**2,027,057**	3,925,995
Other income		
Bank interest income	**14,861**	7,519
Subsidy income from the PRC government	**173,938**	95,079
Rental income	**240**	4,145
Others	**60**	1,598
	189,099	108,341
Gains		
Fair value gains/(loss), net:		
Derivative instruments — transactions not qualifying as hedges	**16,926**	(3,784)
Exchange gain/(loss), net	**16,073**	(1,717)
	32,999	(5,501)
	222,098	102,840

5. REVENUE, OTHER INCOME AND GAINS (continued)

The subsidy income represented subsidies granted by the local finance bureaus to 番禺珠江鋼管（連雲港）有限公司, 連雲港凱帝重工科技有限公司, 番禺珠江鋼管（珠海）有限公司, 番禺珠江鋼管有限公司, 連雲港艾可新型建材有限公司, and 南京鎔裕集團有限公司 as awards for their investments and products. There are no unfulfilled conditions or contingencies relating to such subsidies.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2013	2012
	RMB'000	RMB'000
		(Restated)
Interest on bank loans and government loans	**183,013**	82,680
Interest on other loans (including bonds and short term notes)	**40,262**	2,416
Interest on finance leases	**6,242**	7,462
Total interest expense on financial liabilities not at fair value through profit or loss	**229,517**	92,558
Less: Interest capitalised	**(55,740)**	(15,197)
	173,777	77,361

7. PROFIT BEFORE TAX

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

		2013	2012
	Notes	**RMB'000**	RMB'000
			(Restated)
Cost of inventories sold		**1,503,018**	2,894,614
Depreciation		**87,228**	52,075
Share of profit and loss of a joint venture		**299**	–
Amortisation of prepaid land lease payments		**19,110**	8,563
Minimum lease payments under operating leases in respect of buildings		**5,297**	4,937
Auditors' remuneration		**2,415**	2,460
Exchange (gain)/loss, net		**(16,073)**	1,717
Finance costs	6	**173,777**	77,361
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		**217,363**	204,564
Retirement benefit scheme contributions		**27,826**	18,606
(Reversal of impairment)/impairment of trade receivables	11	**(208)**	329
Reversal of impairment of deposits and other receivables		**–**	(57)
Changes in fair value of investment properties		**(196,501)**	(1,302)
Fair value (gain)/loss of derivative instruments-transactions not qualifying as hedges		**(16,926)**	3,784
Rental income on investment properties less direct operating expense of RMB22,990 (2012: RMB30,386)		**(217)**	(199)
Bank interest income	5	**(14,861)**	(7,519)
Research and development costs		**92,762**	41,615

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.

The major components of the income tax expense for the year are as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Current – Mainland China charged for the year	**27,248**	73,240
Deferred	**13,182**	(2,379)
Total tax charge for the year	**40,430**	70,861

9. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Proposed final – Nil (2012: HK7.6 cents) per ordinary share	**–**	62,311

The directors do not recommend the payment of any dividend in respect of the year.

10. 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 year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,011,142,000 (2012: 1,011,142,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. TRADE AND BILLS RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	**1,225,399**	1,369,152
Impairment	**(6,395)**	(6,603)
Trade receivables, net	**1,219,004**	1,362,549
Bills receivable	**100**	23,280
	1,219,104	1,385,829

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 generally 30 to 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

11. TRADE AND BILLS RECEIVABLES (continued)

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

	2013	2012
	RMB'000	RMB'000
Within 60 days	**561,766**	1,052,706
61 to 90 days	**32,895**	85,426
91 to 180 days	**143,039**	48,475
181 to 365 days	**295,377**	94,378
1 to 2 years	**126,400**	71,737
2 to 3 years	**50,069**	8,870
Over 3 years	**9,458**	957
	1,219,004	1,362,549

The movements in the provision for impairment of trade receivables are as follows:

	2013	2012
	RMB'000	RMB'000
At 1 January	**6,603**	6,274
Impairment losses recognised	**35**	329
Impairment losses reversed	**(243)**	–
At 31 December	**6,395**	6,603

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB6,395,000 (2012: RMB6,603,000) with a carrying amount before provision of RMB6,395,000 (2012: RMB7,560,000).

An aged analysis of trade receivables that are not considered to be impaired is as follows:

	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**666,333**	1,178,008
Past due but not impaired		
1 to 180 days	**380,674**	122,294
181 to 365 days	**104,748**	43,820
Over 365 days	**67,249**	18,427
	1,219,004	1,362,549

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default. These customers who trade on credit terms are subject to credit verification procedures.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. 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:

	2013 RMB'000	2012 RMB'000
Within 90 days	**180,620**	169,427
91 to 180 days	**13,952**	7,895
181 to 365 days	**5,628**	6,771
1 to 2 years	**11,504**	6,870
2 to 3 years	**3,942**	641
Over 3 years	**2,721**	4,580
	218,367	196,184
Bills payable	**317,076**	667,439
	535,443	863,623

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

All the bills payable have maturity dates within 180 days.

13. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Effective interest rate %	Maturity	2013 RMB'000	2012 RMB'000
Current				
Finance lease payables	7.02	2014	**34,095**	31,970
Bank loans				
– secured	6.0~7.59	2014	**583,572**	41,000
– unsecured	1.14~7.59	2014	**2,139,849**	689,156
Government loans				
– unsecured	4.2	2014	**260,000**	100,000
			3,017,516	862,126
Non-current				
Finance lease payables	7.02	2015	**37,163**	70,878
Bank loans				
– secured	2.07~7.59	2015~2018	**934,858**	537,000
– unsecured	4.03~6.15	2015~2016	**937,056**	698,218
Government loans				
– unsecured	4.2	2016	**239,000**	330,000
			2,148,077	1,636,096
			5,165,593	2,498,222

13. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

	2013 RMB'000	2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**2,723,421**	730,156
In the second year	**827,406**	35,000
In the third to fifth years, inclusive	**1,044,508**	1,200,218
	4,595,335	1,965,374
Government loans repayable:		
Within one year	**260,000**	100,000
In the second year	**239,000**	330,000
	499,000	430,000
Finance lease repayable:		
Within one year	**34,095**	31,970
In the second year	**37,163**	33,964
In the third to fifth years, inclusive	**–**	36,914
	71,258	102,848
	5,165,593	2,498,222

Certain of the Group's bank loans are secured by:

(a) certain property, plant and equipment of the Group with a net carrying amount of approximately RMB148,775,000 (2012: RMB141,765,000) as at the end of the reporting period; and

(b) certain leasehold lands of the Group with a net carrying amount of approximately RMB302,399,000 (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 RMB1,745,093,000 (2012: RMB1,028,218,000) as at the end of the reporting period.

Except for the unsecured bank loans of RMB31,449,000 (2012: RMB32,434,000) and RMB1,449,181,000 (2012: RMB821,900,000) as at 31 December 2013, which are denominated in Hong Kong dollars and United State dollars, respectively, all borrowings are in RMB.

The Group had the following undrawn banking facilities:

	2013 RMB'000	2012 RMB'000
Floating rate		
– expiring within one year	**6,938,407**	4,531,613

14. SHORT TERM NOTES

The carrying amount of the Group's short term notes is as follows:

	2013	2012
	RMB'000	RMB'000
The First Tranche Notes – 5.6% fixed rate notes maturing in November 2013 – unsecured	**–**	301,216
The Second Tranche Notes – 5.1% fixed rate notes maturing in May 2014 – unsecured	**206,926**	–
	206,926	301,216

In September 2012, PCKSP completed the registration with the National Association of Financial Market Institutional Investors for a RMB500 million unsecured short term notes facility issuable in two years from the date of registration. In December 2012, PCKSP issued the First Tranche Notes of RMB300 million in the PRC with a tenure of one year and carrying interest at a fixed rate of 5.6% per annum. In May 2013, PCKSP issued the Second Tranche Notes of RMB200 million in the PRC with a tenure of one year and carrying interest at a fixed rate of 5.1% per annum.

15. FIXED RATE BONDS

On 30 April 2013, the Group issued bonds with a principal amount of US$72,000,000 and the bonds will be repayable in full by 30 April 2018. The bonds 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 fixed for redemption. The bonds bear a fixed coupon interest rate at 5.6% per annum for five years payable semi-annually, commencing on 30 October 2013. The bonds are unsecured.

The bonds were issued for refinancing the existing debt and for general corporate purposes. The net proceeds of the bonds after deducting issue expenses amounted to approximately RMB438,381,000.

	2013	2012
	RMB'000	RMB'000
Carrying amount as at 1 January 2013	**–**	–
Newly issued	**446,990**	–
Issue expense	**(8,609)**	–
Amortisation	**1,001**	–
Exchange realignment	**(7,929)**	–
Carrying amount as at 31 December 2013	**431,453**	–

The effective interest rate of the bonds is 6.05% per annum.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present to you the audited consolidated annual results of the Group for the year ended 31 December 2013.

In the difficult and challenging year of 2013, the Group managed to report a turnover of approximately RMB2,027.1 million, down by approximately 48.4% as compared with that of 2012 (2012: RMB3,926.0 million). Profit attributable to equity holders of the Company declined by approximately 86.7%, to approximately RMB41.5 million (2012: RMB311.2 million). Earnings per share were approximately RMB0.04, declined by approximately 87.1% as compared with that of 2012 (2012: RMB0.31). The Board did not recommend the payment of final dividend for the year ended 31 December 2013.

During the year under review, the aftermath of the changes in the leadership in the PRC government led to delays in bidding processes of a number of pipeline projects further adversely affected the performance of our sales in 2013, though we have seen some good signs of gradual restoration. The declined results of 2013 were mainly attributable to the decrease in sales order. We expect the downturn to be temporary. The Group will continue to drive forward and prepare to cope with the overall development and to capture the ever-growing market demand. The Group is committed to enhancing its integrated strengths, adhering to a strategy of product diversification, further expanding the scale of production and strengthening our leading position in the industry.

POISED FOR FUTURE GROWTH

Despite the fact that the year of 2013 was a setback year for the industry, we believe the frost has gradually dispersed and the situation has been restored to normal. In 2013, the Group has reached three milestones: 1) the completion of our self-owned and self-operated wharf in Zhuhai, which is part of the phase two development of our Zhuhai plant, including a SSAW production line and the relocation of the JCOE-LSAW (infrastructure pipes) production line from Panyu to Zhuhai; 2) the purchase of land in Lianyungang for the construction of a steel plate processing production line; and 3) the change of permitted use of a piece of land in Panyu, which involved 27% of the total land area of our Panyu production site, from industrial use to commercial use.

The Group currently operates six separate LSAW production lines in four locations in the PRC with a total annual capacity of 1.9 million tonnes of LSAW steel pipes. Together with two SSAW and one ERW production lines, the Group's total annual capacity of welded steel pipes is now at 2.71 million tonnes. Based on the current production capacity, the Company is now the largest LSAW manufacturer in the PRC. Both of our new production plants located in Lianyungang and Zhuhai are now in operation and houses state-of-the-art production lines, including our in-house invention of COE-LSAW production lines, the pre-welding and precision welding SSAW and the JCOE-LSAW production line, which is capable of manufacturing deep-sea welded steel pipes for offshore deep-sea oil and gas transmission.

