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 2022

FINANCIAL HIGHLIGHTS

- Revenue for the Period under Review was approximately RMB443,281,000, representing a decrease of approximately 11.8% when compared to the corresponding period in 2021.
- Gross profit margin for the Period under Review was approximately 8.5%, representing a decrease of approximately 2.7 percentage points when compared to the corresponding period in 2021.
- Profit attributable to owners of the Company for the Period under Review amounted to approximately RMB38,410,000, while loss attributable to owners of the Company for the corresponding period in 2021 amounted to approximately RMB8,960,000.
- Basic earnings per share attributable to owners of the Company for the Period under Review amounted to approximately RMB0.99 cents, while basic loss per share attributable to owners of the Company for the corresponding period in 2021 amounted to approximately RMB0.23 cents.
- The Board does not recommend the declaration of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 2022 (the "**Period under Review**") prepared in accordance with the International Financial Reporting Standards, together with the comparative figures for the corresponding period of 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*3*	**443,281**	502,823
Cost of sales and services		**(405,655)**	(446,330)
Gross profit		**37,626**	56,493
Other income and net gains		**85,658**	55,339
Selling and distribution costs		**(15,428)**	(20,754)
Administrative expenses		**(67,572)**	(92,639)
Reversal of allowance for trade receivables		**1,336**	133
Other expenses		**(402)**	(1,965)
Share of results of associates		**3,663**	(1,229)
Reversal of impairment loss on other receivables		**–**	3,927
Finance costs	*4*	**(9,909)**	(18,031)
PROFIT/(LOSS) BEFORE TAX	*5*	**34,972**	(18,726)
Income tax expense	*6*	**(99)**	(2,738)
PROFIT/(LOSS) FOR THE PERIOD		**34,873**	(21,464)
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(137)**	(2,179)
		(137)	(2,179)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**34,736**	(23,643)

	Notes	Six months ended 30 June **2022** ***RMB'000*** **(Unaudited)**	2021 *RMB'000* (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**38,410**	(8,960)
Non-controlling interests		**(3,537)**	(12,504)
		34,873	(21,464)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**38,273**	(11,139)
Non-controlling interests		**(3,537)**	(12,504)
		34,736	(23,643)
EARNINGS/(LOSS) PER SHARE *(RMB cents)*	*7*		
– Basic		**0.99**	(0.23)
– Diluted		**0.99**	(0.23)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**223,936**	471,330
Deposits paid for acquisition of investments		**–**	4,067
Deposits paid for acquisition of property, plant and equipment		**1,411**	14,029
Investment in associates		**260,338**	193,910
Right-of-use assets	*9*	**177,937**	225,498
Deferred tax assets		**655**	762
		664,277	909,596
CURRENT ASSETS			
Inventories		**107,058**	318,503
Trade and bills receivables	*10*	**131,018**	287,183
Contract assets		**42,028**	92,960
Prepayments, deposits and other receivables		**102,502**	145,854
Pledged deposits		**2,081**	31,280
Cash and cash equivalents		**89,186**	134,311
		473,873	1,010,091
CURRENT LIABILITIES			
Trade and bills payables	*11*	**75,809**	519,765
Other payables and accruals		**18,213**	27,465
Contract liabilities		**67,584**	32,847
Lease liabilities		**663**	1,162
Borrowings		**283,000**	691,000
Tax payable		**15,308**	15,308
Deferred income		**854**	1,583
		461,431	1,289,130
NET CURRENT ASSETS/(LIABILITIES)		**12,442**	(279,039)
TOTAL ASSETS LESS CURRENT LIABILITIES		**676,719**	630,557

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**1,765**	2,791
Lease liabilities		**–**	25
Deferred tax liabilities		**268**	276
		2,033	3,092
NET ASSETS		**674,686**	627,465
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**334,409**	334,409
Reserves		**330,465**	292,024
		664,874	626,433
Non-controlling interests		**9,812**	1,032
Total equity		**674,686**	627,465

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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, respectively.

The condensed consolidated interim financial statements ("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 and its subsidiaries (collectively referred to as the "Group") are principal engaged in 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 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 has prepared the Interim Financial Statements on the basis that it will estimate to operate as a going concern.

The Interim Financial Statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2021.

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. 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 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 Interim Financial Statements of the Group.

