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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)

2015 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015 together with the comparative figures for the previous corresponding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**1,128,701**	1,484,020
Cost of sales		**(947,325)**	(1,239,020)
Gross profit		**181,376**	245,000
Fair value gains on investment properties		**–**	89,447
Other income and gains	*5*	**29,971**	106,596
Selling and distribution costs		**(94,676)**	(51,359)
Administrative expenses		**(216,382)**	(174,556)
Other expenses		**(1,769)**	(5,740)
Finance costs	*6*	**(127,005)**	(116,863)
Share of loss of a joint venture		**(116)**	(548)
PROFIT/(LOSS) BEFORE TAX	*7*	**(228,601)**	91,977
Income tax credit/(expense)	*8*	**23,657**	(21,346)
PROFIT/(LOSS) FOR THE PERIOD		**(204,944)**	70,631
Profit/(loss) attributable to:			
Owners of the parent		**(206,118)**	70,631
Non-controlling interests		**1,174**	–
		(204,944)	70,631
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB(0.20)**	RMB0.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**(204,944)**	70,631
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**8,252**	(11,373)
Income tax effect	**–**	–
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**8,252**	(11,373)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**8,252**	(11,373)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(196,692)**	59,258
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**(197,866)**	59,258
Non-controlling interests	**1,174**	–
	(196,692)	59,258

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**30 June 2015 (Unaudited) *RMB'000***	31 December 2014 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**3,689,738**	3,547,707
Investment properties	*11*	**2,377,460**	2,333,627
Long term prepayments and deposit		**360,404**	228,424
Prepaid land lease payments		**1,040,047**	1,051,625
Goodwill		**4,075**	4,075
Investment in a joint venture		**39,326**	39,493
Due from a joint venture		**–**	140,050
Deferred tax assets		**79,700**	61,987
Pledged deposits		**440,846**	22,313
Total non-current assets		**8,031,596**	7,429,301
CURRENT ASSETS			
Inventories	*12*	**1,009,112**	921,526
Trade and bills receivables	*13*	**1,025,977**	1,342,668
Prepayments, deposits and other receivables		**770,354**	648,344
Due from a joint venture		**142,282**	–
Investment deposits		**–**	26,000
Pledged deposits		**568,152**	456,192
Cash and bank balances		**309,428**	637,577
Total current assets		**3,825,305**	4,032,307
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,105,205**	922,551
Interest-bearing loans and other borrowings	*15*	**3,020,809**	2,830,164
Other payables and accruals		**523,450**	616,348
Provision		**19,878**	29,960
Tax payable		**65,643**	66,362
Short-term notes		**–**	313,608
Total current liabilities		**4,734,985**	4,778,993
NET CURRENT LIABILITIES		**(909,680)**	(746,686)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,121,916**	6,682,615

	Notes	**30 June 2015 (Unaudited)** *RMB'000*	31 December 2014 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing loans and other borrowings	*15*	**2,935,503**	2,319,038
Fixed rate bonds		**507,308**	505,174
Government grants		**131,013**	112,728
Deferred tax liabilities		**475,668**	476,559
Total non-current liabilities		**4,049,492**	3,413,499
Net assets		**3,072,424**	3,269,116
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**88,856**	88,856
Reserves		**2,970,911**	3,168,777
		3,059,767	3,257,633
Non-controlling interests		**12,657**	11,483
Total equity		**3,072,424**	3,269,116

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (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 Company and its subsidiaries (together, the "Group") are involved in the manufacture and sale of seam 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 holding company and ultimate holding company of the Company is Bournam Profits Limited, which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2015 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"). These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These 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 2014.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of approximately RMB909,680,000 as at 30 June 2015, the financial statements have been prepared by the directors of the Company on a going concern basis, because:

(i) as at 30 June 2015, the Group had unutilised credit facilities from banks of approximately RMB4,092,475,000; and

(ii) the directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date together with the expected results of other measures in progress, the Group is able to fulfil its financial obligations upon fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions as at 30 June 2015.

3. ACCOUNTING POLICIES

The accounting policies adopted 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 2014, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

IFRS 19 Amendments	*Defined benefit plans: Employee Contribution*
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*

The adoption of these new and revised IFRSs has no significant effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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/(loss) 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.

