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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2023 ("**Year under Review**"), revenue was approximately RMB591,885,000, representing a decrease of approximately RMB455,006,000 as compared to that in 2022.
- For the Year under Review, gross profit margin was approximately 5.7%, representing a decrease of approximately 4.0 percentage points as compared to that in 2022.
- For the Year under Review, the loss for the year attributable to owners of the Company amounted to approximately RMB98,414,000, representing an increase of approximately RMB65,410,000 as compared to that in 2022.
- For the Year under Review, basic and diluted loss per share attributable to owners of the Company was approximately RMB2.54 cents, representing an increase of approximately RMB1.69 cents as compared to that in 2022.
- The Board did not recommend the declaration of any final dividend and interim dividend for the year ended 31 December 2023.

The board (the "**Board**") of directors (the "**Directors**") of Shengli Oil & Gas Pipe Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Year under Review**") prepared in accordance with IFRS Accounting Standards together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*4*	**591,885**	1,046,891
Cost of sales and services		**(558,422)**	(944,910)
Gross profit		**33,463**	101,981
Other income and gains	*5*	**17,838**	14,384
Selling and distribution expenses		**(27,730)**	(53,651)
Administrative expenses		**(94,281)**	(111,973)
Other expenses		**(1,658)**	(2,323)
Share of results of associates	*11*	**11,773**	26,738
Gain on disposal of equity interests in a subsidiary		**–**	64,939
Gain (Loss) on disposal of equity interests in an associate	*11*	**1,029**	(44,294)
Provision for impairment loss on investment in an associate	*11*	**(39,044)**	(8,570)
(Provision for) Reversal of impairment loss on trade receivables, net	*13(a)*	**(1,242)**	1,276
Finance costs	*6*	**(14,503)**	(17,579)
Loss before tax	*7*	**(114,355)**	(29,072)
Income tax credit (expense)	*8*	**15,122**	(186)
Loss for the year		**(99,233)**	(29,258)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**–**	(137)
Total comprehensive loss for the year		**(99,233)**	(29,395)

	Notes	**2023**	2022
		RMB'000	*RMB'000*
(Loss) Profit for the year attributable to:			
Owners of the Company		**(98,414)**	(33,004)
Non-controlling interests		**(819)**	3,746
		(99,233)	(29,258)
Total comprehensive (loss) income for the year attributable to:			
Owners of the Company		**(98,414)**	(33,141)
Non-controlling interests		**(819)**	3,746
		(99,233)	(29,395)
Loss per share	*9*		
Basic *(RMB cents)*		**(2.54)**	(0.85)
Diluted *(RMB cents)*		**(2.54)**	(0.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**215,951**	220,823
Right-of-use assets		**172,715**	177,938
Investments in associates	*11*	**92,778**	227,064
Designated FVOCI	*12*	**97,264**	–
Deposits paid for acquisition of property, plant and equipment		**289**	2,703
Deferred tax assets		**358**	560
		579,355	629,088
Current assets			
Inventories		**122,395**	111,265
Trade and bills receivables	*13*	**61,926**	95,530
Contract assets		**42,159**	52,910
Prepayments, deposits and other receivables	*14*	**129,243**	88,986
Restricted deposits		**11,183**	19,843
Cash and cash equivalents		**137,318**	158,776
		504,224	527,310
Current liabilities			
Trade payables	*15*	**44,497**	52,260
Other payables and accruals	*16*	**20,956**	29,976
Contract liabilities		**181,490**	129,691
Lease liabilities		**954**	831
Borrowings	*17*	**237,167**	321,310
Deferred income		**292**	854
Tax payable		**–**	15,308
		485,356	550,230
Net current assets (liabilities)		**18,868**	(22,920)
Total assets less current liabilities		**598,223**	606,168

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities		**1,007**	1,933
Borrowings	*17*	**92,400**	–
Deferred income		**1,140**	1,385
Deferred tax liabilities		**244**	260
		94,791	3,578
NET ASSETS		**503,432**	602,590
Capital and reserves			
Issued capital		**334,409**	334,409
Reserves		**160,790**	259,129
Equity attributable to owners of the Company		**495,199**	593,538
Non-controlling interests		**8,233**	9,052
TOTAL EQUITY		**503,432**	602,590

NOTES

1. GENERAL INFORMATION

Shengli Oil & Gas Pipe Holdings Limited (the "**Company**" together with its subsidiaries collectively referred to as the "**Group**") is a limited liability company incorporated in the Caymans Islands on 3 July 2009. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 December 2009. The address of the Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business of the Company in 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.

2. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements are presented in Renminbi ("**RMB**") which is also the Company's functional currency and all amounts have been rounded to the nearest thousand ("**RMB'000**"), unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the new/revised IFRS Accounting Standards and effective from the current year as set out below.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical costs, except for equity investment at fair value through other comprehensive income ("**Designated FVOCI**") which are measured at fair value.

Changes in accounting policies and future changes in IFRS Accounting Standards

In the current year, the Group has adopted all the new and revised IFRS Accounting Standards and effective for its accounting year beginning on 1 January 2023. The adoption of the new and revised IFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior year.