3. SEGMENT INFORMATION

Segment revenue and results

For the six months ended 30 June 2022 (Unaudited)

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Sales to external customers	**435,785**	**7,496**	**–**	**443,281**
Intersegment sales	**–**	**–**	**–**	**–**
Total revenue	**435,785**	**7,496**	**–**	**443,281**
Segment results	**(31,255)**	**(1,360)**		**(32,615)**
Interest income				**247**
Share of results of associates				**3,663**
Other gains				**83,723**
Unallocated expenses				**(10,137)**
Finance costs				**(9,909)**
Profit before tax				**34,972**

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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)

3. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2022 (Unaudited)

	Pipes Business *RMB'000*	**Trading Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Geographical markets				
Mainland China	**435,785**	**7,496**	**–**	**443,281**
Timing of revenue recognition				
At a point in time	**435,785**	**7,496**	**–**	**443,281**

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

3. **SEGMENT INFORMATION (Continued)**

Segment assets

As at 30 June 2022 (Unaudited)

	Pipes Business *RMB'000*	**Trading Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment assets	**805,776**	**42,817**	**–**	**848,593**
Unallocated assets				**289,557**
Total consolidated assets				**1,138,150**

As at 31 December 2021 (Audited)

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment assets	1,676,813	11,687	–	1,688,500
Unallocated assets				231,187
Total consolidated assets				1,919,687

3. SEGMENT INFORMATION (Continued)

Segment liabilities

As at 30 June 2022 (Unaudited)

	Pipes Business *RMB'000*	**Trading Business** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment liabilities	**163,434**	**146**	**–**	**163,580**
Unallocated liabilities				**299,884**
Total consolidated liabilities				**463,464**

As at 31 December 2021 (Audited)

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment liabilities	581,788	199	–	581,987
Unallocated liabilities				710,235
Total consolidated liabilities				1,292,222

4. FINANCE COSTS

	Six months ended 30 June	
	2022 *RMB'000* **(Unaudited)**	2021 *RMB'000* (Unaudited)
Interest on borrowings	**9,887**	17,986
Interest on lease liabilities	**22**	45
	9,909	18,031

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**373,246**	410,500
Cost of services	**32,409**	35,830
	405,655	446,330
Employees benefits expenses including directors' remuneration	**32,188**	45,816
Depreciation of property, plant and equipment	**29,133**	47,744
Depreciation of right-of-use assets	**2,874**	2,708
Reversal of allowance for trade receivables	**(1,336)**	(133)
Reversal of impairment loss recognised on other receivables	**–**	(3,927)
Short term lease payments	**9**	78
Gain on disposal of property, plant and equipment	**–**	(187)
Gain on disposal of right-of-use assets	**–**	(46,090)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Deferred tax	**99**	2,738
Income tax expense	**99**	2,738

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2022 and 2021. 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 2022 and 2021. 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 2022 and 2021.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the six months ended 30 June 2022 attributable to owners of the Company of approximately RMB38,410,000 (for the six months ended 30 June 2021: loss of approximately RMB8,960,000) and the weighted average number of 3,874,365,600 ordinary shares in issue during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 3,854,476,097).

(b) Diluted loss per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as there was no dilutive potential ordinary shares for the Company's outstanding options.

8. DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a total cost of approximately RMB18,474,000 (for the six months ended 30 June 2021: approximately RMB8,212,000).

Property, plant and equipment with a carrying amount of approximately RMB1,000 were disposed by the Group during the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB9,168,000).

No disposal of right-of-use assets during the six months ended 30 June 2022. Right-of-use assets with a carrying amount of approximately RMB4,336,000 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 recognised in other income for the six months ended 30 June 2021.

10. TRADE AND BILLS RECEIVABLES

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**120,376**	286,542
Less: allowance for impairment of trade receivables	**(58)**	(3,425)
	120,318	283,117
Bills receivables	**10,700**	4,066
	131,018	287,183

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 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**94,979**	254,373
3 to 6 months	**21,448**	5,249
6 months to 1 year	**1,443**	11,608
1 to 2 years	**1,358**	9,099
Over 2 years	**1,090**	2,788
	120,318	283,117

11. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	**75,809**	214,096
Bills payables	**–**	305,669
	75,809	519,765

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	**46,332**	182,535
3 to 6 months	**25,646**	13,892
6 months to 1 year	**2,067**	10,401
1 to 2 years	**63**	3,402
Over 2 years	**1,701**	3,866
	75,809	214,096

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.

12. SHARE CAPITAL

	30 June 2022	31 December 2021
	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 2021: 3,874,365,600) ordinary shares of HK$0.1 each	**334,409**	334,409

13. DISPOSAL OF A SUBSIDIARY

On 21 December 2021, Shandong Shengli Steel Pipe Co., Ltd.# ("Shandong Shengli") (山東勝利鋼管有限公司) (an indirectly wholly-owned subsidiary of the Company), Hunan Shengli Xianggang Steel Pipe Co., Ltd. ("Hunan Shengli")# (湖南勝利湘鋼鋼管有限公司), which was owned as to 56.9% by the Group before, and the non-controlling shareholder of Hunan Shengli entered into the equity transfer and capital increase agreement, pursuant to which Shandong Shengli agreed to transfer and the non-controlling shareholder of Hunan Shengli agreed to acquire 8.9% equity interest of Hunan Shengli for a consideration of approximately RMB17,296,000. Further, Shandong Shengli and the non-controlling shareholder of Hunan Shengli agreed to make capital contributions of RMB17,280,000 and RMB18,720,000 to Hunan Shengli, respectively, in proportion to their respective shareholding percentage in Hunan Shengli upon the completion of the equity transfer.