Our Zhuhai production plant is strategically located in Gaolangang Port, Zhuhai, equipped with self-operated wharf and enjoyed a geographical advantage as being neighboured with the China National Offshore Oil Corporation's ("CNOOC") marine resources production plant, so as to ride on the future development of marine resources of the nation. When completed in March 2014, our wharf will occupy a coastal line of 210 m and have two berths with a handling capacity of 1.1 million tonnes of throughput each year. It will further enhance our efficiency in delivery and transportation of raw materials. The Group will benefit from possessing our own logistics and storage facilities, enabling us to improve our cost management capability and catering our customers' needs, which will in turn further enhance our competitive advantages.

The development of our Lianyungang production plant is smoothly on track. Benefited from its geographical location and facilities, we have poised for strong pace for the future development of our overseas business. Our Lianyungang SSAW production team has fulfilled all production requirements and made timely deliveries, which further strengthened our reputation in the international market of SSAW pipes. In late 2013, the Lianyungang production plant successfully made delivery of steel pipes for a Nigeria gas project. Furthermore, the Company has acquired another block of land adjacent to the Group's existing production base of Lianyungang. It paves way for upstream expansion of our steel plate processing operation which is expected to commence operation in 2015. We believe such vertical integration will enhance the Group's integrated strength and reinforce our leading position as the largest and the most technologically advanced steel pipe maker in the PRC.

In the first half of 2013, the Group completed the change of land use in Panyu. The permitted use of a piece of land of a total site area of 125,000 square metres, or 27% of the total site area of our Panyu site, has been converted from industrial use to commercial use. We believe the surrounding areas of the Panyu production plant will be developed into a central business district in the near future, therefore, the land value and the development potential of the land shall rise accordingly. The management of the Company will carefully consider all options in terms of the best interest of the shareholders, on the future arrangement of the converted land. The converted land as well as the existing Panyu production plant are located near the heart of the district of Panyu and close to highway, subway and high-speed train routes. We believe, the potential value of the land will be realised progressively in the years to follow. As of the end of 2013, the converted land use right was valued at RMB2.2 billion, based on the valuation provided by independent valuer.

By end of 2014, the Group's first overseas production line of LSAW steel pipes is expected to commence operation. By then, the brand of "PCK" will become more famous in the areas of Middle East, and should lead to more business opportunities. The Company is also opening its first office in Indonesia to expand its business sales network.

TECHNOLOGY ADVANCEMENT

Subsequent to the introduction of deep-sea welded steel pipe in our product offering in 2012, the Company advanced even further technically by launching clad pipes to the market during 2013. Clad pipe is a combination of stainless steel (inner layer) and carbon steel (outer layer) that can be used in resource exploration/exploitation projects of crude oil and gas and corrosive spectrum. Clad pipe is an ideal solution for complex hydraulic pressure sealing, mechanical lining complex, steel pipe welding and other technical problems. Our clad pipes satisfy the qualification requirements of API 5LD (2009), DNV OS F101 (2005) and technical specification requirements of clad pipes after an examination by the National Quality Supervision and Inspection Center Oil Pipe and China National Petroleum Corporation ("CNPC") Tubular Goods Research Institute. Clad pipes are widely used in corrosive environments, including oil exploration, water transmission, gas transmission, petrochemicals, food industry, transmission of corrosive spectrum, seawater desalination and drinkable water transportation.

Our newly promoted product of SSAW steel pipes have been used in the construction of the Hong Kong-Zhuhai-Macao Bridge and thick walled grouting borehole SSAW for the water transmission project in Lianyungang.

PROSPECT AND GO FORWARD

Owing to the delays and slow-downs of tendering activities in the PRC in 2013, we reasonably foresee the demand of steel pipes would come back at a stronger pace. In the PRC, the domestic demand will increase in line with the commencement of various natural gas, coal-to-gas and offshore oil and gas projects, which all shall be completed within the duration of 12th Five-Year Plan.

We expect the demand of steel pipe will surge in the coming years, as the Chinese government encourages the use of gas for power generation in order to reduce the use of coal. As for now, China is in the midst of introducing the use of more natural gas as energy sources, together with the newly approved coal-to-gas projects, which are mainly located in Xinjiang in Western China. The Chinese government is aiming to transmit those gases from their origins to Eastern China and the project shall commence and complete within the duration of 12th Five-Year Plan, with further development expected on natural gas and shale gas under the 13th Five-Year Plan.

It is anticipated that two major national pipeline projects will continue and commence construction at full speed this year, namely the West-East Gas Pipeline III, is owned by CNPC, which commenced construction at the end of 2012 and aims to begin operation within 2015, as well as the government-approved coal-to-gas project of Xinjiang-Guangdong-Zhejiang of China Petroleum and Chemical Corporation ("Sinopec"). The Company has a long history of business relationship with CNPC and Sinopec, and with our advanced technology in steel pipe manufacturing and our high quality products, we are confident that we can participate in these future developments, especially the southern sections of the pipeline projects. Meanwhile, the Chinese government has also named the project for renewing old pipes and it represents a good business opportunity for the industry.

Recently, the Chinese government declared marine resources exploration as a key strategy and solution for energy consumption in the future with various energy cooperation and natural gas steel pipe construction agreements having been signed with other countries. We believe that the strategic location of our production plant in Zhuhai will enable us to attract more sales for deep sea welded steel pipes. Through our strong capability in research and development on offshore oil and gas pipes, we will continue to enhance our products to fulfil the needs of the PRC.

For our overseas business, the Group has been actively expanding its scale of overseas sales. At present, we have accumulated over 800 customers across 56 countries worldwide and involved in mining projects in South America, oil sand project in Canada and the Sino-Russian natural gas transmission project. We believe the demand for high quality steel pipes for the use of gas and oil transmission and other applications will remain strong.

