勝利管道
SHENGLI PIPE

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1080)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue for the Period under Review was approximately RMB502,823,000, representing an increase of approximately 119.3% when compared to the corresponding period in 2020.
- Gross profit margin for the Period under Review was approximately 11.2%, representing an increase of approximately 7.7 percentage points when compared to the corresponding period in 2020.
- Loss attributable to owners of the Company for the Period under Review amounted to approximately RMB8,960,000, while loss attributable to owners of the Company for the corresponding period in 2020 amounted to approximately RMB75,216,000.
- Basic loss per share attributable to owners of the Company for the Period under Review amounted to approximately RMB0.23 cents, while basic loss per share attributable to owners of the Company for the corresponding period in 2020 amounted to approximately RMB2.30 cents.
- The Board does not recommend the declaration of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Shengli Oil & Gas Pipe Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021 (the "**Period under Review**") prepared in accordance with the International Financial Reporting Standards, together with the comparative figures for the corresponding period of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	Notes	**2021**	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	3	**502,823**	229,279
Cost of sales and services		**(446,330)**	(221,318)
Gross profit		**56,493**	7,961
Other income and gains		**55,339**	6,740
Selling and distribution costs		**(20,754)**	(15,358)
Administrative expenses		**(92,639)**	(75,680)
Reversal of allowance for trade receivables		**133**	3,695
Other expenses		**(1,965)**	(1,264)
Share of losses of an associate		**(1,229)**	(143)
Reversal of impairment loss on other receivables		**3,927**	–
Finance costs	4	**(18,031)**	(20,799)
LOSS BEFORE TAX	5	**(18,726)**	(94,848)
Income tax expense	6	**(2,738)**	(909)
LOSS FOR THE PERIOD		**(21,464)**	(95,757)
Other comprehensive income/ (loss) that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(2,179)**	3,174
		(2,179)	3,174
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(23,643)**	(92,583)

	Notes	Six months ended 30 June **2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Unaudited)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(8,960)**	(75,216)
Non-controlling interests		**(12,504)**	(20,541)
		(21,464)	(95,757)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(11,139)**	(72,042)
Non-controlling interests		**(12,504)**	(20,541)
		(23,643)	(92,583)
LOSS PER SHARE *(RMB cents)*	7		
– Basic		**(0.23)**	(2.30)
– Diluted		**(0.23)**	(2.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**520,244**	568,876
Deposits paid for acquisition of investments		**200,861**	203,040
Investment in an associate		**190,860**	192,089
Right-of-use assets	9	**227,367**	234,221
Deferred tax assets		**1,615**	4,361
		1,140,947	1,202,587
CURRENT ASSETS			
Inventories		**381,325**	290,778
Trade and bills receivables	10	**305,614**	283,596
Contract assets		**38,245**	27,499
Prepayments, deposits and other receivables		**285,163**	251,267
Pledged deposits		**63,381**	66,953
Cash and cash equivalents		**82,219**	113,159
		1,155,947	1,033,252
Non-current assets held for sale	11	**4,328**	4,328
		1,160,275	1,037,580
CURRENT LIABILITIES			
Trade and bills payables	12	**443,769**	360,366
Other payables and accruals		**38,995**	67,575
Contract liabilities		**161,032**	150,151
Lease liabilities		**1,170**	1,052
Borrowings		**749,600**	780,600
Tax payable		**15,308**	15,308
Deferred income		**1,583**	1,583
		1,411,457	1,376,635
NET CURRENT LIABILITIES		**(251,182)**	(339,055)
TOTAL ASSETS LESS CURRENT LIABILITIES		**889,765**	863,532

	Notes	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**3,947**	4,375
Lease liabilities		**610**	1,101
Deferred tax liabilities		**285**	292
		4,842	5,768
NET ASSETS		**884,923**	857,764
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	**334,409**	283,911
Reserves		**546,856**	557,691
		881,265	841,602
Non-controlling interests		**3,658**	16,162
Total equity		**884,923**	857,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 3 July 2009. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal places of business of the Company in Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC") are located at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong and Zhongbu Town, Zhangdian District, Zibo City, Shandong Province 255082, the PRC, and 8 Binjiang Road, Gaoxin District, Xiangtan City, Hunan Province 411101, the PRC, respectively.

The condensed consolidated interim financial statements are presented in Renminbi (the "RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34 ("IAS 34") issued by International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Group incurred a loss attributable to owners of the Company of approximately RMB8,960,000 and as at 30 June 2021, the Group had net current liabilities of approximately RMB251,182,000. Nevertheless, these condensed consolidated financial statements have been prepared on a going concern basis. The Directors are of the opinion that taking into account of the expected sales of welded steel pipes for oil and gas pipelines after the reporting period, it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

These Interim Financial Statements should be read in conjunction with the 2020 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2020.

In the current period, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standard; International Accounting Standards and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated interim financial statements and amounts reported for the current period and prior periods.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the condensed consolidated interim financial statements of the Group.