The consideration of the equity transfer shall be satisfied and paid by the non-controlling shareholder of Hunan Shengli to Hunan Shengli, for settlement of the capital contribution. In particular, the amount payable by Shandong Shengli as a result of the capital contribution shall be satisfied and paid by the non-controlling shareholder of Hunan Shengli on behalf of Shandong Shengli by the consideration of the equity transfer. The non-controlling shareholder of Hunan Shengli shall pay the difference in amount of approximately RMB16,000 between the consideration of the equity transfer and the capital contribution responsible by Shandong Shengli to Shandong Shengli.

The equity transfer and capital contribution completed on 21 February 2022, Hunan Shengli ceased to be a subsidiary of the Group and the financial results of the Hunan Shengli no longer be consolidated into the financial statements of the Group.

The English names are for identification only

13. DISPOSAL OF A SUBSIDIARY (Continued)

The following table summarises the consideration received for the disposal of Hunan Shengli and the net liabilities of Hunan Shengli as at the date of disposal:

Consideration satisfied by:

	RMB'000 (Unaudited)
Cash	16
Capital injection in Hunan Shengli	17,280
	17,296

Net liabilities at the date of disposal were as follows:

	RMB'000 (Unaudited)
Property, plant and equipment	236,735
Right-of-use assets	44,687
Deposits paid for acquisition of property, plant and equipment	1,100
Inventories	155,712
Trade and bills receivables	241,518
Contract assets	65,996
Prepayments, deposits and other receivables	66,468
Pledged deposits	131,796
Cash and cash equivalents	20,797
Trade and bills payables	(443,498)
Other payables and accruals	(38,155)
Contract liabilities	(2,812)
Borrowings	(508,000)
Deferred income	(1,206)
Net liabilities disposed of	(28,862)
Non-controlling interests	12,317
Fair value of the investment in an associate retained	(41,866)
Gain on disposal of subsidiary (Included in other income and net gains)	75,707
Consideration	17,296
Net cash inflow/(outflow) arising on disposal:	
Cash consideration received	16
Cash and cash equivalents disposed of	(20,797)
	(20,781)

14. COMMITMENTS

Capital commitments

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for	**6,817**	9,503

15. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the six months ended 30 June 2022 and 2021 the Group had the following material transactions with related parties:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses to non-controlling interests	**23**	19

(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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fees	**945**	1,462
Salaries, allowances and other benefits in kind	**2,719**	1,706
Social security contributions	**238**	223
	3,902	3,391

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 2022 (the "**Period under Review**").

In the first half of 2022, numerous uncertainties in the international environment and persistent rage of the COVID-19 pandemic across the globe exposed industries to multiple challenges and weighed on global economic growth. The World Economic Outlook released by the International Monetary Fund in July 2022 showed that global economic growth is expected to slow down to 3.2% in 2022 from 6.1% recorded in the previous year, representing a reduction of 0.4 percentage point as compared with the forecast in April 2022. In particular, developed economies and emerging and developing economies are expected to grow at a rate of 2.5% and 3.6%, respectively. From the perspective of industry, given the increased cost in gas supply due to high import price, China's government authorities, with a focus on guaranteeing supply safety, strive to cap price increase and preclude market disorder. Besides, regions and departments at all levels have taken effective measures to coordinate pandemic prevention and economic development, which have contributed to overall steady economic recovery at a growth pace of 2.5% year on year. Since the beginning of the second quarter of 2022, especially in late May, the central government has introduced a package of policies to steer the economy into a normalized growth track. Smooth business reopening demonstrated a sound economic momentum. Following the implementation of the national oil and gas system reform and establishment of China Oil & Gas Pipeline Network Corporation* (國家石油天然氣管網集團有限公司) ("**PipeChina**"), China increases investment in and expedites the progress of oil and gas pipeline infrastructure construction. Businesses primarily engaged in pipeline supply and construction are therefore poised for a positive prospect.

During the first quarter of 2022, PipeChina committed itself to the investment in and operation of main oil and gas pipeline, gas storage and peak regulation infrastructure, in a bid to promote the construction of oil and gas pipeline infrastructure. At the meeting held on 26 April 2022, the Central Committee of Finance and Economics emphasised the initiative of sparing no effort in expediting infrastructure construction and constructing modern infrastructure systems to lay a solid foundation for building China as a modern socialist country. PipeChina has been dedicated to the construction of oil and gas pipelines since establishment, which accelerated China's progress towards the achievement of "One Pipeline Network Nationwide* (全國一張網)" vision, and further strengthened the supply capacity in peak seasons. In view of the above, following the gradual materialization of supply guarantee policies and development projects introduced by China's government authorities, domestic oil and gas industry is poised for steady improvement, which will in turn enhance oil and gas exploration efforts, and offer more opportunities to private companies. The Group will also draw upon its advantages in terms of extensive experience, advanced equipment and cutting-edge technologies to win more business orders and deliver desirable results.