As the leader and pioneer of the industry in terms of our production capacity, quality and technological advancement, we share a major responsibility of rolling out advanced products to keep up with the needs of modern applications. We also have a strong vision of supporting the development of the PRC by supplying first-class steel pipes. Through our Academician Workstation, we shall continue our efforts in developing new and advanced products that allow the Group to retain its industry pioneer position in China as well as gaining further international recognition. In the future, we will continue to enhance our existing integrated strengths with our strategies of "Product Diversification" and "Integration of Steel Plate and Pipe", to embrace the future growth in the industry and to promote the brand name of PCK as an international top-class steel pipe maker.

APPRECIATION

On behalf of the Group, I wish to express my gratitude to all employees and shareholders. I sincerely look forward to all your continuing support to the Group's future development. The Group is full of confidence in reaching new heights of success in the years to come, further realising the mutual growth of both the enterprise and employees and sharing our brilliant success with our Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly manufactures and sells longitudinal welded steel pipes, as well as providing manufacturing service for processing raw materials into steel pipes. Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are the largest LSAW steel pipe manufacturer and exporter in the PRC, who are capable of producing LSAW steel pipes that meet the X100 standard. We are also accredited 10 international certifications such as Det Norske Veritas ("DNV") and American Petroleum Institute ("API"). In addition, we are the first and the sole PRC manufacturer that has successfully developed deep sea welded pipes for use under 1,500m water depth. Our products are widely applicable to major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

The Group is capable of manufacturing subsea pipes for offshore projects and is classified in the Offshore Engineering Equipment Industry* (海洋工程裝備製造業) during the 12th Five-Year Plan. During the year, the Group received support from the PRC government in the form of subsidies and bank loans with preferential interest rates from policy banks such as China Development Bank, The Export-Import Bank of China, as well as export policy support from China Export & Credit Insurance Corporation.

The Group received new orders of approximately 278,000 tonnes during 2013 and approximately 27% were received from the three major oil and gas companies in China. The Group delivered approximately 337,000 tonnes of welded steel pipes during 2013. Subsequent to 2013, the Group received major sales contracts of approximately 82,000 tonnes with total contract value of approximately RMB478 million.

LSAW Steel Pipes

The Group is the largest LSAW steel pipe manufacturer and exporter in the PRC. LSAW steel pipe is the largest revenue contributor to the Group and accounted for approximately 72.6% of our total revenue for the year ended 31 December 2013. For the year ended 31 December 2013, revenue from the sales and manufacturing service of LSAW steel pipes amounted to approximately RMB1,440.3 million and RMB32.2 million, respectively, representing a decrease of approximately 58.8% and an increase of 26.9%, respectively, as compared to that for the year ended 31 December 2012. The decrease in sales of LSAW steel pipes was mainly due to the delay in the opening of the bidding processes of a number of pipeline projects in the PRC and overseas.

Revenue contribution from the manufacturing service of LSAW steel pipes increased as compared with 2012 while the absolute amount of manufacturing service of LSAW steel pipes in 2013 was similar as compared with that of 2012.

* Unofficial transliteration from Chinese name for identification purposes only.

SSAW Steel Pipes

Our SSAW steel pipes are produced in our plant in Lianyungang using the pre-welding and precision welding SSAW technique, which is the most advanced standard among all SSAW technologies. Revenue of approximately RMB136.8 million was recorded from the sale of SSAW steel pipes during the year ended 31 December 2013. The total revenue from SSAW steel pipes accounted for approximately 6.8% of the total revenue for the year ended 31 December 2013. We expect robust demand for SSAW steel pipes for oil and gas transmission under China's 12th Five-Year Plan and for infrastructure use under urbanisation plan in China.

ERW Steel Pipes

Market competition of ERW steel pipes has been very keen due to its relatively low technical and standardised requirements. For the year ended 31 December 2013, revenue from the sales and manufacturing service of ERW steel pipes amounted to approximately RMB249.5 million and RMB6.0 million, respectively. The total revenue from ERW steel pipes accounted for approximately 12.6% of the total revenue for the year ended 31 December 2013.

Second Phase of Zhuhai Production Base in operation

The 300,000 tonnes SSAW production line in Zhuhai has commenced production in the third quarter of 2013. Together with the self-owned and self-operated wharf in Zhuhai which has commenced operation in March 2014, the Group can provide one-stop service to customers. The SSAW steel pipes produced in Zhuhai are of length of 150m, diameter of 7m and thickness of 230mm, suitable for use in construction of offshore platform structures and infrastructure projects. The 300,000 tonnes JCOE-LSAW (infrastructure pipes) production line has been relocated from Panyu to Zhuhai production base in late 2013.

Change of Land Use in Panyu

In May 2013, the Group had completed the process of changing the permitted use for a piece of land (the "Land") in its production facility in Panyu, Guangdong Province from industrial use into commercial use. The Land has a total site area of approximately 125,000 square metres and a permitted construction area of approximately 401,000 square metres, which accounts for approximately 27 per cent of the total site area of approximately 461,000 square metres.

After the change of land use, the Land was valued at RMB2 billion at 30 June 2013 (according to a valuation report of RHL Appraisal Limited, an independent valuer). The market value of the Land as at 31 December 2013 (according to RHL Appraisal Limited's later valuation report) was RMB2.2 billion. The increase in valuation of RMB196.5 million was recorded as change in value of investment property and credited to the profit or loss of the Group for the year ended 31 December 2013.

The Group currently has no specific plan in developing the Land. The Company will make an announcement if any specific plan is materialised.