3. SEGMENT INFORMATION

Segment revenue and results

For the six months ended 30 June 2021 (Unaudited)

	Pipes Business *RMB'000*	**Trading Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue:				
Sales to external customers	**501,122**	**1,701**	**–**	**502,823**
Intersegment sales	**–**	**–**	**–**	**–**
Total revenue	**501,122**	**1,701**	**–**	**502,823**
Segment results	**3,715**	**(1,352)**		**2,363**
Interest income				**872**
Reversal of impairment loss on other receivables				**3,927**
Unallocated expenses				**(7,857)**
Finance costs				**(18,031)**
Loss before tax				**(18,726)**

For the six months ended 30 June 2020 (Unaudited)

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Sales to external customers	229,279	–	–	229,279
Intersegment sales	–	6,368	(6,368)	–
Total revenue	229,279	6,368	(6,368)	229,279
Segment results	(61,118)	(3,671)		(64,789)
Interest income				374
Unallocated expenses				(9,634)
Finance costs				(20,799)
Loss before tax				(94,848)

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2021 (Unaudited)

	Pipes Business *RMB'000*	**Trading Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Geographical markets				
Mainland China	**501,122**	**1,701**	**–**	**502,823**
Timing of revenue recognition				
At a point in time	**501,122**	**1,701**	**–**	**502,823**

For the six months ended 30 June 2020 (Unaudited)

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Geographical markets				
Mainland China	229,279	6,368	(6,368)	229,279
Timing of revenue recognition				
At a point in time	229,279	6,368	(6,368)	229,279

Segment assets

As at 30 June 2021 (Unaudited)

	Pipes Business *RMB'000*	**Trading Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment assets	**1,741,283**	**16,151**	**–**	**1,757,434**
Unallocated assets				**543,788**
Total consolidated assets				**2,301,222**

As at 31 December 2020 (Audited)

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment assets	1,650,069	3,069	–	1,653,138
Unallocated assets				587,029
Total consolidated assets				2,240,167

Segment liabilities

As at 30 June 2021 (Unaudited)

	Pipes Business *RMB'000*	**Trading Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment liabilities	**647,927**	**554**	**–**	**648,481**
Unallocated liabilities				**767,818**
Total consolidated liabilities				**1,416,299**

As at 31 December 2020 (Audited)

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment liabilities	557,194	24,367	–	581,561
Unallocated liabilities				800,842
Total consolidated liabilities				1,382,403

4. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on borrowings	**17,986**	20,737
Interest on lease liabilities	**45**	62
	18,031	20,799

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**410,500**	204,211
Cost of services	**35,830**	17,107
	446,330	221,318
Employees benefits expenses including directors' remuneration	**45,816**	32,001
Depreciation of property, plant and equipment	**47,744**	48,574
Depreciation of right-of-use assets	**2,708**	2,572
Reversal of allowance for trade receivables	**(133)**	(3,695)
Reversal of impairment loss recognised on other receivables	**(3,927)**	–
Short term lease payments	**78**	156
(Gain)/loss on disposal of property, plant and equipment	**(187)**	428
Gain on disposal of right-of-use assets	**(46,090)**	–

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – PRC Enterprise Income Tax ("EIT")		
– Charge for the period	**–**	55
Deferred tax	**2,738**	854
Income tax expense	**2,738**	909

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2021 and 2020. The statutory tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, was 17% for the six months ended 30 June 2021 and 2020. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company established in the PRC was 25% for the six months ended 30 June 2021 and 2020.

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2021 attributable to owners of the Company of approximately RMB8,960,000 (for the six months ended 30 June 2020: approximately RMB75,216,000) and the weighted average number of 3,854,476,097 (for the six months ended 30 June 2020: 3,274,365,600) ordinary shares in issue during the six months ended 30 June 2021.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as there was no dilutive potential ordinary shares for the Company's outstanding options.

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a total cost of approximately RMB8,212,000 (for the six months ended 30 June 2020: approximately RMB3,985,000).

Property, plant and equipment with a carrying amount of approximately RMB9,168,000 (for the six months ended 30 June 2020: approximately RMB566,000) were disposed by the Group during the six months ended 30 June 2021.

Right-of-use assets with a carrying amount of approximately RMB4,336,000 (for the six months ended 30 June 2020: Nil) were disposed by the Group during the six months ended 30 June 2021. Gain on disposal of right-of-use assets of approximately RMB46,090,000 (for the six months ended 30 June 2020: Nil) recognized in other income for six months ended 30 June 2021.

10. TRADE AND BILLS RECEIVABLES

	30 June 2021 ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Trade receivables	**303,008**	265,344
Less: allowance for impairment of trade receivables	**(3,797)**	(2,647)
	299,211	262,697
Bills receivables	**6,403**	20,899
	305,614	283,596

The Group's trading terms with its customers are mainly on credit generally ranging from 90 to 180 days. All bills receivable are due within 90 to 180 days.