The Group has not applied the new IFRS Accounting Standards that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRS Accounting Standards but is not yet in a position to state whether these new IFRS Accounting Standards would have a material impact on its results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

During the years ended 31 December 2023 and 2022, the Group has two reportable segments which comprise of (i) production of submerged-arc helical welded pipes (the "**SAWH pipes**") and submerged-arc longitudinal welded pipe (the "**SAWL pipes**") and the related services which are mainly used for the oil and infrastructure industry (the "**Pipe Business**") and (ii) trading of commodities (the "**Trading Business**"). Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment assets exclude deferred tax assets, Designated FVOCI, investment in an associate, restricted deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segment results represent the loss resulted by each segment without taking into account the allocation of interest income, rental income, finance costs, central administration costs including directors' and chief executive's fees, gain on disposal of equity interests in a subsidiary, gain (loss) on disposal of equity interests in an associate, provision for impairment loss on investment in an associate, equity-settled share-based payments expenses, share of result of an associate and items not directly related to the core business of the segments.

Segment revenue and results

The followings are analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2023

	Pipe Business *RMB'000*	**Trading Business** *RMB'000*	**Total** *RMB'000*
Segment revenue			
Sales to external customers	**547,827**	**44,058**	**591,885**
Segment results	**(42,971)**	**(5,926)**	**(48,897)**
Interest income			**558**
Rental income			**1,247**
Share of result of an associate			**1,559**
Gain on disposal of equity interests in an associate			**1,029**
Provision for impairment loss on investment in an associate			**(39,044)**
Equity-settled share-based payments expenses			**(75)**
Unallocated other corporate expenses			**(16,229)**
Finance costs			**(14,503)**
Loss before tax			**(114,355)**
Income tax credit			**15,122**
Loss for the year			**(99,233)**

For the year ended 31 December 2022

	Pipe Business *RMB'000*	Trading Business *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	1,037,956	8,935	1,046,891
Segment results	(12,146)	(3,501)	(15,647)
Interest income			623
Rental income			1,668
Share of result of an associate			3,454
Provision for impairment loss on investment in an associate			(8,570)
Gain on disposal of equity interests in a subsidiary			64,939
Loss on disposal of equity interests in an associate			(44,294)
Equity-settled share-based payments expenses			(246)
Unallocated other corporate expenses			(13,420)
Finance costs			(17,579)
Loss before tax			(29,072)
Income tax expense			(186)
Loss for the year			(29,258)

Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating segments is set out below:

2023

	Pipe Business *RMB'000*	**Trading Business** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Segment assets	**964,376**	**4,559**	**114,644**	**1,083,579**
Segment liabilities	**(245,917)**	**(17)**	**(334,213)**	**(580,147)**
Other segment information:				
Rental income	**–**	**–**	**1,247**	**1,247**
Reversal of write-down of inventories	**1,976**	**–**	**–**	**1,976**
Provision for impairment loss on trade receivables, net	**1,242**	**–**	**–**	**1,242**
Share of results of associates	**10,214**	**–**	**1,559**	**11,773**
Provision for impairment loss on investment in an associate	**–**	**–**	**39,044**	**39,044**
Gain on disposal of equity interests in an associate	**–**	**–**	**1,029**	**1,029**
Gain on disposal of property, plant and equipment, net	**3**	**–**	**–**	**3**
Depreciation	**22,311**	**104**	**993**	**23,408**
Finance costs	**–**	**–**	**14,503**	**14,503**
Investment in an associate	**92,778**	**–**	**–**	**92,778**
Designated FVOCI	**–**	**–**	**97,264**	**97,264**
Addition of property, plant and equipment	**9,052**	**–**	**4,303**	**13,355**

2022

	Pipe Business *RMB'000*	Trading Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	956,489	25,833	174,076	1,156,398
Segment liabilities	(251,092)	(98)	(302,618)	(553,808)
Other segment information:				
Rental income	–	–	1,668	1,668
Write-down of inventories	1,682	–	–	1,682
Reversal of impairment loss on trade receivables, net	1,276	–	–	1,276
Gain on disposal of equity interests in a subsidiary	–	–	64,939	64,939
Share of results of associates	23,284	–	3,454	26,738
Provision for impairment loss on investment in an associate	–	–	8,570	8,570
Loss on disposal of equity interests in an associate	–	–	44,294	44,294
Loss on disposal of property, plant and equipment, net	1,051	–	–	1,051
Depreciation	42,339	197	1,141	43,677
Finance costs	–	–	17,579	17,579
Investments in associates	82,564	–	144,500	227,064
Addition of property, plant and equipment	25,411	–	–	25,411

Geographical Information

The geographical location of the Group's revenue from external customers is presented based on the location of the customers. No geographical analysis on revenue from external customers is provided as substantially all of the Group's revenue is principally attributable to the PRC.