Acquisition of Screw-thread Steel Business

In May 2013, the Group acquired the entire equity interest in Nanjing Rongyu Group Company Limited* (南京鎔裕集團), Nanjing Rongyu Group Market Management Company Limited* (南京鎔裕集團市場管理有限公司) 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") from four independent third parties. Nanjing Rongyu Group is principally engaged in the manufacture and sales of screw-thread steel that is mainly used as construction materials of buildings, bridges and roads. The consideration for the acquisition was approximately RMB80 million. The Group has commenced production and sale of screw-thread steel since completion of the acquisition during the year.

* Unofficial transliteration from Chinese name for identification purposes only.

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2013, our revenue was approximately RMB2,027.1 million, representing a decrease of approximately RMB1,898.9 million or 48.4% as compared with that of 2012. The decrease in revenue was mainly attributable to the delay in the opening of the bidding processes of a number of pipeline projects in the PRC and overseas, which led to a decrease in both domestic and export sales orders received by the Group.

The following table sets forth the revenue, gross profit, sales volume and average gross profit per tonne by business segments for each of the period indicated:

	2013		2012	
	Revenue RMB'000	**% to total**	Revenue RMB'000	% to total
Sales of steel pipes				
LSAW steel pipes	**1,440,276**	**71.0**	3,495,594	89.0
SSAW steel pipes	**136,835**	**6.8**	–	–
ERW steel pipes	**249,455**	**12.3**	319,502	8.1
Subtotal	**1,826,566**	**90.1**	3,815,096	97.1
Manufacturing services				
LSAW steel pipes	**32,166**	**1.6**	25,342	0.7
ERW steel pipes	**6,037**	**0.3**	9,084	0.2
Subtotal	**38,203**	**1.9**	34,426	0.9
Others	**162,288**	**8.0**	76,473	2.0
Grand total	**2,027,057**	**100.0**	3,925,995	100.0

		2013			2012	
	Gross profit RMB'000	**Sales volume tonnes**	**Average gross profit RMB/tonne**	Gross profit RMB'000	Sales volume tonnes	Average gross profit RMB/tonne
Sales of steel pipes						
LSAW steel pipes	**240,310**	**240,895**	**998**	590,011	448,656	1,315
SSAW steel pipes	**6,316**	**23,925**	**264**	–	–	–
ERW steel pipes	**33,480**	**40,025**	**836**	27,824	57,650	483
Subtotal	**280,106**	**304,845**		617,835	506,306	
Manufacturing services						
LSAW steel pipes	**16,307**	**15,259**	**1,069**	14,036	13,853	1,013
ERW steel pipes	**384**	**16,655**	**23**	194	8,176	24
Subtotal	**16,691**	**31,914**		14,230	22,029	
Others	**16,147**	**N/A**	**N/A**	34,524	N/A	N/A
Grand total	**312,944**	**336,759**		666,589	528,335	

The revenue generated from the sales of steel pipes accounted for approximately 90.1% of our total revenue in 2013 as compared with approximately 97.1% in 2012. Steel pipe manufacturing services accounted for approximately 1.9% of our total revenue in 2013 as compared with approximately 0.9% in 2012. The revenues denoted by "Others" mainly represented the sales of screw thread steel, sales of steel fittings, trading of equipment and sales of scrap materials which accounted for approximately 8.0% of our total revenue in 2013 as compared with approximately 2.0% in 2012.

Gross profit for 2013 was approximately RMB312.9 million, representing a decrease of approximately 53.1% or RMB353.6 million as compared with approximately RMB666.6 million in 2012. Gross profit margin for 2013 was approximately 15.4% which was lower than approximately 17.0% of last year due to the increase in sales for city gas projects with lower profit margin in 2013. In addition, the Group has delivered deep sea welded steel pipes with higher profit margin in 2012.

Selling price of steel pipes is calculated based on a cost-plus pricing model, i.e., price of the raw materials (in particular steel plate and steel coil) marked up with processing fees. Hence, the impact of market price fluctuation of raw materials can be excluded in the analysis of average gross profit per tonne.

The average gross profit per tonne for LSAW steel pipes decreased by approximately 24.1% from approximately RMB1,315 in 2012 to approximately RMB998 in 2013. This was attributable to the sale of deep sea welded pipes with higher profit margin last year and sale of steel pipes for city gas projects with lower operational efficiency this year.

The average gross profit per tonne for ERW steel pipes was approximately RMB836 in 2013 as compared with gross profit per tonne of approximately RMB483 in 2012. Such increase was due to the fact that the Group delivered ERW pipes for the Oman Project and other overseas projects with higher profit margin this year.

As to the manufacturing services, the average gross profit per tonne for manufacturing services of LSAW steel pipes was similar as compared with last year.

SALES BY GEOGRAPHICAL AREAS

	2013		2012	
	RMB'000	**% to total**	RMB'000	% to total
Overseas sales	**355,848**	**17.6**	1,063,232	27.1
Domestic sales	**1,671,209**	**82.4**	2,862,763	72.9
Total	**2,027,057**	**100.0**	3,925,995	100.0

Our domestic sales accounted for approximately 82.4% of our total revenue in 2013, as compared to approximately 72.9% in 2012. Although there was delay in the bidding schedules of the national projects, the Group is able to obtain orders for numerous city gas projects in order to maintain its market share. Furthermore, the construction of the first long distance coal slurry pipeline in Shenwei, PRC also boosted our domestic sales.

CHANGE IN FAIR VALUES OF INVESTMENT PROPERTIES

In 2013, the Group has changed its accounting policy to change the measurement method of investment properties to fair values. Accordingly, gains or losses arising from the changes in the fair values of investment properties are reflected in profit or loss for the year. The Group has engaged RHL Appraisal Limited, an independent valuer, to value the investment properties. According to the valuation report as at 31 December 2013 issued by RHL Appraisal Limited, the market value of the investment properties as at 31 December 2013 was RMB2.2 billion. There was an increase in fair values of investment properties of approximately RMB196.5 million and was credited to profit or loss in 2013.