SECURING BRILLIANT RESULTS IN PIPECHINA AND SINOPEC'S 2022 FRAMEWORK BIDDINGS LEVERAGING COMPREHENSIVE STRENGTH

Despite the ever complicated and grim international environment and persistent COVID-19 pandemic spreading nationwide in the first half of 2022, the lockdown measures adopted by government authorities had little impact on the Group's operations. The Group made constant technological improvements and equipment upgrade, and refined technological processes to improve comprehensive competitiveness leveraging its desirable business results, cutting-edge process, well-established quality assurance system, proactive market expansion efforts and solid production and operation.

During the Period under Review, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("**Shandong Shengli Steel Pipe**"), a subsidiary of the Group, won another bid for submerged-arc helical welded pipes ("**SAWH pipes**") from PipeChina in the 2022 pipeline framework agreement procurement project, following being shortlisted as a qualified supplier of SAWH pipes by PipeChina for the first time in 2021. Shandong Shengli Steel Pipe ranked 3rd in terms of comprehensive strength and was chosen as a major supplier of SAWH pipes, securing over 15% orders for SAWH pipes from PipeChina under the 2022 pipeline framework agreement procurement project. Meanwhile, Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司) ("**Hunan Shengli Steel Pipe**"), an associate of the Group, also won the bid for submerged-arc longitudinal welded pipes ("**SAWL pipes**") in the same bidding and was selected as PipeChina's supplier of SAWL pipes.

This marked the first time for the Group to obtain such satisfactory results in PipeChina's bidding projects since the latter's establishment on 9 December 2019, which fully demonstrated the Group's comprehensive strength, further consolidated the Group's leading position in national major oil and gas pipeline industry, and laid a solid market foundation for its sustainable development.

In addition, during the Period under Review, Shandong Shengli Steel Pipe was listed as No. 2 in terms of SAWH pipes and anti-corrosion processing services by China Petroleum & Chemical Corporation ("**SINOPEC**") in its 2022 SAWH pipes processing service for long distance pipeline framework agreement bidding, and shall be assigned at least 20% orders without upper limit.

SUCCESSFULLY FULFILLING PRODUCTION AND DELIVERY RESPONSIBILITIES LEVERAGING RATIONAL PLANNING AND SHREWD ARRANGEMENT

In the first half of 2022, the majority of orders of Shandong Shengli Steel Pipe were secured from the general market. Given the large number and complex specifications of orders, Shandong Shengli Steel Pipe adopted multiple measures to improve efficiency and reduce costs, which contributed to a year-on-year decrease in power consumption of approximately 30% for producing per ton of pipes, and approximately 20% for per square meter of anti-corrosion pipes. Meanwhile, it stepped up coordination between different posts based on specific orders and raw materials, with a vision to minimizing the personnel required for production and inspection, boosting efficiency at source, avoiding unnecessary waste of time and workforce, and guaranteeing the fulfilment of production and delivery responsibilities of all production lines.

PROACTIVELY VENTURING INTO INSULATION PIPELINE BUSINESS TO NURTURE SUSTAINABLE GROWTH DRIVER

During the Period under Review, Shandong Shengli Steel Pipe made breakthroughs in the insulation pipeline business as it achieved 100% qualification rate for the Φ1,220 pipeline insulation processing project undertaken in the first half of 2022, and gained recognition from customers for the premium product quality. Shandong Shengli Steel Pipe not only strengthened the competence of its workforce, but also laid a solid foundation for follow-up production. The Group will continue to strive to foster the insulation pipeline business as a sustainable growth driver.

ENHANCING AUTOMATIC LEVEL WITH STEADY PROGRESS OF TECHNOLOGICAL AND EQUIPMENT UPGRADE

The Group made constant efforts to strengthen technological innovation capacity to improve automation. Shandong Shengli Steel Pipe identified six technological projects and six technical upgrade projects at the beginning of 2022, of which the Research and Development of Main Machine Centralized Control System for Pre-welding Plants* (預精焊分廠主機集中控制系統研發) and Butt Seam Automatic External Repair Welding System of No. 3 Factory* (三分廠對頭縫自動外補焊系統) have been validated and under inspection and acceptance, Anti-corrosion 1# Line Reactive Power Compensation Cabinet Project* (防腐1#線無功補償櫃項目) and Expanding Machine Relocation Project of No. 2 Factory* (二分廠擴徑機搬遷項目) have completed installation and commissioning, and other projects were in smooth progress. Upon completion, such projects will effectively improve efficiency and product quality, boost automation level and mitigate labor intensity.

STREAMLINING BUSINESS LAYOUT WITH A VISION TOWARDS SUSTAINABLE DEVELOPMENT

Leveraging the attractive business opportunities brought about by China's initiative to expedite major domestic pipeline network projects, the Group streamlined and conducted comprehensive analysis of the performance of its investment portfolio, and pooled resources and advantages to support the development of the pipes business with a vision to achieving sustainable growth.