Six months ended 30 June 2015	**Steel pipes** *RMB'000*	**Property** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	**1,128,701**	**–**	**1,128,701**
Segment results:	**(195,055)**	**(12,842)**	**(207,897)**
Reconciliation:			
Interest income			**1**
Corporate and other unallocated expenses			**(20,705)**
Loss before tax			**(228,601)**
Segment assets:	**6,670,071**	**2,601,549**	**9,271,620**
Reconciliation:			
Elimination of intersegment receivables			**(324,165)**
Corporate and other unallocated assets			**2,909,446**
Total assets			**11,856,901**
Segment liabilities:	**7,832,084**	**764,526**	**8,596,610**
Reconciliation:			
Elimination of intersegment payables			**(324,165)**
Corporate and other unallocated liabilities			**512,032**
Total liabilities			**8,784,477**
Other segment information:			
Share of loss of a joint venture	**(116)**	**–**	**(116)**
Impairment losses recognised in the statement of profit or loss	**(4,467)**	**–**	**(4,467)**
Impairment losses reversed in the statement of profit or loss	**17,870**	**–**	**17,870**
Depreciation and amortisation	**(89,466)**	**(97)**	**(89,563)**
Capital expenditure*	**221,169**	**50,515**	**271,684**

Six months ended 30 June 2014	Steel pipes *RMB'000*	Property *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	1,484,020	–	1,484,020
Segment results:	25,083	84,982	110,065
Reconciliation:			
Corporate and other unallocated expenses			(18,088)
Profit before tax			91,977
Segment assets:	6,357,281	2,495,089	8,852,370
Reconciliation:			
Elimination of intersegment receivables			(196,964)
Corporate and other unallocated assets			2,956,772
Total assets			11,612,178
Segment liabilities:	6,988,728	632,140	7,620,868
Reconciliation:			
Elimination of intersegment payables			(196,964)
Corporate and other unallocated liabilities			509,947
Total liabilities			7,933,851
Other segment information:			
Share of loss of a joint venture	(548)	–	(548)
Impairment losses recognised in the statement of profit or loss	(40)	–	(40)
Depreciation and amortisation	(51,918)	(45)	(51,963)
Capital expenditure*	610,647	7,070	617,717

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

Information about products

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**739,455**	1,196,417
ERW steel pipes	**110,152**	41,768
SSAW steel pipes	**222,105**	114,440
Steel pipe manufacturing services:		
LSAW steel pipes	**14,882**	3,177
ERW steel pipes	**2,486**	491
SSAW steel pipes	**4,260**	–
Others*	**35,361**	127,727
	1,128,701	1,484,020

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

Geographical information

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**452,847**	758,200
America	**433,741**	186,906
European Union	**2,723**	–
Middle East	**120,221**	107,087
Other Asian countries	**43,390**	406,623
Oceania	**42,564**	–
Other	**33,215**	25,204
	1,128,701	1,484,020

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

Information about major customers

For the six months ended 30 June 2015, revenue from two customers of the Group amounting to RMB266,323,000 and RMB130,587,000, which accounted for over 24% and 12%, respectively 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	**1,128,701**	1,484,020
Other income		
Bank interest income	**11,948**	6,607
Subsidy income from the PRC government	**4,026**	101,179
Rental income	**15**	119
Others	**316**	3,190
	16,305	111,095
Gains		
Fair value loss, net:		
Derivative instruments – transactions not qualifying as hedge	**–**	(2,085)
Exchange gain/(loss), net	**13,666**	(2,414)
	13,666	(4,499)
	29,971	106,596

The subsidy income represented subsidies granted by the local finance bureaus to Panyu Chu Kong Steel Pipe (Lianyungang) Co Ltd., Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. and Panyu Chu Kong Steel Pipe Co Ltd 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and government loans	**117,906**	118,965
Interest on other loans (including bonds and short term notes)	**16,282**	18,835
Interest on finance lease	**8,697**	5,249
Interest on discounted bills	**19,122**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**162,007**	143,049
Less: Interest capitalised	**(35,002)**	(26,186)
	127,005	116,863

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**800,874**	1,093,330
Depreciation	**78,130**	42,030
Impairment of trade receivables recognised/(reversed)	**(13,403)**	40

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, Dubai, Indonesia and Singapore profits tax have been made as the Group had no assessable profits derived from or earned in these regions during the period.