OTHER INCOME AND GAINS

Other income in 2013 mainly represents bank interest income and subsidy income from the PRC government. Other income and gains increased by approximately 116.0% or RMB119.3 million from approximately RMB102.8 million in 2012 to approximately RMB222.1 million in 2013. Increase in other income was mainly due to (i) the increase in government subsidies and (ii) increase in fair value of derivative financial instruments. These government subsidies were mainly related to awards for the Group's investment in Lianyungang and to awards to the Group's Zhuhai's production base as Offshore Engineering Equipment Industry* (海洋裝備製造業).

Net gain on increase in fair value of derivative financial instrument was approximately RMB16.9 million (2012: loss RMB3.8 million. For more details, please refer to the section headed "Changes in fair value of derivative financial instruments" below.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by approximately 48.6% or RMB43.0 million from approximately RMB88.5 million in 2012 to approximately RMB131.5 million in 2013. The increase was mainly due to the increase in transportation expenses for some major domestic sales projects.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 55.3% or RMB120.3 million from approximately RMB217.2 million in 2012 to approximately RMB337.5 million in 2013. The increase was primarily due to the increase in research and development expenses and the increase in salaries and wages and office expenses for the newly set up production bases in Zhuhai and Lianyungang. In order to qualify as a High Technology Enterprise and maintain the status of high technology steel pipe manufacturer, the Group has allocated more resources on the research and development of clad pipes, pipes for transmission of nuclear reactors, X-100 steel pipes, steel pipes for construction of offshore platform structure and deep sea pipes for use at a water depth of 3,000 m.

FINANCE COSTS

Finance costs increased by approximately 124.6% or RMB96.4 million from approximately RMB77.4 million in 2012 to approximately RMB173.8 million in 2013. The effective interest rate in 2013 was approximately 3.0% (2012: 2.8%). The increase in finance costs was mainly due to the increase in average borrowing balance to finance both the working capital and capital expenditure of the Group.

CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into a cross currency swap contract with a financial institution in 2011 to manage the exchange rate exposure of the 3-year term loan of RMB300 million. Unrealised change in fair value of such derivative instrument of approximately RMB17.3 million (2012: RMB3.7 million) was credited to profit or loss in 2013. The Group also entered into an interest rate swap contract with a financial institution to manage the floating interest rate exposure of the six-month revolving loan of approximately USD31 million. Unrealised change in fair value of this derivative instrument of approximately RMB0.4 million (2012: RMB0.06 million) was debited to profit or loss in 2013. The net gain on increase in fair value of derivative financial instrument was RMB16.9 million.

* Unofficial transliteration from Chinese name for identification purposes only.

INCOME TAX EXPENSES

Income tax expenses decreased by approximately 42.9% or RMB30.4 million from approximately RMB70.9 million in 2012 to approximately RMB40.4 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 High Technology Enterprise and entitled to a reduced tax rate of 15% in 2013 (2012: 15%). The Group's effective tax rate for 2013 was approximately 49.4% which was higher than that of 2012 of approximately 18.5%. This was mainly due to the fact that (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% (2012: 25%).

PROFIT FOR THE YEAR

As a result of the factors discussed above, our profit decreased by 86.7% or RMB269.7 million from approximately RMB311.2 million in 2012 to approximately RMB41.5 million in 2013. Net profit margin decreased from 7.9% in 2012 to 2.0% in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2012 and 2013:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Net cash flows (used in)/from operating activities	**(559,900)**	586,885
Net cash flows used in investing activities	**(1,551,103)**	(1,021,648)
Net cash flows from financing activities	**2,681,083**	493,050
Net increase in cash and cash equivalents	**570,080**	58,287

NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES

The Group's net cash flows from operating activities changed from an inflow of approximately RMB586.9 million in 2012 to an outflow of approximately RMB559.9 million in 2013. The net cash outflows from operating activities were primarily due to the combined effect of (i) operating profit before changes in working capital of approximately RMB133.8 million, (ii) increase in inventories of approximately RMB307.2 million and (iii) decrease in trade and bills receivables, prepayments and deposit, trade and bills payables, other payables of approximately RMB365.2 million resulted from the decrease in sales for the year ended 2013 as compared with that of 2012.

NET CASH FLOWS USED IN INVESTING ACTIVITIES

The Group's net cash flows used in investing activities increased from approximately RMB1,021.6 million in 2012 to approximately RMB1,551.1 million in 2013. The net cash outflows were mainly due to the capital expenditure for the production bases in Lianyungang and Zhuhai, acquisition of Nanjing Rongyu Group and premium paid for the change of land use in Panyu during the year.

NET CASH FLOWS FROM FINANCING ACTIVITIES

The Group's net cash flows from financing activities increased from approximately RMB493.1 million in 2012 to approximately RMB2,681.1 million in 2013. The net cash inflows were mainly resulted from the combined effect of (i) borrowing of new interest bearing loans and other borrowings of approximately RMB5,179.2 million and (ii) repayment of bank loans and government loans and finance lease of approximately RMB2,211.4 million.

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in Renminbi except for export sales which are mostly denominated in US dollar. Most of its assets and liabilities are denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect that future currency fluctuations would materially impact the Group's operations. Apart from cross currency swap contract to manage the exchange rate exposure of the 3-year term loan of RMB300 million entered into by the Group in 2011, the Group did not adopt formal hedging policies nor instruments of foreign currency for hedging purposes during the year ended 31 December 2013.

CAPITAL EXPENDITURE

For the year ended 31 December 2013, the Group invested approximately RMB1,551.1 million for the purchase of property, plant and equipment and for payment of the premium of change of land use in Panyu. These capital expenditures were fully financed by internal resources and bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

The Group pledged certain property, plant and equipment and land use rights with an aggregate net book value of RMB148.8 million (2012: RMB141.8 million) and RMB302.4 million (2012: RMB115.0 million) as at 31 December 2013 respectively, to secure bank loans granted to the Group.