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Within 3 months	**211,840**	170,274
3 to 6 months	**39,854**	43,657
6 months to 1 year	**24,468**	14,303
1 to 2 years	**16,881**	28,445
Over 2 years	**6,168**	6,018
	299,211	262,697

11. NON-CURRENT ASSETS HELD FOR SALE

Pursuant to an agreement (the "Sale and Purchase Agreement") dated 15 August 2019 entered into between a subsidiary of the Company and an independent third party (the "Purchaser"), the Group will dispose of 45% equity interests in an associate, being Shanghai Guoxin Industrial Co., Ltd.* (上海國心實業有限公司) (the "Equity Interest") for a total cash consideration of RMB200,000,000 (the "Disposal"). The associate has been reclassified as a non-current assets held for sale during the year ended 31 December 2019. Due to the adverse effects of the outbreak of COVID-19 on the economy and the corresponding impact on the Purchaser's business during the year ended 31 December 2020, the Purchaser cannot proceed with the transaction with the Group. The Sale and Purchase Agreement was terminated and the sum of RMB10.1 million deposits received was forfeited by the Group and recognized as other income during the year ended 31 December 2020.

After the Disposal is terminated, considering the deteriorating operating results and the outlook for the business of the associate under the influence of COVID-19 pandemic and the US-China trade dispute, the Group intends to dispose of the 45% equity interests in the associate by way of a public tender process to be carried out via Southern United Assets and Equity Exchange* (南方聯合產權交易中心). A review on the net carrying amount of the net assets of the associate has since been conducted at the request of the Company and an impairment loss has been recognised based on the result of such review. Subsequent to the reporting period, the relevant subsidiary of the Company has entered into a sales and purchase agreement with an independent third party in respect of the Equity Interest for a total cash consideration of RMB4,500,000, the completion of which has taken place on 12 August 2021. The transaction does not have any material impact on the financial position of the Group.

12. TRADE AND BILLS PAYABLES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**379,057**	237,153
Bills payables	**64,712**	123,213
	443,769	360,366

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**355,068**	228,296
3 to 6 months	**20,606**	1,711
6 months to 1 year	**748**	2,572
1 to 2 years	**2,365**	3,110
Over 2 years	**270**	1,464
	379,057	237,153

The trade payables are non-interest bearing. The payment terms with suppliers are normally on credit ranging from 90 to 180 days from the time when goods are received from suppliers.

13. SHARE CAPITAL

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
3,874,365,600 (At 31 December 2020: 3,274,365,600) ordinary shares of HK$0.1 each	**334,409**	283,911

A summary of the movements in the issued share capital of the Company is as follows:

	Note	Number of shares in issue	Issued capital *HK$'000*	Issued capital *RMB'000*
At 1 January 2020 (audited), 31 December 2020 (audited) and 1 January 2021 (audited)		3,274,365,600	327,437	283,911
Shares issued	(a)	600,000,000	60,000	50,498
At 30 June 2021 (unaudited)		3,874,365,600	387,437	334,409

Note:

(a) On 7 January 2021, the Company issued 600,000,000 ordinary new shares at a subscription price of HK$0.1 per share for a total cash consideration of approximately HK$60 million.

14. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments for property, plant and equipment as at the end of the reporting period:

	30 June 2021 ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Contracted, but not provided for	**17,103**	24,674

(b) Investment commitments

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

	30 June 2021 ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Contracted, but not provided for	**87,232**	87,295

15. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the six months ended 30 June 2021 and 2020 the Group had the following material transactions with related parties:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses to non-controlling interests	**19**	–
Interest expenses to directors	**–**	91

(b) Key management compensation

The remuneration of directors and other members of key management for the reporting period is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fees	**1,462**	1,044
Salaries, allowances and other benefits in kind	**1,706**	1,508
Social security contributions	**223**	69
	3,391	2,621

16. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 21 August 2021.

CO-CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I hereby present to you the unaudited results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021 (the "**Period under Review**").

During the first half of 2021, the economic prospects of a majority of countries and regions worldwide were subject to great uncertainties as they still suffered from the COVID-19 pandemic. It is currently estimated that global economy will grow by 5.4% in 2021 as compared to a sharp shrink of 3.6% in 2020, and is expected to recover to the pre-pandemic level in 2022 or 2023. Leveraging fruitful anti-pandemic efforts, coupled with popularity of the vaccination program and on-going fiscal and monetary policy support, China's economy steadily regained momentum and trended upwards. However, it is also noticeable that as the pandemic continues to develop, domestic economic recovery remained imbalanced amid external instabilities and uncertainties, and it takes further efforts to consolidate the foundation for stable economic recovery. In terms of the industry, with the resumption of business activities, the demand for oil and gas across various countries are constantly on the rise. According to the International Energy Agency, demand for oil will basically return to the pre-pandemic level by December 2021. In addition, carbon emissions have attracted global attention, and China also raised the carbon emissions peak and carbon neutrality targets. From the perspective of energy structure transformation, natural gas will continue to play its role in accelerating emission reduction, and thereby contributing to a further increase in demand for natural gas in future.