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – Mainland China charge/(credit) for the period	**(5,008)**	17,939
Deferred	**(18,649)**	3,407
Total tax charge/(credit) for the period	**(23,657)**	21,346

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent of RMB206,118,000 (six months ended 30 June 2014: profit of RMB70,631,000), and the weighted average number of ordinary shares of 1,011,142,000 (30 June 2014: 1,011,142,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the periods ended 30 June 2015 and 2014 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 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
At beginning of the period/year	**3,547,707**	2,903,523
Additions	**221,224**	738,713
Acquisition of a subsidiary	**–**	25,377
Disposals	**(1,088)**	(2,291)
Depreciation	**(78,130)**	(117,744)
Exchange realignment	**25**	129
At end of the period/year	**3,689,738**	3,547,707

11. INVESTMENT PROPERTIES

	30 June 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Buildings		
Carrying amount at 1 January	**6,627**	6,313
Net gain from a fair value adjustment	**–**	293
Disposals	**(6,627)**	–
Exchange realignment	**–**	21
Carrying amount at end of the period/year	**–**	6,627
Land		
Carrying amount at 1 January	**2,327,000**	2,210,000
Additions	**50,460**	17,706
Net gain from a fair value adjustment	**–**	99,294
Carrying amount at end of the period/year	**2,377,460**	2,327,000
	2,377,460	2,333,627

12. INVENTORIES

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Raw materials	**244,378**	278,261
Work in progress	**280,833**	212,650
Finished goods	**483,901**	430,615
	1,009,112	921,526

13. TRADE AND BILLS RECEIVABLES

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Trade receivables	**1,029,464**	1,329,720
Impairment	**(15,560)**	(28,963)
Trade receivables, net	**1,013,904**	1,300,757
Bills receivable	**12,073**	41,911
	1,025,977	1,342,668

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. 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 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Within 60 days	**389,950**	676,460
61 to 90 days	**97,065**	108,877
91 to 180 days	**136,110**	151,551
181 to 365 days	**226,178**	126,577
1 to 2 years	**106,534**	196,833
2 to 3 years	**27,538**	26,153
Over 3 years	**30,529**	14,306
	1,013,904	1,300,757

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 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Within 90 days	**313,008**	280,708
91 to 180 days	**42,547**	48,837
181 to 365 days	**46,897**	16,543
1 to 2 years	**21,166**	16,806
2 to 3 years	**9,252**	8,576
Over 3 years	**4,288**	3,070
	437,158	374,540
Bills payable	**668,047**	548,011
	1,105,205	922,551

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 2015 (Unaudited)** *RMB'000*	31 December 2014 (Audited) *RMB'000*
Current				
Finance lease payables	6.31	2015~2016	**38,566**	72,539
Bank loans				
– secured	2.07~7.59	2015~2016	**700,635**	607,513
– unsecured	2.30~7.59	2015~2016	**2,051,758**	1,932,112
Government loans				
– unsecured	4.20~6.33	2015~2016	**229,850**	218,000
			3,020,809	2,830,164
Non-current				
Finance lease payables	6.31	2016~2019	**130,664**	148,901
Bank loans				
– secured	6.40~7.59	2016~2028	**725,518**	918,339
– unsecured	2.50~6.15	2016	**1,709,321**	1,122,298
Government loans				
– secured	5.65	2023	**300,000**	–
– unsecured	5.50	2016	**70,000**	129,500
			2,935,503	2,319,038
			5,956,312	5,149,202

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**2,752,393**	2,539,625
In the second year	**2,025,419**	1,503,352
In the third to fifth years, inclusive	**263,420**	389,285
Beyond five years	**146,000**	148,000
	5,187,232	4,580,262
Government loans repayable:		
Within one year	**229,850**	218,000
In the second year	**70,000**	129,500
Beyond five years	**300,000**	–
	599,850	347,500
Finance lease payables:		
Within one year	**38,566**	72,539
In the second year	**39,867**	41,505
In the third to fifth years, inclusive	**90,797**	107,396
	169,230	221,440
	5,956,312	5,149,202