FINANCIAL INSTRUMENTS

The Group has entered into cross currency swap contract to manage the exchange rate exposure of the 3-year term loan of RMB300 million and the interest rate swap contract to manage the interest rate exposure of the six month revolving loan of approximately USD31 million outstanding for the year ended 31 December 2013.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing ratio is calculated based on the sum of bank loans, other borrowings and short term notes divided by total assets. The gearing ratio of the Group as at 31 December 2013 and 2012 were 52.9% and 41.3%, respectively.

On 31 October 2012, the Group entered into a facility agreement for a 3-year team loan of USD36 million with a syndicate of banks. The loan is on a LIBOR basis and repayable by 4 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 right in the Company, free from any security.

On 30 April 2013, the Group issued bonds with a principal amount of US$72,000,000 and the bonds will be repayable in full by 30 April 2018. The bonds may be redeemed at the option of the Group in whole. The bonds bear a fixed coupon interest rate at 5.6% per annum for five years payable semi-annually, commencing on 30 October 2013. The bonds are unsecured. The bonds were issued for refinancing the existing debt and for general corporate purposes.

As at 31 December 2013, the Group's total borrowings amounted to approximately RMB5,804.0 million, of which approximately 44% (2012: 58%) were long term borrowings and approximately 56% (2012: 42%) were short term borrowings. And approximately 63% of total borrowings of the Group were financing working capital of the Group, and approximately 37% of total borrowings of the Group were financing capital expenditure of the Group. 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 plate and steel coil. Once the Group received sales proceeds from its customers, it will then repay the short term borrowings. Taking into account the Group's cash in hand and the available banking facilities, the Group has sufficient liquidity and strong financial position to repay its short term borrowings.

As at 31 December 2013, approximately 55% (2012: 33%) of the total borrowings were denominated in Renminbi which carried interest rates linked to the benchmark lending rate published by the People's Bank of China, approximately 14% (2012: 37%) of the total borrowings were denominated in Renminbi which carried fixed interest rate, approximately 19% (2012: 30%) of the total borrowings were denominated in US dollar and HK dollar with interest rates linked to the London interbank offered rates for US dollar loans and Hong Kong interbank offered rates for HK dollar loans and approximately 12% (2012: Nil) of the total borrowings were denominated in US dollars which carried fixed interest rate.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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. The Group has commenced production and sale of screw-thread steel since completion of the acquisition during the year.

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

EVENT AFTER THE REPORTING PERIOD

As at the date of this announcement, there are no significant events subsequent to 31 December 2013 which would materially affect the Group's operating and financial performance as of the date of consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Group had a total of 4,024 full time employees (2012: 3,964 employees). The following set forth the total number of our staff by functions:

	2013	2012
Management	**241**	193
Production and logistics	**2,037**	2,302
Sales and marketing	**45**	42
Finance	**54**	35
Quality control	**545**	567
R&D	**396**	302
Procurement	**54**	57
General administration and others	**652**	466
Total	**4,024**	3,964

For the year ended 31 December 2013, staff cost (including directors' remuneration in the form of salaries and other benefits) was approximately RMB245.2 million (2012: RMB223.2 million).

The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. Our package includes salaries, medical insurance, discretionary bonuses, on-job training, other benefits as well as mandatory provident funds schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. Pursuant to the Company's share option scheme and share award scheme, options to subscribe for shares in the Company or share awards of the Company respectively may be granted to eligible employees. No share option nor share award was granted under the share option scheme or share award scheme respectively during the year ended 31 December 2013.

FUTURE PLANS AND PROSPECTS

Our Group strives to maintain its leadership in the domestic LSAW steel pipe market and to increase its presence in the international LSAW steel pipe market. Leveraging on our experienced management team, R&D capabilities, state-of-the-art technology, solid customer base and established track records with reputation, we are the only Chinese company that is qualified to undertake most of the international large projects, and capable of producing deep sea welded steel pipes for use under 1,500m depth. We are also a core supplier of Shell and a qualified supplier of Petrobras, Brazil. We have been approved by the Guangdong Provincial Government to set up the Academician Workstation (院士工作站). This will further strengthen our R&D capabilities and further enhance our products for high-end use.

Foreseeing the future gas demand in China, the Chinese government has initiated a comprehensive strategy for utilising gas sources by bringing gases from various locations to not just independent power producers but for the use in some other applications. The adoption of gas as an alternative energy source aims to tackle environmental pollution, in particular air pollution in cities. In that case, the PRC government is eager to improve the air quality by switching from conventional to alternative energy. One major obstacle is that most of the gas sources are either located in remote regions or distant from the users. To resolve this issue, pipelines are needed to be deployed in order to transmit gases in a large volume at a lower cost in the long-run.

The three major oil and gas companies in China are making progress that coincided with the national development plan. The construction of the West-East Gas Pipeline Phase III owned by CNPC commenced in late 2012 spanning from Xinjiang to the east, with an estimated length of approximately 7,300 kilometres and shall be commenced operation in mid-2015. Sinopec, on the other hand, is focusing on the development of coal-to-gas projects and is targeting to build pipelines of 8,000 km in length in total, delivering gas from Xijiang to Guangdong and Zhejiang. CNOOC, an offshore oil producer, is actively exploring the region of South China Sea. CNOOC also offers offshore blocks for foreign participation not just in the South China Sea, but also in the East China Sea. Domestically, several other pipelines are planned to be constructed in the coming years, including Guangdong Natural Gas Pipeline Network, Kazakhstan–China Oil Pipeline, Central Asia–China Gas Pipeline and Zhongwei-Guiyang Pipeline.