The geographical location of the Group's non-current assets, other than investments in associates, Designated FVOCI and deferred tax assets, is presented based on the location of the assets as follows:

Non-current assets

	2023	2022
	RMB'000	*RMB'000*
The PRC	**387,097**	398,717
Hong Kong	**1,858**	2,747
	388,955	401,464

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

		2023	2022
	Segment	***RMB'000***	*RMB'000*
Customer A	Pipe Business	**200,100**	326,967

4. REVENUE

(i) Disaggregation of revenue from contracts with customers within IFRS 15

	2023	2022
	RMB'000	*RMB'000*
Types of goods or service		
Pipe business		
Sales of pipe	**510,914**	952,702
Rendering of services related to the Pipe Business	**36,913**	85,254
	547,827	1,037,956
Trading business		
Trading of commodities	**44,058**	8,935
	591,885	1,046,891

For the year ended 31 December 2023

	Pipe Business *RMB'000*	Trading Business *RMB'000*	Total *RMB'000*
Geographical markets			
The PRC	**547,827**	**44,058**	**591,885**
Timing of revenue recognition			
At a point in time	**547,827**	**44,058**	**591,885**

For the year ended 31 December 2022

	Pipe Business *RMB'000*	Trading Business *RMB'000*	Total *RMB'000*
Geographical markets			
The PRC	1,037,956	8,935	1,046,891
Timing of revenue recognition			
At a point in time	1,037,956	8,935	1,046,891

(ii) Performance obligations for contracts with customers

Sales of pipe and rendering of related services

The Group manufactures and sells SAWH pipes and SAWL pipes and provides anti-corrosion processing service to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Warranty Provision is recognised based on the management's best estimates on the Group's liabilities under the standard warranty terms granted with reference to the prior experience for the defective products. In the opinion of the directors of the Company, no warranty provision is recognised for the years ended 31 December 2023 and 2022.

Sales to customers are normally made with credit terms of 1 to 180 days *(2022: 90 to 180 days)*. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Trading Business

The Group sells commodities to the customers. Sales are recognised when control of the commodities has transferred, being when the commodities are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the commodities and the customer has obtained legal titles to the commodities.

Sales to customers are normally made with credit terms of 90 to 180 days for both years. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the commodities are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. OTHER INCOME AND GAINS

	2023	2022
	RMB'000	*RMB'000*
Other income		
Interest income	**558**	623
Government grants *(Note)*	**807**	929
Rental income	**1,247**	1,668
Exchange gain, net	**–**	662
Others	**688**	1,175
	3,300	5,057
Other gains		
Gain on sales of materials	**14,535**	9,327
Gain on disposal of property, plant and equipment, net	**3**	–
	14,538	9,327
	17,838	14,384

Note: In the opinion of the directors of the Company, there was no unfulfilled condition or contingency relating to the government grants.

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**12,284**	16,025
Interest on other loans	**2,088**	1,519
Interest on lease liabilities	**131**	35
	14,503	17,579

7. LOSS BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Employees benefits expenses (including directors' remuneration):		
Wages and salaries	**52,646**	60,039
Performance related bonus	**498**	493
Pension scheme contributions	**13,681**	12,858
Welfare and other expenses	**1,622**	2,368
Equity-settled share-based payments expenses (included in administrative expenses)	**75**	246
	68,522	76,004
Other items		
Auditor's remuneration		
– Audit services	**1,630**	1,713
– Non-audit services	**372**	473
Cost of inventories sold *(Notes (i) and (ii))*	**533,468**	894,768
Cost of services	**24,954**	50,142
Depreciation of property, plant and equipment	**18,185**	38,064
Depreciation of right-of-use assets	**5,223**	5,613
Exchange losses (gain), net	**134**	(662)
(Gain) Loss on disposal of property, plant and equipment, net	**(3)**	1,051
Short-term lease payments	**632**	271

Notes:

(i) Included in the cost of inventories sold are amounts of approximately RMB1,976,000 related to the reversal of write-down of inventories for the year ended 31 December 2023 *(2022: approximately RMB1,682,000 and RMB7,246,000 related to write-down of inventories and research and development expenses, respectively)*.

(ii) As a result of utilisation of inventories which have been written-down in prior years, a reversal of write-down of inventories of approximately RMB1,976,000 are made during the year ended 31 December 2023 *(2022: write-down of inventories of approximately RMB1,682,000)*.

8. INCOME TAX (CREDIT) EXPENSE

	2023 *RMB'000*	2022 *RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")		
Current year	**–**	–
Reversal of income tax provided in prior years *(Note)*	**(15,308)**	–
	(15,308)	–
Deferred tax		
Changes in temporary differences	**186**	186
Income tax (credit) expense	**(15,122)**	186

For the years ended 31 December 2023 and 2022, the assessable profits of Hong Kong incorporated subsidiaries of the Group are entitled to the two-tiered profits tax rates regime that the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong Profits Tax has not been provided as the Group had no assessable profits in Hong Kong for the years ended 31 December 2023 and 2022.

Singapore Corporate Income Tax ("**CIT**") is calculated at 17% of the assessable profits for the years ended 31 December 2023 and 2022. Singapore CIT has not been provided as the Group had no assessable profits in Singapore for the years ended 31 December 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC was 25% for the years ended 31 December 2023 and 2022. PRC EIT has not been provided for the years ended 31 December 2023 and 2022 as the Group's entities in the PRC incurred a loss for taxation purposes.

Note: After confirming the treatment of certain previously unresolved tax matters with the PRC tax authority during the year ended 31 December 2023, the Group has reversed income tax provision of approximately RMB15,308,000 provided in the previous years. The impact from change in this accounting estimate is accounted for prospectively during the year ended 31 December 2023.