The Group's bank loans are secured by:

(a) a charge over certain property, plant and equipment of the Group with a net carrying amount of approximately RMB985,785,000 (31 December 2014: RMB278,969,000) as at the end of the reporting period; and

(b) a charge over certain leasehold land of the Group with a net carrying amount of approximately RMB633,597,000 (31 December 2014: RMB500,049,000) as at the end of the reporting period; and

In addition, the Company has guaranteed certain of the Group's bank loans up to RMB2,861,843,000 (31 December 2014: RMB2,249,650,000) as at the end of the reporting period.

Except for the bank loans of RMB177,683,000 (31 December 2014: RMB446,844,000), RMB2,023,509,000 (31 December 2014: RMB1,725,821,000) and RMB762,000 (31 December 2014: Nil) as at 30 June 2015 which are denominated in Hong Kong dollars, United State dollars and Euro, respectively, all borrowings are in RMB.

The Group had the following undrawn banking facilities:

	Group	
	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Floating rate		
– expiring within one year	**4,092,475**	5,740,163

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company", together with its subsidiaries hereafter referred to as the "Group"), I would like to present to you the unaudited consolidated interim results of the Group for the six months ended 30 June 2015.

In the first half of 2015, the Company continued its strategy of focusing on developing overseas markets such as South America and Africa, both of which showed promising potential. Capitalising on its firm business ties in both regions, the Group has obtained several sizable orders, among which the most iconic and largest order in volume was the second order from Odebrecht E&P GmbH for its gas project in Peru. The order volume was 111,800 tonnes, up from 57,700 tonnes in the first order placed in November 2014.

For the six months ended 30 June 2015, the Group recorded a revenue of approximately RMB1,128.7 million, decreased by approximately 23.9% as compared with the same period in 2014 (1H2014: RMB1,484.0 million). Loss attributable to the owners of the Company was approximately RMB206.1 million (profit attributable to the owners of the Company in 1H2014: RMB70.6 million). Loss per share was approximately RMB0.20 (earnings per share in 1H2014: RMB0.07). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (1H2014: Nil).

Under its product and application diversification strategy, the Group successfully tapped into the offshore equipment engineering manufacturing industry by commencing to supply steel structure pipes to offshore drilling platform constructers. The geographical advantages of the production plant in Zhuhai have begun to emerge, as it is adjacent to certain major equipment engineering manufacturers, including Offshore Oil Engineering (Zhuhai) Co., Ltd. ("OOEC"), a subsidiary of China National Offshore Oil Corporation ("CNOOC"). In view of the Company's reputation, quality of its products and the proximity advantage of its production facilities, OOEC has become a regular customer to the Company for years. Recently, OOEC placed another order in June 2015 for its construction of an offshore drilling platform in the Gulf of Thailand.

The Saudi Arabian production plant has started its trial production. It is expected that the necessary licences and certificates will be obtained by the Company by the end of the 2015, before the commercial production can be launched. The establishment of the production plant was also encouraged by the local government in Saudi Arabia, which granted the Company an interest-free loan for as long as 10 years. In view of the vibrant oil and gas industry in the Middle-East and its surrounding areas, the new plant is expected to make valuable contribution to the Group in the near future.

As previously stated in the 2014 Annual Report, after the change of the land use of the land situated at the east of intersection of Changsha Road and Qinghe Road, Shiji Town, Panyu, Guangzhou (廣州番禺區石基鎮清河路與長沙路交滙處以東) (the "Panyu Land"), the Group plans to develop the first phase of the Panyu Land into an integrated commercial complex of offices, shops, serviced apartments and villas, to be named as "Golden Dragon City Fortune Plaza (金龍城財富廣場)". The first phase of the development will have a permitted construction area of 82,500 m^2, representing only one-fourth of the total permitted construction area of the Panyu Land. The construction work has already commenced and the development is expected to be partially completed and generate income by the end of 2015.

The Group is also planning to relocate its headquarters and production facilities in Panyu to Lianyungang and Zhuhai, which will both be the Group's major production bases in China in the near future. When such relocation is completed, the Group will carefully consider all available options relating to the vacated land in Panyu with a view to maximising its economic return to the Company and its shareholders.