According to the 2020 energy summary issued by the National Bureau of Statistics on 18 January 2021, China's natural gas output reached 188.8 billion cubic metres, representing an increase of 9.8% from the previous year with an additional output exceeding 10 billion cubic metres for four consecutive years. Improved energy output in the upper stream will benefit demand for downstream pipes business. The Administrative Measures for the Price of Natural Gas Pipeline Transportation (Provisional)* (《天然氣管道運輸價格管理辦法(暫行)》) and the Measures for the Supervision and Examination of Pricing Cost of Natural Gas Pipeline Transportation (Provisional)* (《天然氣管道運輸定價成本監審辦法(暫行)》) issued by the National Development and Reform Commission (the "**NDRC**") further optimised the natural gas pipeline transportation price management system and accelerated the progress towards the establishment of a "national pipeline network", in a move to facilitate the standardised and orderly industry development. Overall, policies have been in place to promote the regulated and rationally competitive industry landscape, which will favour private players with profound experience like the Group. On 22 April 2021, China reiterated its commitments at the Leaders Summit on Climate regarding "striving for carbon emissions peak by 2030 and carbon neutrality by 2060", signaling that ecology-focused, green and low-carbon development will be the dominant strategy in future. In addition, the National Energy Administration proposed to focus on the implementation plan of improving oil and gas reserve and output, step up capital investment and efforts in exploration, proactively cultivate new drivers for oil and gas reserve and output, strengthen offshore oil and gas development, comprehensively implement oil and gas green production initiatives, and promote energy conservation and carbon reduction in production process. As a result, oil and gas companies will accelerate transformation and the Group will also seek to win relevant pipes orders.

SEIZING NEW PIPELINE CONSTRUCTION OPPORTUNITIES TO ACHIEVE STEADY PROGRESS IN PRODUCTION AND OPERATION

During the Period under Review, with the continuous reopening of production and business operation, large-scale pipeline projects gradually commenced construction. Leveraging its desirable business performances, proactive market exploration, steady production and operation, as well as constant technological upgrade, the Group overcame various difficulties such as the surge in price of steel plates and formulated shrewd schedules to achieve a substantial increase in the production and sales volume and profit of pipes during the Period under Review as compared to the corresponding period of last year.

During the Period under Review, the Group seized opportunities to undertake the projects of China Oil & Gas Pipeline Network Corporation ("**PipeChina**"). Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("**Shandong Shengli Steel Pipe**"), a subsidiary of the Company, was shortlisted as a qualified supplier of PipeChina for the first time, and Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司) ("**Hunan Shengli Steel Pipe**"), another subsidiary, also won two bid sections underlying approximately 40,000 tons of SAWL pipes and anti-corrosion pipes of PipeChina's framework bid for 600,000 tons of SAWL pipes.

ESTABLISHING PRESENCE IN THE INSULATION PIPELINE BUSINESS AND SECURING ANOTHER RECORD IN PIPES SPECIFICATION

Shandong Shengli Steel Pipe's insulation pipes business has met the conditions for commercial production. It has set up a special insulation pipeline sales team to get a thorough understanding of insulation pipeline standards, market environment and competitors for the new insulation spraying winding production line. It also prepared the insulation pipeline price calculation model to set the foundation for future price calculation and bidding preparation.

Besides, Shandong Shengli Steel Pipe achieved another breakthrough in the thermal industry in Henan, the PRC following the execution of the contract for "Anyang Long-distance Heating Pipeline Network Project"* (引熱入安長輸供熱管網工程) in May 2021. The Φ1,620*20㎜ steel pipes with steel grade of L360M used in the project represented steel pipes with the largest diameter and thickness undertaken by Shangdong Shengli Steel Pipe so far, and also marked a breakthrough for the thermal industry. Shandong Shengli Steel Pipe meticulously conducted adjustment and production and successfully completed the business order, which not only tested the competence of its employees, but also further validated the capacity of its equipment.

ENHANCING CORPORATE GOVERNANCE LEVERAGING MULTIPLE MEASURES TO REDUCE OPERATING RISKS

The Group improved various systems, and encouraged technical staff and management personnel to proactively carry out minor reforms and rational proposals through the "Incentive Measures for Rational Suggestions and Minor Reforms"* (《合理化建議與小改小革獎勵辦法》). It formulated the "Regulations on the Management of Sales Commissions"* (《銷售提成管理規定》) to increase the commissions of anti-corrosive steel pipes and insulation steel pipes, and raise price difference commissions, so as to achieve comprehensive and reasonable sales incentive mechanism, and further motivate the enthusiasm of sales personnel. The Group improved the incentive mechanism of workload-based allocation and contribution-driven remuneration through the Administrative Measures of Bonus* (《獎金管理辦法》). It refined environmental protection and safety management, established the Responsibility System for Control and Disposal of Hazardous Waste with Environmental Pollution* (《危險廢物污染環境防治責任制度》), optimised the radiation management system, and standardised hazardous waste and radiation management to reduce business risks. It also strengthened operation and maintenance of photovoltaic solar energy projects, and brought into full play of photovoltaic solar energy projects to achieve energy conservation, environmental protection and maximise economic benefits. The Group proactively engaged high-quality transportation companies, and optimised transportation and loading schemes to reduce transportation costs.

In addition, in view of implementation of urban planning in Rizhao, the PRC, Shandong Shengli Steel Pipe, a wholly-owned subsidiary of the Group, entered into the Land Resumption Agreement with local governments in April 2021 to dispose of its idle lands and constructions located in Rizhao, the PRC following several rounds of consultations between the Group and local government authorities to balance comprehensive income, which effectively increased the working capital of the Company.