9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2023	2022
	RMB'000	*RMB'000*
Loss:		
Loss attributable to the owners of the Company, used in basic loss per share calculation	**(98,414)**	(33,004)

	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,874,365,600**	3,874,365,600

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the exercise price per share option was higher than the average share price of the Company for the years ended 31 December 2023 and 2022.

The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2023 and 2022.

10. DIVIDENDS

The Board of Directors has resolved not to declare a final dividend and an interim dividend for the years ended 31 December 2023 and 2022.

11. INVESTMENTS IN ASSOCIATES

	2023	2022
	RMB'000	*RMB'000*
Unlisted investments in the PRC:		
Share of net assets	**92,778**	235,634
Less: Impairment losses	**–**	(8,570)
	92,778	227,064

Particulars of the associates of the Group are as follows:

Name of associates	**Place of incorporation/ registration and operation**	**Registered paid-up capital**	**% of ownership interests/voting rights held by the Group at 31 December**		**Principal activities**
			2023	2022	
Xinfeng Energy Enterprise Group Co. Ltd.# ("**Xinfeng Energy**") (新鋒能源集團有限公司)	The PRC	RMB800,000,000 *(2022: RMB800,000,000)*	***(Note (ii))***	21.95% *(Note(i))*	Designing and construction of wind farms, sale of the whole machine and components of wind turbine sets and mechanical equipment and software development of digital wind farm system
Hunan Shengli Xianggang Steel Pipe Co., Ltd.# ("**Hunan Shengli Steel Pipe**") (湖南勝利湘鋼鋼管有限公司)	The PRC	RMB500,000,000 *(2022: RMB500,000,000)*	**48.00%**	48.00%	Manufacturing, processing and sale of SAWL pipelines and SAWH pipelines and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities

All of the above associates are accounted for using the equity method in the consolidated financial statements. There are no capital commitment and contingent liabilities in relation to the associates themselves.

The English name is for identification only.

Notes:

(i) On 22 December 2021, Zhejiang Shengguan Industrial Co., Ltd.# ("**Zhejiang Shengguan**") (浙江勝管實業有限公司), an indirect wholly-owned subsidiary of the Company, has entered into the equity transfer agreement with an independent third party (the "**Buyer**") in respect of the disposal of 9.9% of equity interests in Xinfeng Energy at consideration of (i) the Buyer agreed to pay up the unpaid registered capital of RMB81,420,000 with regard to the transferred shares and (ii) RMB1.00 in cash payable to Zhejiang Shengguan (the "**2022 Xinfeng Disposal**"). On 27 June 2022, the 2022 Xinfeng Disposal was completed. A loss on the 2022 Xinfeng Disposal of approximately RMB44,294,000 was recognised in the profit or loss during the year ended 31 December 2022 and Zhejiang Shengguan continues to hold approximately 21.95% of equity interests and voting rights in Xinfeng Energy. In the opinion of the directors of the Company, Zhejiang Shengguan continued to have significant influence over Xinfeng Energy during the year ended 31 December 2022. Accordingly, Xinfeng Energy continued to be accounted for as an associate of the Group under the equity method during the year ended 31 December 2022.

(ii) On 24 November 2023, Zhejiang Shengguan has entered into a second equity transfer agreement with the Buyer in respect of the disposal of 2% of equity interests in Xinfeng Energy at a cash consideration of approximately RMB10,780,000 (the "**2023 Xinfeng Disposal**"). The 2023 Xinfeng Disposal was completed on 27 December 2023 (the "**Disposal Date**") and resulted in a loss of significant influence over Xinfeng Energy. Accordingly, the Group ceased to account for its retained equity interests of 19.95% in Xinfeng Energy as investment in an associate and re-designated it as Designated FVOCI. The 2023 Xinfeng Disposal has resulted in the recognition of a gain in the profit or loss, calculated as follows:

	2023 ***RMB'000***
Proceeds of the 2023 Xinfeng Disposal	**10,780**
Plus: fair value of equity interests retained (19.95%)	**97,264**
Less: carrying amount of investment net of impairment loss on the Disposal Date	**(107,015)**
Gain on disposal of equity interests in an associate	**1,029**

Relationship with associates

Xinfeng Energy is engaged in the designing and construction of wind farms, sale of the whole machine and components of wind turbine sets and mechanical equipment and software development of digital wind farm system in the PRC which allows the Group to diversify the income stream and business risks.

Hunan Shengli Steel Pipe is engaged in manufacturing, processing and sale of SAWL and SAWH pipelines and provision of anti-corrosion service for oil and gas pipelines and other construction and manufacturing applications and trading of commodities which allows the Group to expand its Pipe Business.

The English name is for identification only.

Impairment assessment

Xinfeng Energy

At the Disposal Date, the management of the Group has assessed the recoverable amount of Xinfeng Energy with reference to the fair value less cost of disposal calculation using assets approach based on the valuation report prepared by ValQuest Advisory (Hong Kong) Limited *(31 December 2022: Roma Appraisal Limited)*, an independent professional valuer. The significant input into this valuation approach is marketability discount of 16.0% *(31 December 2022: 15.7%)*.