Although the domestic market for steel pipes is less than vibrant, there are silver linings in the industry. China's "One Belt One Road" ("OBOR") strategy and the establishment of the Asian Infrastructure Investment Bank ("AIIB") are expected to fuel the infrastructure constructions and hardware developments in Asia and boost the economic growth in the regions. As a world-recognised pipe manufacturer, the Company is poised to capture the precious opportunities created by the implementation of the OBOR and AIIB. The demand for pipes used in infrastructure projects and oil and gas pipeline installations is expected to increase substantially.

Next year will see the introduction of the 13th Five-year Plan, under which many new projects are expected to be rolled out. This has attracted nationwide attention, particularly that from state-owned enterprises which are usually more sensitive to policy changes. The trend of increasing gas consumption will likely to continue as the Sino-Russian cooperation on gas supply continues to deepen. The construction of the Central Asia – China Gas Pipeline Line D will be completed by 2016. With the auxiliary facilities completed, Line A, B, C and D together will transmit as much as 80 billion cubic metres of gas into China by the end of the 13th Five-Year Plan.

Appreciation

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, with the aim of further entrenching its role model image in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group mainly manufactures and sells welded steel pipes 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 and are capable of manufacturing LSAW steel pipes that meet the X100 standard. We also hold 10 international quality certifications accredited by renowned certification bodies, such as Det Norske Veritas ("DNV") and American Petroleum Institute ("API"). In addition, we are the first and only PRC manufacturer that has successfully produced deep sea welded pipes for use at 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 and drilling platform structure pipes for offshore projects and is being classified as part of the Offshore Engineering Equipment Industry* (海洋工程裝備製造業) under the 12th Five-Year Plan. We benefited from and were supported by China's strategic policies and policy banks and insurance institutions in China. We have maintained good relationships with and have obtained medium-term loans and credit facilities from the China Development Bank, the Export-Import Bank of China and the China Export & Credit Insurance Corporation.

In March 2015, the Group entered into an agreement with Lianyungang Xuwei Port Investment Group Co., Ltd. ("Liangyungang Xuwei Port") to establish a joint venture ("JV Company") with registered capital of RMB100 million. The JV Company will be owned as to 25% by the Group and 75% by Lianyungang Xuwei Port. The initial investment in the JV Company by the Group is RMB25 million. The total investment commitment in the JV Company by the Group will not exceed RMB200 million, which is in proportion to its shareholding in the JV Company pursuant to the Agreement. The principal business of the JV Company is to construct and operate the port facilities and logistics services of the port at Xuwei New District, Lianyuangang. The Group has the priority to use the port under the agreement, which can reduce the cost and improve the efficiency of the deliveries of raw materials and finished goods.

The Group received new orders of approximately 220,000 tonnes for the period under review and approximately 68% were received from overseas customers. These included sizeable overseas orders for the Odebrecht's gas project in Peru and the CNOOC's offshore drilling platforms in Thailand. The Group delivered approximately 218,000 tonnes of welded steel pipes during the period under review.

Financial Review

During the period under review, the revenue of the Group was approximately RMB1,128.7 million (1H2014: RMB1,484.0 million), representing a decrease of approximately 23.9% as compared with the corresponding period in 2014. The decrease in revenue was mainly attributed to a fall in domestic sales by approximately 40.3% to approximately RMB452.8 million (1H2014: RMB758.2 million), principally due to government's anti-corruption movement, which caused delay to the bidding process of projects in China.

As a result of the fall in domestic sales, overseas sales took up the larger proportion of the Group's overall sales. During the period under review, domestic sales represented approximately 40.1% (1H2014: 51.1%) of our total revenue. For the same period, overseas sales were approximately RMB675.9 million (1H2014: RMB725.8 million), seeing its share of the total revenue rising to 59.9% (1H2014: 48.9%). Examples of overseas sales during the period under review included the delivery of pipes for the Odebrecht E&P GmbH's gas project in Peru and a gas project in Mexico.