STRENGTHENING TECHNOLOGICAL INNOVATION AND CAPITALIZING ON AUTOMATIC EQUIPMENT

The Group constantly strengthened its technological innovation capability and enhanced its automation level. It improved the tube pulling machine of the anti-corrosion automatic inkjet printer to reduce the waste of energy and the wear of hydraulic pump; installed remote control handle on the pre-welding arc-extinguishing plate operation table to improve working efficiency and safety; redesigned and improved the adjustment mechanism of forming roll of certain units to achieve simple structure and convenient and accurate adjustment; enhanced the accuracy of welding seam tracking, realised automatic welding seam tracking, and improved the production efficiency and the first pass rate of products to reduce production defects caused by inadequate manual tracking; and achieved the function of automatic steel pipes transportation between the processes of continuous exploration and filming to reduce manpower and labor cost.

During the production of the Shandong Pipeline Network South Trunk Pipeline Natural Gas Pipeline Project* (山東管網南幹線天然氣管道工程), the pre-welding plant of Shandong Shengli Steel Pipe realised the maximum production output of 12 coils per shift. With sufficient material preparation, the number of personnel for the main engine was reduced to 4, and the forming butt achieved whole-process automatic operation of the central control room, giving full play to the advantages of equipment automation and improving productivity.

FUTURE PROSPECTS

Looking into the second half of 2021, global economic recovery is expected to speed up. China's average economic growth in the first half of the year outpaced last year thanks to on-going business reopening, economic structural adjustment and optimisation, enhanced driving force of innovation, overall upgrade of quality and efficiency and improvement of people's livelihood. As of the end of 2020, the tripod landscape in China's oil industry was officially redefined from the dominance by the "**Three Barrels**"* (三桶油), including China Petroleum & Chemical Corporation ("**SINOPEC**"), China National Petroleum Corporation ("**CNPC**") and China National Offshore Oil Corporation ("**CNOOC**") in the past to "**Three Barrels plus one Network**"* (三油一網), comprising SINOPEC, CNPC, CNOOC and PipeChina. With the separation of transportation and marketing, the "X+1+X" market system was introduced to the oil and gas industry. Following the establishment of PipeChina, national oil and gas trunk pipeline network will be gradually optimized, which will intensify the crucial role of PipeChina in asset allocation and yield important influence in terms of boosting oil and gas asset allocation efficiency and safeguarding national energy security. It is believed that China's oil and gas pipeline network construction will be substantially accelerated in future, thereby contributing to vigorous development of players at the upper stream and downstream of the oil and gas industry.

In 2021, despite the external negative impacts such as the COVID-19 pandemic, China's oil and gas pipeline industry has made significant progress. In particular, PipeChina took over the relevant oil and gas pipeline assets from the Three Barrels, and major oil and gas pipelines nationwide initially achieved "interconnection" and established "a national pipeline network"; the middle section of the Sino-Russian East Line natural gas pipeline (Changling-Yongqing)* (中俄東線天然氣管道中段(長嶺-永清)) and the Qingdao-Nanjing natural gas pipeline* (青島-南京天然氣管道) have been completed and commenced commercial operation; and the oil and gas consigner mechanism has taken shape, bolstering the fairness and openness of infrastructure.

According to the goal put forward in the Medium and Long-term Oil and Gas Pipeline Network Planning* (《中長期油氣管網規劃》) of the NDRC, the mileage of oil and gas pipeline network is set to reach 240,000 kilometres in 2025 and PipeChina initially proposed to build more than 25,000 kilometres of oil and gas pipelines during the 14th five-year plan (the "**14th Five-year Plan**") period. In this regard, there is huge demand for pipe construction in the next five years. At present, due to the impact of the COVID-19 pandemic, PipeChina progressed at a slower pace. In order to keep up with schedule and achieve such goal, pipeline network construction is set to gain momentum. The Group believes that it will gain more construction opportunities in future.

During the first half of 2021, the Group also proactively embarked on the new insulation pipeline business, and conducted equipment installation and test run of the production lines. At present, the trial production has been completed with conditions for manufacturing insulation pipes satisfied, and the Group is capable of undertaking business orders. In addition, the Group optimised capital structure through disposal of a parcel of idle land to fuel business development. Moreover, Hunan Shengli Steel Pipe delivered better performances than in previous years and expects to secure more orders in the second half of the year as compared to the corresponding period of last year.

In the second half of 2021, the Group will continue to keep close track of the progress of pipeline construction and strive to secure more large-scale projects. It will proactively assess the performance of each business segment, assets and investment to refine operations, remain focused on principal business and endeavor to enhance core profitability and sustainability in the long term. Moreover, while maintaining steady growth of our principal business of pipes, we will also venture into other business fields along the oil and pipeline industry chain, in a bid to create greater value for the shareholders.

Last but not least, I would like to take this opportunity to express gratitude to our shareholders and customers, and our management and staff for their dedication. With timely moves to seize business opportunities and proactive planning, the Group will strengthen and optimise oil and gas transportation products; and continue to deliver long-term value to our shareholders.