Based on the assessment, the recoverable amount of investment in Xinfeng Energy at the Disposal Date based on the fair value less cost of disposal of approximately RMB107,015,000 *(31 December 2022: approximately RMB144,500,000)* which is lower than its net carrying amount of approximately RMB146,059,000 *(31 December 2022: approximately RMB153,070,000)* and therefore an impairment loss of approximately RMB39,044,000 *(2022: approximately RMB8,570,000)* was recognised in respect of investment in Xinfeng Energy for the year ended 31 December 2023.

The fair value of the investment in Xinfeng Energy at the Disposal Date and 31 December 2022 was categorised into the level 3 fair value hierarchy as defined in IFRS 13, "*Fair Value Measurement*".

Hunan Shengli Steel Pipe

In respect of investment in Hunan Shengli Steel Pipe, the Group estimated its recoverable amount at 31 December 2023 and 2022 with reference to the value-in-use calculation using cash flow projections based on the valuation report prepared by ValQuest Advisory (Hong Kong) Limited *(2022: Roma Appraisal Limited)*. The financial budgets of Hunan Shengli Steel Pipe adopted in cash flow projections were approved by the Group's management covering a 5-year period to be derived from Hunan Shengli Steel Pipe. The significant inputs into this valuation approach are (i) the budgeted gross margin of 12.9% *(2022: 12.4%)*; (ii) pre-tax discount rate of 9.4% *(2022: 10.9%)* to derive the present value of future cash flows; and (iii) long-term growth rate of 3.0% *(2022: 2.0%)*.

Based on the assessment, the recoverable amount of investment in Hunan Shengli Steel Pipe at 31 December 2023 and 2022 based on the value-in-use calculation exceeds its net carrying amount by approximately RMB8,700,000 and RMB52,708,000, respectively, and therefore no impairment loss was recognised in respect of investment in Hunan Shengli Steel Pipe for the years ended 31 December 2023 and 2022.

The fair value of the investment in Hunan Shengli Steel Pipe was categorised into the level 3 fair value hierarchy as defined in IFRS 13, "*Fair Value Measurement*".

Financial information of individually material associates

Summarised financial information of each of the material associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with IFRS Accounting Standards and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

Xinfeng Energy

	2023	2022
	RMB'000	*RMB'000*
At date of derecognition as an associate/31 December:		
Summarised statement of financial position		
Non-current assets	**304,478**	324,866
Current assets	**1,358,460**	1,219,159
Current liabilities	**(791,608)**	(679,797)
Non-current liabilities	**(166,870)**	(166,870)
Net assets	**704,460**	697,358
Reconciliation:		
% of ownership interests/voting rights held by the Group	**21.95%**	21.95%
Group's share of net assets	**154,629**	153,070
Less: Impairment losses	**(47,614)**	(8,570)
Carrying amount of investment	**107,015**	144,500
For the period ended on the date of derecognition as an associate/the year ended 31 December:		
Summarised statement of profit or loss and other comprehensive income		
Revenue	**59,567**	266,455
Other income	**4,521**	2
Share of results of associates	**3,047**	7,977
Profit for the period/year	**7,102**	7,688
Total comprehensive income	**7,102**	7,688
Group's share of profit and total comprehensive income	**1,559**	3,454

The movements of the impairment losses are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
At the beginning of the reporting period	**8,570**	–
Addition	**39,044**	8,570
At the date of derecognition as an associate/31 December	**47,614**	8,570

Hunan Shengli Steel Pipe

	2023 ***RMB'000***	2022 *RMB'000*
At 31 December:		
Summarised statement of financial position		
Non-current assets	**439,466**	476,626
Current assets	**542,483**	811,479
Current liabilities	**(716,663)**	(128,460)
Non-current liabilities	**(71,998)**	(987,637)
Net assets	**193,288**	172,008
Reconciliation:		
% of ownership interests/voting rights held by the Group	**48%**	48%
Carrying amount of the investment	**92,778**	82,564
For the period ended on the date of derecognition as an associate/the year ended 31 December:		
Summarised statement of profit or loss and other comprehensive income		
Revenue	**975,465**	1,300,557
Profit for the year/period	**21,280**	48,508
Total comprehensive income	**21,280**	48,508
Group's share of profit and total comprehensive income	**10,214**	23,284

At 31 December 2023, the bank and cash balances of these associates that denominated in RMB amounted to approximately RMB70,575,000 *(2022: approximately RMB40,793,000)*. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

12. DESIGNATED FVOCI

	2023	2022
	RMB'000	*RMB'000*
Unlisted equity investment	**97,264**	–

The unlisted equity investment represented the 19.95% of equity interests in Xinfeng Energy, a private entity incorporated in the PRC and the information of Xinfeng Energy is detailed in Note 11 to this announcement. No dividends were received on this investment during the year ended 31 December 2023.

Upon the completion of the 2023 Xinfeng Disposal on 27 December 2023 as disclosed in Note 11 to this announcement, the Group irrevocably designated the investment in Xinfeng Energy as Designated FVOCI since the Group intends to hold the investment for long-term strategic purposes and considers the accounting treatment applied provide more relevant information for the investment.

On initial recognition date and 31 December 2023, the fair value of Designated FOVCI was approximately RMB97,264,000 with reference to the valuation reports prepared by ValQuest Advisory (Hong Kong) Limited, an independent professional valuer.

The fair value of the investment in Xinfeng Energy was categorised into the level 3 fair value hierarchy as defined in IFRS 13, "*Fair Value Measurement*".