Revenue

Sales by geography	**Six months ended 30 June**			
	2015		2014	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
	(unaudited)		(unaudited)	
Domestic sales	**452,847**	**40.1%**	758,200	51.1%
Overseas sales	**675,854**	**59.9%**	725,820	48.9%
Total	**1,128,701**	**100.0%**	1,484,020	100.0%

Sales by products	**Six months ended 30 June**			
	2015		2014	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
	(unaudited)		(unaudited)	
Manufacture and sale of steel pipes				
LSAW steel pipes	**739,455**	**65.5%**	1,196,417	80.6%
ERW steel pipes	**110,152**	**9.8%**	41,768	2.8%
SSAW steel pipes	**222,105**	**19.7%**	114,440	7.7%
Sub total	**1,071,712**	**95.0%**	1,352,625	91.1%
Steel pipes manufacturing services				
LSAW steel pipes	**14,882**	**1.3%**	3,177	0.2%
ERW steel pipes	**2,486**	**0.2%**	491	0.1%
SSAW steel pipes	**4,260**	**0.4%**	–	–
Sub total	**21,628**	**1.9%**	3,668	0.3%
Others	**35,361**	**3.1%**	127,727	8.6%
Total	**1,128,701**	**100.0%**	1,484,020	100.0%

During the period, the Group's gross profit was approximately RMB181.4 million (1H2014: RMB245.0 million), representing a decrease of approximately 26.0% as compared with the Group's corresponding period in 2014. The decrease was primarily attributable to the decrease in sales as compared with that for the corresponding period in 2014. The overall gross profit margin was approximately 16.1%, which was similar to that of approximately 16.5% for the same period in 2014.

Gross Profit and Gross Profit Margin	**Six months ended 30 June**			
	2015		2014	
	RMB'000 **(unaudited)**	***GP margin %***	*RMB'000* (unaudited)	*GP margin %*
Manufacture and sale of steel pipes				
LSAW steel pipes	**128,007**	**17.3%**	206,929	17.3%
ERW steel pipes	**16,680**	**15.1%**	3,693	8.8%
SSAW steel pipes	**18,298**	**8.2%**	11,092	9.7%
Sub total	**162,985**	**15.2%**	221,714	16.4%
Steel pipes manufacturing services				
LSAW steel pipes	**8,686**	**58.4%**	1,701	53.5%
ERW steel pipes	**765**	**30.8%**	42	8.6%
SSAW steel pipes	**1,281**	**30.1%**	–	–
Sub total	**10,732**	**49.6%**	1,743	47.5%
Others	**7,659**	**21.7%**	21,543	16.9%
Total	**181,376**	**16.1%**	245,000	16.5%

There was no fair value gains on investment properties during the period (1H2014: gain RMB89.4 million).

Other income and gains for the six months ended 30 June 2015 were approximately RMB30.0 million (1H2014: RMB106.6 million), representing a decrease of approximately 71.9% as compared with that for the corresponding period in 2014. Such decrease was due to the decrease in subsidies from the PRC government for the period under review as compared with the corresponding period in 2014.

Selling and distribution expenses for the six months ended 30 June 2015 were approximately RMB94.7 million (1H2014: RMB51.4 million), representing an increase of approximately 84.3% as compared with that for the corresponding period in 2014. Such increase was mainly due to an increase in sales commission related to overseas sales during the period under review.

Administrative expenses for the six months ended 30 June 2015 were approximately RMB216.4 million (1H2014: RMB174.6 million), representing an increase of approximately 24.0% as compared with that for the corresponding period in 2014. The increase in administrative expenses was mainly due to the surge in salaries and wages and office expenses for the new production bases and offices, increase in research and development expenses and increase in amortisation of land.

Finance costs for the six months ended 30 June 2015 were approximately RMB127.0 million (1H2014: RMB116.9 million), representing an increase of 8.7% as compared with that for the corresponding period in 2014. The increase was due to the rise in borrowing to finance both the Group's working capital and capital expenditure.

Income tax expenses changed from tax expense of approximately RMB21.3 million for the six months ended 30 June 2014 to tax credit of approximately RMB23.7 million for the six months ended 30 June 2015.

As a result of the above, the net loss attributable to the owners of the Company was approximately RMB206.1 million (1H2014: profit of RMB70.6 million); loss per share was RMB0.20 (1H2014: earnings per share RMB0.07).