Zhang Bizhuang
Executive Director & Co-Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Amid the progress of COVID-19 vaccination and on-going fiscal and monetary support, China posted sound economic performances in the first half of 2021. Analysed on a quarter-by-quarter basis, economic growth increased by 18.3% year-on-year in the first quarter, primarily attributable to the low base effect in the first quarter of 2020 resulting from the hit of the COVID-19 pandemic; and edged up by 7.9% in the second quarter. Such financial data demonstrated strong tailwind behind China's economic recovery with gradual reopening of business activities following improvement achieved in COVID-19 pandemic containment. Meanwhile, new waves of virus calls upon continued attention paid to COVID-19 pandemic control during production processes.

China's oil and gas industry witnessed a rebound in market demand and rising oil prices after it suffered harsh shocks in 2020. During the 14th Five-year Plan period, PipeChina initially planned to build more than 25,000 kilometres of oil and gas pipelines. To achieve such goal, PipeChina has been proactively advancing various construction projects since 2021. At present, Hunan Shengli Steel Pipe, a subsidiary of the Group, has entered into the pipes procurement framework agreement with PipeChina and the two parties will conduct in-depth cooperation in the field of oil and gas transportation. In the mid and short term, the oil and gas market and prices will trend stable, while in the long term, domestic oil and gas demands are expected to register continuous rise, which will contribute to enhanced oil and gas exploration efforts and in turn increased number of orders placed with the Group.

In the second half of 2021, although the COVID-19 pandemic still looms over the globe, major economic powers are on the track of gradual business reopening. Benefited from effective anti-pandemic measures taken by the government of the PRC, timely increase of public investment and liquidity support provided by The People's Bank of China, China's economy embraced a strong recovery, which is well-positioned for continual steady growth as further incentive policies supporting small and medium-sized enterprises are expected from the government authorities. Policy demands set to be unlocked at an accelerated pace in the second half of the year, which will drive stable investment increase. According to the 14th Five-year Plan, China's oil and gas pipeline construction market is estimated to reach RMB1,683.5 billion. In 2021, the opening year of the 14th Five-year Plan, PipeChina has basically completed asset integration and commenced construction of key pipeline projects. The Group will get involved in relevant projects in the second half of the year, striving to create values for society and secure better returns for the Company.

Business Review

As one of China's largest oil and gas pipeline manufacturers offering superior quality products with top-rated facilities, cutting-edge technologies, advanced technique and a comprehensive quality inspection and assurance system, the Group is one of the few domestic suppliers of, among other things, large-diametre pipes designed to sustain the high pressure in long distance transportation of crude oil, refined petroleum and natural gas. It is also the only privately-owned enterprise among a limited number of qualified suppliers for large-scale oil and natural gas pipeline projects in China. The Group focuses on the design, manufacturing, anti-corrosion processing and servicing of submerged-arc helical welded pipes ("**SAWH pipes**") and submerged-arc longitudinal welded pipes ("**SAWL pipes**") used for the transport of crude oil, refined petroleum products, natural gas and other relevant products.

During the Period under Review, Shandong Shengli Steel Pipe, a subsidiary of the Company, was shortlisted as a qualified supplier of SAWH pipes of PipeChina for the first time; and Hunan Shengli Steel Pipe, another subsidiary, secured the business order of approximately 40,000 tons of pipes in PipeChina's framework bid for 600,000 tons of SAWL pipes, which means that the Group has become a qualified supplier of PipeChina. In addition, the Group's major customers also include large-scale national petroleum and natural gas enterprises such as CNPC, SINOPEC and CNOOC and their subsidiaries. During the first half of 2021, the Group completed several large-scale pipeline projects and obtained desirable results in proactive exploration of the social market. Furthermore, the Group also completed the preliminary preparations for insulation pipes business.

As of 30 June 2021, the annual production capacity of the Group's SAWH pipes, SAWL pipes and ancillary anti-corrosion production line reached approximately 1.00 million tonnes, 300,000 tonnes and 9.60 million square metres, respectively.

As of 30 June 2021, pipes manufactured by the Group were used in the world's oil and gas pipelines with a cumulative total length of approximately 32,671 kilometres, of which approximately 94.9% were installed in China while the remaining approximately 5.1% were installed outside China.

During the Period under Review, large-scale pipes projects using SAWH pipes manufactured by the Group included: Shandong Pipeline Network South Trunk Pipeline Natural Gas Pipeline Project of SINOPEC, Xinjiang Coal-based Gas Transmission Pipeline Guangxi Branch Line Project* (新疆煤製氣外輸管道廣西支幹線工程), Yantai Port Crude Oil Pipeline Multiple Tracks Project* (煙台港原油管道復線工程), Wenshui-Xishui Natural Gas Pipeline Project* (溫水一習水天然氣管道工程) and Boshan District High Temperature Water Expansion Project* (博山區高溫水擴容工程).