For 2014, the Group intends to pursue or complete:

1. Construction of Steel Plate Processing Facilities in Lianyungang

It is the intention of the Group to build its own steel plate processing plant in Lianyungang. As the major cost and component of pipe manufacturing is steel plates, the possession of plate processing skills will further improve the profit margins, delivery time and quality control. The steel plate processing plant is aiming to be built in 2015, with a designed annual capacity of around 2 million tonnes API-grade plates, proprietary to the Group. The Group has to acquire additional land for plant building and commence infrastructure construction works.

2. Joint Venture in Saudi Arabia

The Group has partnered with Abdel Hadi Abdullah Al Qahtani & Sons. Co ("AHQ") to establish a joint venture company ("JV Company") for the purpose of establishing our first overseas LSAW production line with an annual capacity of 300,000 tonnes in Saudi Arabia. The JV Company was owned as to 50% by the Group and 50% by AHQ. The proposed principal business of the JV Company is the manufacturing and sales of LSAW, and is expected to commence operation in the fourth quarter of 2014. Forming the JV Company with AHQ will further develop, strengthen and expand the market shares of the Group in the Kingdom of Saudi Arabia and the Middle East. It is expected that the JV Company will improve the Group's financial results.

3. Office in Indonesia

The Group has set up an office in Indonesia for business sales network expansion and will look for opportunities in Indonesia.

The Group intends to fund the capital expenditure of the above projects by the proceeds from the internally generated funds and bank borrowings.

Moving ahead, the Group is in a better-than-ever position to capture the ever expanding welded steel pipe market, with a total of 2.71 million tonnes of combined annual capacity in three different product segments, LSAW, SSAW and ERW steel pipes. Furthermore, new and technologically advanced products will also widen our income sources and diversify our product and application range.

In China, we foresee that the progress of national pipeline constructions may accelerate, as some of the projects have been in delay due to political reasons in 2013 and it is high time to catch up with the 12th Five-Year Plan. The incident of oil pipes explosion in Qingdao in 2013 also brought attention to the safety issues with obsolete pipes, which were mostly installed over two decades ago. Those pipes were made by less advanced machines with out-dated technologies. Most importantly, they were installed underneath some densely populated areas. The PRC government is determined to reassess the safety level of those obsolete pipes and make replacements if necessary. As the awareness of safety standard of pipeline transmission has been rising, the quality requirement for pipe will become higher. Being the industry leader, not just in terms of production volume but in both quality and technologies, the Group will relentlessly strive to satisfy the needs by the nation's development.

Globally, the Company has established a strong overseas sales network across continents, such as Asia, Middle East, South America, North America, Europe and Africa. Overseas sales account for a significant portion of the Company's income and are a recognition of the quality of our products. Therefore, many oil-and-gas related multinational corporations have sourced pipes from the Group for many years even for their most technologically demanding projects. Years back, the Company has successfully entered into the supplier's lists of Shell and Petrobras as their core-supplier and qualified-supplier, respectively, after rounds of testing and assessment on the quality of the Company's products as well as the production procedures. In addition, the Group has also obtained various essential international certificates such as API and DNV.

In Asia, besides China, several other countries are initiating the constructions of gas pipeline, such as India, Uzbekistan, Vietnam, Thailand and etc. In Australia, the production of liquefied natural gas ("LNG") is thriving, as the global demand has been driven up by the global environmental concerns. Africa, in the near future, will have many oil fields in Equatorial Guinea, Congo and Nigeria moving from exploration stages into exploitation stages and ready for production, and thus boosting the demand for pipelines for large volume transmission will be needed. Although Russia, Eastern and Middle East are rich in oil and gas, they must find ways to deliver the resources to users in the East, namely China, and pipeline is the most efficient, economic and environmental-friendly way of all, especially for those international cross-border projects. In South America, the Company has been providing pipes for the traditional oil and gas applications and to mines for ores transportations.

Based on the positive prospect of the international market, the Company can take advantage of its two production plants in Lianyungang and Zhuhai, both located along the shore with easy access to port facilities. In terms of product quality, the Company is certainly among the best in the industry and competing with some of the big names. With stable raw materials supply at a competitive price from the local steel mills, easy access to port facilities that led to better cost management and long track record with major oil and gas companies, the Company will be able to further penetrate into the global market in full confidence.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code Practices ("the CG Code") set out in the former Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") for the financial year ended 31 December 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 separately 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 shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

NON-COMPETITION UNDERTAKINGS

The independent non-executive Directors have also reviewed the confirmation given by Mr. Chen Chang and Bournam, being controlling shareholders of the Company, in respect of each of their compliance with the Non-Competition Undertakings as disclosed and as defined in the Prospectus.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Chen Ping, Mr. Liang Guo Yao and Mr. See Tak Wah. Mr. See Tak Wah is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control procedures of our Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013 and the condensed consolidated interim financial statements for the six months ended 30 June 2013, including the accounting principles and practices adopted by the Company and the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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 year ended 31 December 2013.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2013.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Ching Room, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon on Friday, 20 June 2014 at 10:30 a.m.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, 17 June 2014 to Friday, 20 June 2014, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16 June 2014.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk under "Listed Company Information" and the designated website of the Company at http://www.pck.com.cn or http://www.pck.todayir.com, respectively. The annual report of the Company for the year ended 31 December 2013 will be despatched to the shareholders and published on the Stock Exchange's and the Company's websites in due course.

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

Hong Kong, 28 March 2014

As at the date of this announcement, the executive directors of the Company are Mr. Chen Chang, Ms. Chen Zhao Nian and Ms. Chen Zhao Hua. The independent non-executive directors of the Company are Mr. Chen Ping, Mr. Liang Guo Yao and Mr. See Tak Wah.