Future Plan and Prospects

When the anti-corruption campaign in China draws to a close, the momentum of China's gas resources development, in particular the transportation related infrastructure constructions, is expected to be restored as the Chinese government is determined to push it forward. All necessary pipelines and auxiliaries will have to be ready to support the increasing supply of natural gas, especially from Central Asia, Xinjiang and Russia. The construction of the Central Asia – China Gas Pipeline Line D will be completed by 2016. With the auxiliary facilities completed, Line A, B, C and D together will transmit as much as 80 billion cubic metres of gas into China by the end of the 13th Five-Year Plan. Russia is expected to deliver 38 billion cubic metres of gas into China on an annual basis for 30 years, starting as soon as in 2018. With all the secured gas sources and infrastructures in place, the Chinese government expects that gas will account for over 10 percent of the nation's energy consumption by 2020 towards the end of the 13th Five-Year Plan. As a leading oil and gas transmission pipes manufacturer in China, the Company shall contribute to the nation's development in pipeline constructions. Based on the above, the Directors remain optimistic that the Group will be able to benefit from a recovery in the domestic market and increase its output by utilising its expanded production capacity in the near future. Furthermore, with its production plant in Saudi Arabia soon in operation, the Group will continue to enhance its international competitiveness and pursue its aspiration to become a multinational corporation in the market.

The Company will continue to push forward the relocation plan for the headquarters and production plant in Panyu. According to the relocation plan, the production lines in the Panyu plant will be migrated to the shoreside plants in Lianyungang and Zhuhai. When such relocation is completed, the Group will carefully consider all available development options relating to the vacated production site in Panyu with a view to maximising its economic return to the Company and its shareholders.

As previously stated in the 2014 Annual Report, after the change of the land use of the land situated at the east of intersection of Changsha Road and Qinghe Road, Shiji Town, Panyu, Guangzhou (廣州番禺區石基鎮清河路與長沙路交滙處以東) (the "Panyu Land"), the Group plans to develop the first phase of the Panyu Land into an integrated commercial complex of offices, shops, serviced apartments and villas, to be named as "Golden Dragon City Fortune Plaza (金龍城財富廣場)". The first phase of the development will have a permitted construction area of 82,500 m^2, representing only one-fourth of the total permitted construction area of the Panyu Land. The construction work has already commenced, and the development is expected to be partially completed and generate income by the end of 2015.

Moreover, the Company and the industry are excited to welcome the proposal of the Chinese OBOR strategy and the establishment of AIIB. It is believed that OBOR and AIIB will encourage infrastructure investments and drive up demand for large diameter steel pipes and for energy transmission and infrastructure construction in Asia. It is also believed that OBOR and AIIB will support the growth of the industry in a long-run, and benefit the Company which has already established a good reputation in the international market.

Employees

As at 30 June 2015, the Group had 3,380 full time employees in total (at 31 December 2014: 3,892). To retain its employees, the Group provides competitive remuneration package including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory retirement benefit schemes for employees in respective countries.

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 USD. Most of the Group's assets and liabilities are denominated in RMB. The Group did not adopt formal 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 any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil) to the shareholders.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 30 June 2015, the Group pledged certain property, plant, equipment and land use rights with an aggregate net book value of RMB985.8 million (at 31 December 2014: RMB279.0 million) and RMB633.6 million (at 31 December 2014: RMB500.0 million) respectively, to secure bank loans granted to the Group.

Liquidity and Financial Resources

As at 30 June 2015, the cash and cash equivalents and current ratio of the Group, as a ratio of current assets to current liabilities, were approximately RMB309.4 million (at 31 December 2014: RMB637.6 million) and 0.81 (at 31 December 2014: 0.84) respectively.

As at 30 June 2015, the Group's aggregate borrowings were approximately RMB6,463.6 million (at 31 December 2014: approximately RMB5,968.0 million), of which approximately RMB5,787.1 million (at 31 December 2014: RMB4,927.8 million) were bank borrowings, approximately RMB169.2 million (at 31 December 2014: RMB221.4 million) were for obligations under finance leases, nil (at 31 December 2014: RMB313.6 million) were short term notes and approximately RMB507.3 million (at 31 December 2014: RMB505.2 million) were USD and HKD 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 RMB11,856.9 million (at 31 December 2014: RMB11,461.6 million) was approximately 54.5% (at 31 December 2014: 52.1%).