13. TRADE AND BILLS RECEIVABLES

		2023	2022
	Notes	***RMB'000***	*RMB'000*
Trade receivables from third parties		**57,460**	95,648
Less: Loss allowance		**(1,360)**	(118)
	13(a)	**56,100**	95,530
Bills receivables	*13(b)*	**5,826**	–
		61,926	95,530

13(a) Trade receivables

Included in the balances are the trade receivables (before loss allowance) from contracts with customers within IFRS 15:

	2023 ***RMB'000***	2022 *RMB'000*
At the beginning of the reporting period	**95,648**	286,542
At the end of the reporting period	**57,460**	95,648

The Group's trading terms with its customers are mainly on credit generally ranging from 1 to 180 days *(2022: 90 to 180 days)*. All bills receivables are due within 90 to 180 days *(2022: 90 to 180 days)*.

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

	2023 ***RMB'000***	2022 *RMB'000*
Within 3 months	**39,894**	79,610
3 to 6 months	**5,152**	15,251
6 months to 1 year	**10,673**	–
1 to 2 years	**381**	–
Over 2 years	**–**	669
	56,100	95,530

The movement in the loss allowance for trade receivables during the year is summarised below:

	2023 ***RMB'000***	2022 *RMB'000*
At the beginning of the reporting period	**118**	3,425
Increase (Decrease) in loss allowance, net	**1,242**	(1,276)
Disposal of a subsidiary	**–**	(2,031)
At the end of the reporting period	**1,360**	118

The Group applies the simplified approach under IFRS 9 "*Financial Instruments*" to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current *RMB'000*	**Within 1 year past due** *RMB'000*	**1 to 2 years past due** *RMB'000*	**Over 2 years past due** *RMB'000*	**Total** *RMB'000*
At 31 December 2023					
Weighted average expected loss rate (%)	**0.0%**	**5.0%**	**10.0%**	**N/A**	**2.0%**
Gross Amount	**30,692**	**26,344**	**424**	**–**	**57,460**
Loss allowance	**–**	**(1,318)**	**(42)**	**–**	**(1,360)**
Net amount	**30,692**	**25,026**	**382**	**–**	**56,100**
At 31 December 2022					
Weighted average expected loss rate (%)	0.0%	N/A	N/A	15.0%	0.1%
Gross Amount	94,861	–	–	787	95,648
Loss allowance	–	–	–	(118)	(118)
Net amount	94,861	–	–	669	95,530

The Group does not hold any collateral over trade receivables at 31 December 2023 and 2022.

13(b) Bills receivables

At 31 December 2023, all bills receivables are interest-free and guaranteed by banks in the PRC and have maturities of less than six months. The bills receivables of approximately RMB3,000,000 have been subsequently recovered.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Advances to suppliers *(Note)*	**85,638**	47,138
Value-added tax recoverables	**779**	1,388
Prepayments	**803**	1,048
Deposits	**13,193**	17,496
Tender deposits to customers	**2,902**	2,341
Security deposits in respect of sales contract with customers	**22,274**	16,516
Others	**3,654**	3,059
	129,243	88,986

Note: The advances are paid to suppliers to secure the supply of raw materials and sub-contracting services at the end of the reporting period. The advances are interest-free and refundable within 1 year.

15. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables to third parties	**44,497**	52,260

The trade payables are non-interest bearing. The payment terms with suppliers are normally on credit ranging from 90 to 180 days *(2022: 90 to 180 days)* from the time when goods are received from suppliers.

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**29,250**	42,520
3 to 6 months	**3,608**	1,737
6 months to 1 year	**222**	6,511
1 to 2 years	**10,376**	5
Over 2 years	**1,041**	1,487
	44,497	52,260

16. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Accruals	**4,981**	8,202
Tender deposits to suppliers	**3,629**	4,010
Payables in acquisition of property, plant and equipment	**4,949**	6,322
Other tax payables	**636**	1,443
Interest payables in respect of other loans	**1,775**	1,519
Others	**4,986**	8,480
	20,956	29,976

17. BORROWINGS

	2023			2022		
	Effective interest rate(%)	**Maturity (year)**	***RMB'000***	Effective interest rate(%)	Maturity (year)	*RMB'000*
Bank loans						
Secured *(Note (i))*	**3.97% – 4.38%**	**2024 – 2026**	**280,800**	4.00% – 4.44%	2023	281,500
Other loans						
Unsecured *(Note (ii))*	**5.00%**	**2024**	**48,767**	5.00%	2023	39,810
			329,567			321,310

Borrowings are repayable as follows:	***RMB'000***	*RMB'000*
On demand or within one year	**237,167**	321,310
One to two years	**400**	–
Two to three years	**92,000**	–
Analysed for reporting purpose:		
Current	**237,167**	321,310
Non-current	**92,400**	–
	329,567	321,310

Notes:

(i) The bank loans were secured by pledge of certain of the Group's property, plant and equipment amounting to approximately RMB101,501,000 *(2022: approximately RMB110,855,000)* and right-of-use assets amounting to approximately RMB70,046,000 *(2022: approximately RMB71,981,000)*.