On 21 February 2022, Shandong Shengli Steel Pipe, a subsidiary of the Group, completed the disposal of 8.9% equity interests in Hunan Shengli Steel Pipe to Xiangtan Iron & Steel Group Co., Ltd.* (湘潭鋼鐵集團有限公司) ("**Xiangtan Steel**"). Since then, Hunan Shengli Steel Pipe is owned as to 48% and 52% by Shandong Shengli Steel Pipe and Xiangtan Steel, respectively. The transaction equipped Hunan Shengli Steel Pipe with easier access to the long-term support from Xiangtan Steel in terms of, among other things, capital, financing and stable supply of raw materials. Meanwhile, although Hunan Shengli Steel Pipe ceased to be a subsidiary of the Group, the Group is still able to exercise significant influence over Hunan Shengli Steel Pipe, thereby guaranteeing the Group's interests in Hunan Shengli Steel Pipe.

In March 2022, Gold Apple Holdings Limited, a subsidiary of the Group, completed all the procedures concerning transfer of its obligations, responsibilities, rights, interests and benefits in the contracts in relation to acquisition of Blossom Time Group Limited to an independent third party.

In addition, on 29 June 2022, Zhejiang Shengguan Industrial Co., Ltd* (浙江勝管實業有限公司) ("**Zhejiang Shengguan Industrial**"), a subsidiary of the Group, completed the transfer of approximately 9.9% equity interests (corresponding to registered capital in an amount of RMB81,420,000 unpaid by Zhejiang Shengguan Industrial) held by it in Xinfeng Energy Enterprise Group Co., Ltd* (新鋒能源集團有限公司) ("**Xinfeng Energy Group**") to an independent third party. The transaction relieved the Group from investment commitment of approximately RMB81,420,000, and enabled the Group to retain funds for its principal business development and facilitate its sustainable growth.

FUTURE PROSPECTS

Given the ongoing complex global economic context and external environment expected in the second half of 2022, the oil and gas industry, especially oil and gas giants, will play the "pillar" and "dominant" role, thereby spearheading in and contributing to economic stabilization via unremitting efforts in supply guarantee and price control. Since the expedition of construction of the natural gas production-supply-storage-sales system in 2018, China's gas storage has doubled over three years' time, representing a sharp increase, which further strengthened the foundation for safe oil and gas supply, and highlighted the significance of natural gas in clean and low-carbon energy system. According to the 14th Five-year Plan and the Outline of Long-term Goals for 2035* (《第十四個五年規劃和2035年遠景目標綱要》), by the end of the "14th five-year" period, China's gas storage capacity is expected to double as compared with that in 2021, and meanwhile it will scale new height in terms of balanced development and safe supply of natural gas, which suggests that stronger pipeline construction demands are expected in the upcoming years.

At the State Council executive meeting held recently, it was proposed to accelerate the progress of and enhance efforts in implementation of the policies specified at the Central Economic Work Conference and in the Government Work Report, that is, stabilization of the macro-economic condition through implementing 33 measures concerning six aspects and increasing investment in infrastructure construction serve as the pillar for macro-economic stabilization. In this regard, PipeChina and other state-owned enterprises will enhance and speed up project construction efforts.

Since its establishment, PipeChina has been committed to expediting the construction of oil and gas pipeline infrastructure. At present, the West-East Gas Pipeline No. 4 and Sichuan-to-East Gas Pipeline No. 2 projects have successively commenced construction, and breakthroughs have been made in Tianjin LNG Transmission Pipeline Project* (天津LNG外輸管道工程). Shandong Shengli Steel Pipe, a subsidiary of the Group, and Hunan Shengli Steel Pipe, an associate of the Group, as a major and qualified supplier of PipeChina in 2022, will undertake production for considerable national major oil and gas pipeline projects in the second half of the year. At present, the Group is pooling its production advantages and pre-welding technical edges to guarantee supply for the West-East Gas Pipeline No. 4 and Sichuan-to-East Gas Pipeline No. 2 projects, in an endeavor to fulfill its production responsibilities without any compromise to quality or quantity.

The Group believes that it is well positioned to secure more construction projects in the future. It will keep close track of the oil and gas network construction progress, and strive to engage in large-scale pipeline projects, with an aim to create value to society and broaden revenue streams of the Group.

Looking into the second half of 2022, the Group will also continue to venture into the insulation pipeline business. At present, the insulation pipeline industry features a diverse landscape where private enterprises play a dominant role and compete with state-owned enterprises and joint ventures. Thorough researches into the insulation pipeline industry suggest that there exists significant development potential. The Group has been capable of undertaking insulation pipeline business orders and is therefore confident to secure footing in the market competition and sales of insulation pipes are expected to be the Group's another growth driver.

Moreover, the Company will proactively assess the performance of each business segment, assets and investment to refine operations, remain focused on its principal businesses, in an endeavour to enhance its core profitability and sustainability in the long term.

Last but not least, I would like to take this opportunity to express gratitude to our shareholders, customers and stakeholders, and our management and staff for their dedication. With timely moves to seize business opportunities and proactive planning, the Group, while strengthening and optimising oil and gas transportation products, will continue to venture into new business fields with a vision towards sustainable growth, thereby delivering long-term value to our shareholders.