The maturity profile of the Group's total borrowings as at 30 June 2015 was spread over a period of over five years, with approximately 47% (at 31 December 2014: 53%) of the total borrowings repayable within one year, with approximately 46% (at 31 December 2014: 44%) repayable between two to five years and the remaining 7% (at 31 December 2014: 3%) repayable over 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. In addition, the Group has net current liabilities of approximately RMB909.7 million as at 30 June 2015 as some long term interest-bearing loans will be repayable within one year and was classified as current portion of the borrowings. Taking into account the cash held at the balance sheet date and unused banking facilities of approximately RMB4,092.5 million and cash flows generated from the profits of sale of products, the Group has sufficient liquidity and strong financial position to repay its short term borrowings.

As at 30 June 2015, approximately 43% (at 31 December 2014: 41%) 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 7% (at 31 December 2014: 15%) of total borrowings were denominated in RMB which carried fixed interest rate, approximately 27% (at 31 December 2014: 29%) of total borrowings as at 30 June 2015 were denominated in USD and HKD with interest rates linked to the London Interbank Offered Rate for US-dollar loans and Hong Kong Interbank Offered Rate for HKD loans and approximately 23% (at 31 December 2014: 15%) of the total borrowings as at 30 June 2015 were denominated in USD and HKD which carried fixed interest rate.

Litigation

As at 30 June 2015, the Group had four outstanding lawsuits as follows:

(i) Nanjing Rongyu Group Company Limited (南京鎔裕集團有限公司) ("Nanjing Rongyu") and Nanjing City Xixia Hill Roll Steeling Company Limited (南京市棲霞山軋鋼有限公司) ("Xixia Hill")

Nanjing Yuanchang Investment Guarantee Development Co., Ltd.* ("Yuancheng Investment") (南京源昌投資擔保發展有限公司) alleged Nanjing Rongyu and Xixia Hill of breaching and repudiating counter guarantee contract in the amount of RMB5.6 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group (collectively, Nanjing Rongyu, Xixia Hill and Nanjing Rongyu Group Market Management Company Limited* (南京鎔裕集團市場管理有限公司)) prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu and Xixia Hill have to pay compensatory amount of RMB5.6 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Xixia Hill applied for a retrial to the Jiangsu Higher People's Court in respect of the above judgement.

(ii) Nanjing Rongyu

Yuancheng Investment alleged Nanjing Rongyu of breaching and repudiating a counter guarantee contract in the amount of RMB7.6 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB7.6 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu applied for a retrial to the Jiangsu Higher People's Court against the above judgement.

(iii) Nanjing Rongyu

Yuancheng Investment alleged Nanjing Rongyu of breaching and repudiating a counter guarantee contract in the amount of RMB4 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB4 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu applied for a retrial to the Jiangsu Higher People's Court against the above judgement.

(iv) Nanjing Rongyu and Xixia Hill

Yuancheng Investment alleged Nanjing Rongyu and Xixia Hill of breaching and repudiating a counter guarantee contract in the amount of RMB4.2 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu Group has to pay compensatory amount of RMB4.2 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Xixia Hill applied for a retrial to the Jiangsu Higher People's Court against the above judgement.

As at 30 June 2015, the Group has made full provision for the claimed amounts for the above lawsuits. Through the court's enforcement, the Group has paid RMB10 million to Yuancheng Investment.

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

The Group had no significant investments, material acquisitions or disposals during the period under review.

Corporate Governance

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015.

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 circumstances arise.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2015.

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 2015.

Audit Committee

The Company's Audit Committee comprises Mr. See Tak Wah (Chairman), Mr. Chen Ping and Mr. Tian Xiao Ren 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 2015.

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 interim report for the six months ended 30 June 2015 of the Company containing all the information required by the Listing Rules will be despatched 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, 28 August 2015

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 See Tak Wah and Mr Tian Xiao Ren.

* *For identification purpose only*