(ii) At 31 December 2023, the other loans represented the advance from directors, chief executive and other members of key management of the Company and employees of approximately RMB1,065,000 (*2022: approximately RMB2,100,000*) and approximately RMB47,702,000 (*2022: approximately RMB37,710,000*), respectively, which are unsecured, bear a fixed interest rate of 5% per annum and repayable within one year. Certain advance from directors, chief executive and other members of key management of the Company of approximately RMB600,000 at 31 December 2022 were extended and will be repayable within one year at 31 December 2023.

18. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the years ended 31 December 2023 and 2022 the Group had the following material transactions with related parties. In the opinion of the management of the Group, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

	2023	2022
	RMB'000	*RMB'000*
Disposal of a subsidiary to a non-controlling shareholder of that subsidiary	**–**	17,296
Other loans from directors, chief executive and other members of key management	**465**	8,280
Repayment of other loans from directors, chief executive and other members of key management	**1,500**	–
Interest on other loans paid to directors, chief executive and other members of key management	**30**	69
Repayment of interest on other loans paid to directors, chief executive and other members of key management	**59**	–

(b) Significant related party balances

At the end of the reporting period, the Group had the following balances with its related parties:

	At 31 December	
	2023	2022
	RMB'000	*RMB'000*
Other loans from directors, chief executive and other members of key management	**1,065**	2,100

(c) Key management compensation

The emoluments of directors, chief executive and other members of key management for the reporting period is as follows:

	2023	2022
	RMB'000	*RMB'000*
Directors' fees	**1,975**	1,843
Salaries, wages, allowances and other benefits in kind	**5,901**	5,543
Performance related bonus	**498**	493
Retirement benefit scheme contributions	**649**	359
	9,023	8,238

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 audited results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Year under Review**").

In 2023, global challenges emerged one after another, casting uncertainties over the recovery of the world economy on many fronts. As domestic epidemic prevention and control entered a new stage, the order of production and living gradually resumed. Economic development gradually recovered. With the improvement of the global financial environment, it was expected that the economic growth rate would slightly rebound to 4% and 4.2% in 2023 and 2024, respectively. However, the Organization for Economic Co-operation and Development (OECD) emphasized that the world economy faced a series of risks such as intensified geopolitical tensions, sluggish trade growth, persistently high core inflation and rising financial vulnerabilities, and the global economy still faced great downward pressure, especially in developed economies. From the perspective of the energy industry, the energy system has strengthened the guarantee of resources such as coal, electricity, gas, and has made every effort to ensure the stable supply of energy. It has achieved steady growth in the production of raw coal, crude oil and natural gas, accompanied by increased exploration and development of oil and gas and ramped up reserves and output. Against this backdrop, the stability and certainty brought by China to the world economy seemed especially rare and valuable. In 2023, China's GDP exceeded RMB126 trillion, with a growth rate of 5.2%. A number of international organizations have recently raised their forecasts for China's economic growth in 2024.

During the Year under Review, in order to ensure the smooth operation of "one pipeline network nationwide* (全國一張網)", China Oil & Gas Pipeline Network Corporation* (國家石油天然氣管網集團有限公司) ("**PipeChina**") continued to carry out the transformation of one-click start and stop, automatic distribution and remote control functions of the natural gas pipeline network. The centralized scheduling and control rate of the natural gas pipeline network reached 98%, enabling more precise control the operation of the pipeline network. On the other hand, since 2023, China has vigorously promoted the construction of oil and gas pipeline network infrastructure, and a batch of national key projects have been accelerated and put into production smoothly. According to the data, the length of new main oil and gas pipelines in China from January to September exceeded 2,500 kilometres. The Group will continue to consolidate its advantages in terms of sound performance, profound experience and advanced equipment and technology to strive for more pipes and related business orders, and deliver desirable results.

ANNUAL FRAMEWORK BIDING OF PIPECHINA HAS ACHIEVED NEW REMARKABLE ACHIEVEMENTS WHILE STEADILY EXPANDING THE SOCIAL MARKET

During the Year 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, once again achieved satisfactory results in PipeChina's 2023 annual pipeline framework bidding. The Company ranked second in the bidding for the SAWH pipes project, advancing one spot from the ranking of 2022, and continued to maintain its position as a major supplier. This marks another solid step taken by the Group in deeply participating in the supply guarantee of SAWH pipes for construction of the national pipeline network project, and the product quality and services have been fully recognised by the users of PipeChina. As of the end of December, the Group had signed sales contracts in accordance with 2023 annual framework, with a total amount of RMB690 million, with supply gradually slated for completion throughout 2024.

While diligently maintaining key customers such as China Petroleum & Chemical Corporation ("**SINOPEC**"), China National Petroleum Corporation ("**CNPC**") and China Petroleum Technology Development Company, the Group steadily expanded its presence in the social market. During the Year under Review, Shandong Shengli Steel Pipe cultivated relationships with 8 new customers, especially the cooperation with leading enterprises in the heat preservation industry, laying a foundation for deepening cooperation in heat preservation processing, and maintaining the total output of Shandong Shengli Steel Pipe at the same level as that of the corresponding period last year under the circumstances that the PipeChina's annual framework bidding was postponed and orders were significant decrease during the Year under Review. In addition, the proportion of the social market's customer-supplied materials processing business has also been enhanced, which has optimised the order structure and saved funds for the purchase of steel coils and plates.