Zhang Bizhuang
Executive Director & Co-Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the first half of 2022, given decelerated economic growth weighed downed by the complicated and harsh environment in the international market, as well as the persistent and wide-spread COVID-19 pandemic domestically, government authorities at all levels and in different regions adopted efficient measures to coordinate pandemic control and economic development, which have borne fruits and contributed to overall steady economic recovery. China's Gross Domestic Product (GDP) recorded a year-on-year increase of 2.5% in the first half of 2022. Since the beginning of the second quarter of 2022, especially in late May, the central government has introduced a package of policies to steer the economy into a normalized growth track. Smooth business reopening demonstrated a sound economic momentum.

In the first half of 2022, the COVID-19 pandemic and international situation had little impact on China's oil and gas industry, as evidenced by the sustained increase in oil and gas output. Enhanced oil and gas exploration and development efforts effectively facilitated the stable output increment of crude oil and natural gas, which in turn further strengthened the guarantee over China's independent oil and gas supply. According to the National Bureau of Statistics, in the first half of 2022, crude oil and natural gas produced by major industry players reached 102.88 million tonnes and 109.6 billion cubic meters, representing a year-on-year increase of 4.0% and 4.9%, respectively. Recently, the National Energy Administration also proposed to vigorously expedite the materialization of oil and gas projects. Meanwhile, PipeChina is committed to the investment in and operation of main oil and gas pipeline network, gas storage and peak regulation infrastructure, in an endeavor to promote the construction of oil and gas pipeline infrastructure. At present, the "One Pipeline Network Nationwide* (全國一張網)" initiative has taken shape. During the first half of 2022, Shandong Shengli Steel Pipe, a subsidiary of the Group, and Hunan Shengli Steel Pipe, an associate, grasped the opportunities to win bids from PipeChina, securing considerable business orders for the Group.

Despite the impact of the COVID-19 pandemic on business operations and daily life in the short term, further economic recovery is expected in the domestic market leveraging the results achieved from effective measures adopted by government authorities to align pandemic control with economic development, as well as the implementation of multiple policies to stabilize growth and revitalize consumption. In the mid to long term, following the materialization of the supply guarantee measures and relevant development projects, the domestic oil and gas industry is expected to maintain the steady upward momentum with oil and gas demands on constant rise, which will contribute to enhanced oil and gas exploration efforts. Along with China's drive towards oil and gas pipeline infrastructure construction, the Group will strive to be involved in more projects, thereby creating greater value to society and generating sustainable return for the Group.

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 qualified suppliers which are capable of providing, among other things, large-diameter pipes designed to sustain the high pressure in long distance transportation of crude oil, refined petroleum and natural gas for major oil and gas pipeline projects in China.

Major customers of the Group comprise PipeChina and large-scale state-owned oil and gas enterprises and their subsidiaries such as the Three Barrels* (三桶油) (including SINOPEC, China National Petroleum Corporation ("**CNPC**") and China National Offshore Oil Corporation ("**CNOOC**")). The Group focuses on the design, manufacturing, anti-corrosion processing, insulation processing and servicing of SAWH pipes and SAWL pipes used for the transport of crude oil, refined petroleum products, natural gas and other related products.

During the Period under Review, Shandong Shengli Steel Pipe, a subsidiary of the Group, won the bid for SAWH pipes from PipeChina to be one of its major suppliers of SAWH pipes in the 2022 pipeline framework agreement procurement bidding. In addition, Hunan Shengli Steel Pipe, an associate of the Group, also won the bid for SAWL pipes and become PipeChina's supplier of SAWL pipes in the same bidding. The Group also achieved breakthroughs in the insulation pipeline business, where it realized independent production and gained recognition from customers for its product quality. The Group also proactively ventured into the market and concluded considerable contracts with several companies.

As of 30 June 2022, the annual production capacity of the SAWH pipes, ancillary anti-corrosion production line and insulation pipe production line of the Group's subsidiaries reached approximately 800,000 tonnes, 7.20 million square meters and 110 kilometres, respectively.

As of 30 June 2022, the annual production capacity of the SAWH pipes, SAWL pipes and ancillary anti-corrosion production line of Hunan Shengli Steel Pipe, the Group's associate, reached approximately 200,000 tonnes, 300,000 tonnes and 4.80 million square meters, respectively.

As of 30 June 2022, pipes manufactured by the Group's subsidiaries and associate were used in the world's oil and gas pipelines with a cumulative total length of approximately 33,876 kilometres, of which 94.6% were installed in China while the remaining 5.4% were installed outside China.