Large-scale pipe projects using SAWL pipes manufactured by the Group included: Shenmu-Anping Coal-bed Methane Pipeline Project of CNOOC* (神木－安平煤層氣管道工程), Western Guangdong Natural Gas Trunk Pipeline Network Maoming-Yangjiang Trunk Pipeline Project of SINOPEC* (粵西天然氣主幹管網茂名－陽江幹線項目), Guangxi LNG Transmission Pipeline Guilin Branch Line Project* (廣西LNG外輸管道桂林支線工程), Nantian Road Tian'e Longtan Super Bridge Project* (南天路天峨龍灘特大橋項目), Shimenshan-Banqiao Natural Gas Pipeline Project* (石門山－板橋天然氣管道項目) and Natural Gas Supply Pipeline Project for Ningzhou Gas and Electricity Project* (寧洲氣電項目天然氣供應管道工程).

Large-scale pipeline projects using anti-corrosion pipes manufactured by the Group included: Shandong Pipeline Network South Trunk Pipeline Natural Gas Pipeline Project of SINOPEC, Xinjiang Coal-based Gas Transmission Pipeline Guangxi Branch Line Project, Shenmu-Anping Coal-bed Methane Pipeline Project of CNOOC, Yantai Port Crude Oil Pipeline Multiple Tracks Project, Shimenshan-Banqiao Natural Gas Pipeline Project and Yongzhou-Shaoyang County Gas Transmission Pipeline Project* (永州－邵陽縣輸氣管道工程).

Financial Review

Revenue

The Group's unaudited revenue for the Period under Review was approximately RMB502,823,000, which was primarily attributable to the revenue from the Group's core business segment, being the pipes business, representing an increase of approximately 119.3% when compared to that of approximately RMB229,279,000 for the corresponding period of 2020. In particular, (1) sales revenue from SAWH pipes reached approximately RMB269,758,000 (the corresponding period of 2020: approximately RMB125,299,000), representing a year-on-year increase of approximately 115.3%; (2) sales revenue from SAWL pipes reached approximately RMB179,099,000 (the corresponding period of 2020: approximately RMB82,026,000), representing a year-on-year increase of approximately 118.3%; (3) sales revenue from anti-corrosion processing business reached approximately RMB52,265,000 (the corresponding period of 2020: approximately RMB21,954,000), representing a year-on-year increase of approximately 138.1%; and (4) revenue from the trading business reached approximately RMB1,701,000 (the corresponding period of 2020: nil). Such increase was mainly due to gradual resumption of business activities in the PRC with the ease of the negative impact from the COVID-19 pandemic during the Period under Review, contributing to a surge in the sales volume of the pipes business and the anti-corrosion processing business of the Group as compared to the corresponding period of 2020.

Cost of sales and services

The Group's cost of sales and services increased year-on-year by approximately 101.7% from approximately RMB221,318,000 for the six months ended 30 June 2020 to approximately RMB446,330,000 during the Period under Review, primarily attributable to the corresponding increase in cost of sales and services as a result of the surge in the sales volume of the pipes business and the anti-corrosion processing business of the Group during the Period under Review as compared to the corresponding period of 2020.

Gross profit

Gross profit for the Period under Review was approximately RMB56,493,000, while that for the corresponding period of 2020 amounted to approximately RMB7,961,000. Such increase was mainly attributable to the surge in the sales volume of the pipes business and the anti-corrosion processing business of the Group during the Period under Review as compared to the corresponding period of 2020. The Group's gross profit margin increased from approximately 3.5% for the six months ended 30 June 2020 to approximately 11.2% for the Period under Review, which was mainly due to the substantial increase in sales volume of the pipes business and anti-corrosion processing business with higher gross profit margin during the Period under Review as compared to the corresponding period of 2020.

Other income and gains

Other income and gains of the Group increased year-on-year from approximately RMB6,740,000 for the six months ended 30 June 2020 to approximately RMB55,339,000 for the Period under Review. Such increase was primarily due to the fact that the Group received a compensation from the local government authority during the Period under Review due to the resumption of land use rights of a land parcel and the constructions and fixtures thereon located in Rizhao, Shandong Province, the PRC by the local government authority, which contributed to a significant increase in other income and gains as compared to the corresponding period of 2020.

Selling and distribution costs

Selling and distribution costs of the Group increased from approximately RMB15,358,000 for the six months ended 30 June 2020 to approximately RMB20,754,000 for the Period under Review. The increase was principally due to an increase in transportation expenses and bidding service fees for pipelines projects during the Period under Review as compared to the corresponding period of 2020.

Administrative expenses

The Group's administrative expenses increased from approximately RMB75,680,000 for the six months ended 30 June 2020 to approximately RMB92,639,000 for the Period under Review. Such increase was mainly attributable to the fact that the State ceased to reduce the social insurance contributions for small and medium-sized enterprises following the ease of the COVID-19 pandemic and the Group recorded an increase in intermediary service fees during the Period under Review as compared to the corresponding period of 2020.

Share of loss of an associate

During the Period under Review, the Group recorded share of loss of an associate of approximately RMB1,229,000, as compared to approximately RMB143,000 for the corresponding period of 2020.

Finance costs

The Group's finance costs decreased from approximately RMB20,799,000 for the six months ended 30 June 2020 to approximately RMB18,031,000 for the Period under Review. The finance costs mainly came from interest on bank loans.