During the Period under Review, large-scale pipeline projects using SAWH pipes manufactured by the Group's subsidiaries and/or associate included: Zhucheng Urban Area Heat Supply "Steam to Water" Reconstruction Project* (諸城市城區供熱"汽改水"改造工程), Qingdao Huaneng Long-distance Heat Supply Pipeline Project* (青島華能長輸熱力管線項目), Shenxian County Intelligent Heating Infrastructure Construction Project* (莘縣智能供熱基礎設施建設項目), Shengli Oilfield Dongying Crude Oil Depot Relocation Project* (勝利油田東營原油庫遷建工程), Qingdao Dongjiakou Port Crude Oil Commercial Reserve Project* (青島董家口港區原油商業儲備庫工程), SINOPEC Northeast Anhui Project* (中石化皖東北工程), PowerChina & China Energy Hunan Yueyang Project* (中國電建集團國能湖南岳陽項目), SINOPEC Southwest Region Underground Integrated Pipeline Network Project* (中石化西南片區地下綜合管網項目) and Taiyuan Central Heating Project* (太原市集中供熱工程).

Large-scale pipeline projects using SAWL pipes manufactured by Hunan Shengli Steel Pipe, the Group's associate, included: Zhongwei-Zaoyang (Shaanxi Section) Project of PipeChina West-East Gas Pipeline No. 3 Mid-section Project (Zhongwei-Ji'an)* (國家管網集團西氣東輸三線中段(中衛-吉安)項目中衛-棗陽(陝西段)工程), CNOOC Shenmu-Anping Coal-bed Methane Pipeline Project* (中海油神木－安平煤層氣管道工程), Guangdong Energy Group Huizhou LNG Station Export Pipeline Project* (廣東能源集團惠州LNG接收站外輸管道項目), PipeChina Xinjiang Coal-based Gas Transmission Pipeline Guangxi Branch Line Project* (國家管網集團新疆煤制氣外輸管道廣西支幹線工程) and PipeChina Guangdong Pipeline Network Shante Gas Turbine Power Plant Gas Supply Branch Line Project and Qinghe Special Line Project* (國家管網集團廣東管網汕特燃機電廠供氣支線項目和清禾專線項目).

Large-scale pipeline projects using anti-corrosion pipes manufactured by the Group's subsidiaries and/or associate included: Zhongwei-Zaoyang (Shaanxi Section) Project of PipeChina West-East Gas Pipeline No. 3 Mid-section Project (Zhongwei-Ji'an), CNOOC Shenmu-Anping Coal-bed Methane Pipeline Project, Guangdong Energy Group Huizhou LNG Station Export Pipeline Project, PipeChina Guangdong Pipeline Network Shante Gas Turbine Power Plant Gas Supply Branch Line Project and Qinghe Special Line Project, CNPC Niger Crude Oil Export Pipeline Project* (中石油尼日爾原油外輸管道項目), PipeChina Xinjiang Coal-based Gas Transmission Pipeline Guangxi Branch Line Project, SINOPEC Northeast Anhui Project, Phase IV Project of Guangzhou Natural Gas Utilization Project* (廣州市天然氣利用工程四期工程), PowerChina & China Energy Hunan Yueyang Project, SINOPEC Southwest Region Underground Integrated Pipeline Network Project and Yinan County Qingtuo Town – Shuanghou Town Gas Pipeline Project* (沂南縣青駝鎮-雙堠鎮燃氣管道工程).

Financial Review

Revenue

The Group's unaudited revenue for the Period under Review was approximately RMB443,281,000, representing a decrease of approximately 11.8% when compared to that of approximately RMB502,823,000 for the corresponding period of 2021. The Group's revenue was mainly generated from the core business segment, being the pipes business. Among which, (1) sales revenue from SAWH pipes reached approximately RMB235,628,000 (the corresponding period of 2021: approximately RMB269,758,000), representing a year-on-year decrease of approximately 12.7%; (2) sales revenue from SAWL pipes reached approximately RMB159,386,000 (the corresponding period of 2021: approximately RMB179,099,000), representing a year-on-year decrease of approximately 11.0%; (3) sales revenue from anti-corrosion processing business reached approximately RMB27,129,000 (the corresponding period of 2021: approximately RMB52,265,000), representing a year-on-year decrease of approximately 48.1%; (4) revenue from the insulation processing business reached approximately RMB13,642,000 (the corresponding period of 2021: nil); and (5) revenue from the trading business reached approximately RMB7,496,000 (the corresponding period of 2021: approximately RMB1,701,000). Such slight decrease in revenue was mainly due to the fact that the Group completed the change of shareholding in Hunan Shengli Steel Pipe on 21 February 2022 (the "**Shareholding Change Completion Date**"). Accordingly, the interests held by the Group in Hunan Shengli Steel Pipe was changed from 56.9% to 48%, and Hunan Shengli Steel Pipe ceased to be a subsidiary of the Group, and its financial results were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date. In addition, contribution from sales of pipes recorded a substantial increase from the corresponding period of last year, leading to a slight decline in revenue during the Period under Review compared with the corresponding period last year.

Cost of sales and services

The Group's cost of sales and services decreased year-on-year by approximately 9.1% from approximately RMB446,330,000 for the six months ended 30 June 2021 to approximately RMB405,655,000 during the Period under Review, primarily attributable to the fact that financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date.

Gross profit

Gross profit for the Period under Review was approximately RMB37,626,000, while that for the corresponding period of 2021 amounted to approximately RMB56,493,000. Such decrease was mainly attributable to the impact of change in shareholding in Hunan Shengli Steel Pipe during the Period under Review, that is, the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date. The Group's gross profit margin decreased from approximately 11.2% for the six months ended 30 June 2021 to approximately 8.5% for the Period under Review, which was mainly due to a year-on-year decrease in sales of the pipes processing business and anti-corrosion processing business with higher gross profit margin during the Period under Review as compared with the corresponding period of 2021.

Other income and net gains

Other income and net gains of the Group increased year-on-year from approximately RMB55,339,000 for the six months ended 30 June 2021 to approximately RMB85,658,000 for the Period under Review. Such significant increase was primarily due to the net gains from transfer of the equity interests in Hunan Shengli Steel Pipe during the Period under Review.

Selling and distribution costs

Selling and distribution costs of the Group decreased from approximately RMB20,754,000 for the six months ended 30 June 2021 to approximately RMB15,428,000 for the Period under Review. The decrease was principally due to the fact that the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date, leading to a year-on-year decrease in transportation expenses.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB92,639,000 for the six months ended 30 June 2021 to approximately RMB67,572,000 for the Period under Review. Such significant decrease was mainly attributable to the fact that the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date.

Share of profit of associates

During the Period under Review, the Group recorded share of profit of associates of approximately RMB3,663,000, as compared to share of loss of an associate of approximately RMB1,229,000 for the corresponding period of 2021, which was primarily attributable to the change in shareholding in Hunan Shengli Steel Pipe during the Period under Review, i.e. it has been accounted for as an associate of the Group under the equity method commencing from the Shareholding Change Completion Date, while during the corresponding period of 2021, the Group only had one associate, i.e. Xinfeng Energy Enterprise Group Co., Ltd* (新鋒能源集團有限公司).

Finance costs

The Group's finance costs decreased from approximately RMB18,031,000 for the six months ended 30 June 2021 to approximately RMB9,909,000 for the Period under Review. The finance costs mainly came from interest on bank loans, and the decrease was due to the fact that the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date, leading to a substantial decrease in finance costs during the Period under Review as compared with the corresponding period of last year.

Total comprehensive income for the Period under Review

The Group's total comprehensive income for the Period under Review was approximately RMB34,736,000, as compared to total comprehensive loss of approximately RMB23,643,000 for the six months ended 30 June 2021.

Assets and liabilities

As of 30 June 2022, the Group's total assets amounted to approximately RMB1,138,150,000 (31 December 2021: approximately RMB1,919,687,000); the Group's net assets amounted to approximately RMB674,686,000 (31 December 2021: approximately RMB627,465,000); net assets per share amounted to approximately RMB0.17, representing an increase of approximately RMB1 cent when compared to that of 31 December 2021; and the Group's total liabilities amounted to approximately RMB463,464,000 (31 December 2021: approximately RMB1,292,222,000). The significant decrease in total assets and total liabilities was mainly due to the fact that the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date.

Net current assets/(liabilities)

As of 30 June 2022, the Group's net current assets amounted to approximately RMB12,442,000, as compared to net current liabilities of approximately RMB279,039,000 as of 31 December 2021. The turnaround from net current liabilities to net current assets was mainly due to the fact that the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group's financial statements commencing from the Shareholding Change Completion Date.

During the Period under Review, Shandong Shengli Steel Pipe, a subsidiary of the Group, ranked third in terms of comprehensive strength in the 2022 pipeline framework agreement procurement projects of PipeChina, and was selected as a major supplier of SAWH pipes. In this regard, leveraging the sound development opportunities in the pipes industry, the Group is confident in ensuring on-going stability of its production and operations through reasonable allocation of funds and meticulous operation, and will maintain its net current assets at an appropriate proportion.

Liquidity and financial resources

As of 30 June 2022, cash and cash equivalents of the Group amounted to approximately RMB89,186,000 (31 December 2021: approximately RMB134,311,000); and the Group had borrowings of approximately RMB283,000,000 (31 December 2021: approximately RMB691,000,000).

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 the sum of total equity and net debt. As of 30 June 2022, the gearing ratio of the Group was approximately 34.4% (31 December 2021: approximately 56.0%).

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 2021: 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. The Company has applied the principles and code provisions 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**").

During the Period under Review, the Company has complied with all the code provisions as contained in the Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted 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

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

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirmed that the Company had maintained sufficient public float as required under the Listing Rules throughout 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 the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, stakeholders 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 high quality and technical standards, unwavering efforts and unswerving dedication to our corporate philosophy, we are committed to capturing each and every opportunity. While maintaining stable growth for the existing pipes principal business and strengthening and optimising oil and gas transportation products, we will continue to exploit new business opportunities with a vision towards sustainable growth, thereby delivering long-term value to 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, 28 August 2022

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 Director:	*Mr. Wei Jun*
Independent non-executive Directors:	*Mr. Chen Junzhu, Mr. Wu Geng and Mr. Qiao Jianmin*