Total comprehensive loss for the Period under Review

The Group's total comprehensive loss for the Period under Review decreased from a loss of approximately RMB92,583,000 for the six months ended 30 June 2020 to a loss of approximately RMB23,643,000 for the Period under Review.

Assets and liabilities

As of 30 June 2021, the Group's total assets amounted to approximately RMB2,301,222,000 (31 December 2020: approximately RMB2,240,167,000); the Group's net assets amounted to approximately RMB884,923,000 (31 December 2020: approximately RMB857,764,000); net assets per share amounted to approximately RMB0.23, representing a decrease of approximately RMB3 cents when compared to that of 31 December 2020; and the Group's total liabilities amounted to approximately RMB1,416,299,000 (31 December 2020: approximately RMB1,382,403,000). The increase in total liabilities was mainly attributable to the increase in trade and bills payable as of 30 June 2021 as compared to 31 December 2020.

Net current liabilities

As of 30 June 2021, the Group had net current liabilities of approximately RMB251,182,000, as compared to approximately RMB339,055,000 as at 31 December 2020. The main reason for the decrease in net current liabilities was that sales volume of the Group's pipes business and anti-corrosion business experienced a sharp increase during the Period under Review, and the increase in inventories and trade and bills receivable exceeded that of trade and bills payable and other payables and accruals, leading to a decrease in the net current liabilities of the Group as compared to 31 December 2020.

PipeChina has completely taken over the relevant oil and gas pipeline assets of the Three Barrels and commenced integration and commercial operation. Meanwhile, during the 14th Five-year Plan period, pursuant to the planning of the state, China expects to newly establish over 10,000 kilometres of oil and gas pipeline network each year. As such, the Group will grasp sound development opportunities in the pipes industry and proactively secure more pipes orders. Through reasonable allocation of funds and meticulous operation, the Group is confident to ensure on-going stability of its production and operations and to gradually minimise its net current liabilities.

Liquidity and financial resources

As of 30 June 2021, cash and cash equivalents of the Group amounted to approximately RMB82,219,000 (31 December 2020: approximately RMB113,159,000); and the Group had borrowings of approximately RMB749,600,000 (31 December 2020: approximately RMB780,600,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables, contract liabilities and other payables and accruals, net of cash and cash equivalents and pledged deposits) divided by total equity plus net debt. As of 30 June 2021, the gearing ratio of the Group was approximately 57.2% (31 December 2020: approximately 55.2%).

Financial management and fiscal policy

During the Period under Review, the Group's revenue, expenses, assets and liabilities were primarily denominated in Renminbi. The Directors consider that the Group currently has limited foreign exchange exposure and has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

Interim dividend

The Board does not recommend the payment of any interim dividend for the Period under Review (for the six-month period ended 30 June 2020: nil).

EVENTS OCCURRING AFTER THE PERIOD UNDER REVIEW

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Company that comes to the attention of the Directors after the Period under Review.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Board strives to uphold good corporate governance and adopts sound corporate governance practices. During the Period under Review, the Company has applied the principles of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and has complied with all code provisions and, where applicable, the recommended best practices.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that during the Period under Review, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 24 December 2020 (after trading hours), the Company entered into the subscription agreement with LM Global Asset LP (the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 600,000,000 new Shares under general mandate at the subscription price of HK$0.1 per Subscription Share, subject to a lock-up period of six months (the "**Subscription**"). The completion of the Subscription took place on 7 January 2021.

Save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period under Review.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 21 November 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process. All members of the Audit Committee are appointed by the Board. The Audit Committee currently consists of three independent non-executive Directors, including Mr. Chen Junzhu, Mr. Wu Geng and Mr. Qiao Jianmin. Mr. Chen Junzhu serves as the chairman.

The Audit Committee has reviewed the Group's unaudited financial statements for the Period under Review as well as the risk management and internal control system and its implementation.

REVIEW OF ACCOUNTS

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

APPRECIATION AND STRIVING FOR THE GOALS

Last but not least, on behalf of all the Directors, I would like to take this opportunity to express my gratitude to all shareholders, customers and employees of the Company for their continuous support and encouragement for the Company to overcome difficulties and flourish. The Company is positioned in the oil and gas and related equipment and pipeline industry and has a close connection with the economic and strategic development of the country. With the highest quality and technical standards, unwavering efforts and unswerving dedication to our corporate philosophy, we are committed to capturing each and every opportunity, with a view to enhancing the strength and precision of oil and gas pipeline products while actively pursuing and developing new business fields, thereby creating maximum values and returns for our shareholders.

* *For identification purpose only*

By Order of the Board
SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
Zhang Bizhuang
Executive Director and Co-Chief Executive Officer

Zibo, Shandong, 22 August 2021

As at the date of this announcement, the Directors are:

Executive Directors:	*Mr. Zhang Bizhuang, Mr. Wang Kunxian, Ms. Han Aizhi and Mr. Zhang Bangcheng*
Non-executive Directors:	*Mr. Wei Jun and Mr. Huang Guang*
Independent non-executive Directors:	*Mr. Chen Junzhu, Mr. Wu Geng and Mr. Qiao Jianmin*