IMPROVING PROCESSES AND EQUIPMENT CAPABILITIES, SUCCESSFULLY FULFILLING PRODUCTION AND DELIVERY RESPONSIBILITIES LEVERAGING RATIONAL PLANNING AND SHREWD ARRANGEMENT OF PRODUCTION

In 2023, production branches of Shandong Shengli Steel Pipe successfully completed production of welded and anti-corrosion pipelines used for the transmission of oil, gas and water, including large-scale pipeline projects such as PipeChina Tianjin Liquefied Natural Gas (LNG) Export Pipeline Double-track Project* (國家管網集團天津液化天然氣(LNG)外輸管道復線項目), SINOPEC Shandong Pipeline and Jiqing Pipeline (Zhangqiu-Jiaozhou Section) Upgrading and Renovation Project* (中石化山東管道濟青管道(章丘-膠州段)提升改造工程), the PipeChina Nanning-Pingxiang Branch Line (Nanning-Chongzuo Section) Natural Gas Pipeline Project* (國家管網集團南寧-憑祥支線(南寧－崇左段)天然氣管道工程), PipeChina Jinzhou-Zhengzhou Oil Pipeline Project* (國家管網集團錦州-鄭州成品油管道工程), PipeChina Hulin-Changchun Natural Gas Pipeline Project (國家管網集團虎林-長春天然氣管道工程) and local projects such as Long-distance Heat Pipeline Project in Toktor, Inner Mongolia* (內蒙古托克托熱力長輸管道工程), Hubei Urban Water Supply Project (湖北城區供水工程), Henan Province Natural Gas Pipeline Project* (河南省天然氣管道工程), Tianjin Eco-city Heat Supply Project* (天津生態城供熱項目) and Weihai Downtown Heat Supply Pipeline Network Project* (威海市中心城區供熱管網工程).

In terms of production tasks and personnel arrangements, each production branch of the Group carefully organised production, and the Group rationalized arrangement based on specific orders and raw materials, and optimized the working process to maximize efficiency and guarantee scheduled delivery in the agreed quality and quantity. The Group undertook major projects in Inner Mongolia, achieving the continuous production of 1,620-gauge 13.2 metres weldless pipes, and the first-time pass rate of major pipelines of PipeChina with specifications of 1,016*17.5 and 1,219*18.4 produced by the Group reached a record high.

To fulfill the mission of ensuring high-quality supply at all times, the Group summarized its experience, refined its processes, updated, renovated and improved its equipments repeatedly to enhance its equipment capabilities, including the addition of hydraulic systems to accelerate the speed of the rollers in and out of the pipes and improve inspection efficiency; transforming the proportionality coefficient adjustment system of the hydraulic presses, reducing the impact of water pressure tests on the straightness of steel pipes, and improving product quality; independently designing and completing the pipe pushing structure of the hydraulic presses, improving work efficiency and reducing labour intensity through electric operation; increasing medium-frequency heating in the anti-corrosion production line to improve the quality of internal spraying in winter; transforming the internal spraying equipment into the cantilever structure, eliminating impurities and reducing the material consumption of internal coatings.

ENHANCING INTERNAL CORPORATE GOVERNANCE TO BOOST FUNDAMENTAL MANAGEMENT

During the Year under Review, the Group continued its endeavors to improve the management framework to support the enhancement of management efficiency and employee quality. In response to the shift in responsibilities across departments, the corporate management department of Shandong Shengli Steel Pipe revised and distributed the 15 regulations of the Company. To ensure that all staff members are well-versed in and strictly adhere to the management rules of the Company, all staff members were required to join comprehensive trainings and learning sessions. This initiative aims to promote smooth operations of the Company.

Furthermore, during the Year under Review, the Group launched, for the first time, quantitative performance appraisal for senior management members of Shandong Shengli Steel Pipe through vesting the Company's operational targets for each individual based on their responsibilities at the beginning of the year and determining specific quantitative appraisal indicators. Besides, the Group collected the results of quantitative appraisals on a monthly basis and communicated the feedback to senior management members in a timely manner to facilitate their rectifications and improvements. At the end of the year, the performance salary of senior management was strictly paid according to the quantitative appraisal, thus rewarding excellence and addressing shortcomings to motivate senior management in fulfilling their duties. In addition, a comprehensive contract model has been implemented in the five major primary units of Shandong Shengli Steel Pipe, which boosted the initiative of front-line staff leveraging the workload-based remuneration allocation system and the healthy competition among different shifts, thereby contributing to fresh breakthroughs in pipeline production efficiency and a remarkable improvement in ex-factory qualification rate.

BOOSTING QUALITY MANAGEMENT THROUGH MAINTAINING VALID QUALIFICATION CERTIFICATES

During the Year under Review, Shandong Shengli Steel Pipe launched an internal audit of the quality, environmental, occupational health and safety management system and the pressure pipe component manufacturing quality assurance system, and successfully renewed the API 5L and API Spec Q1 certification. Besides, it completed the annual supervision and audit of quality, environmental and occupational health and safety management systems. It also successfully passed the CNAS (China National Accreditation Service for Conformity Assessment) on-site audit and renewed the accreditation, thereby maintaining valid quality, environmental, occupational health and safety management system certificate, API certificates and CNAS laboratory certificate, and providing effective guarantee for the Group in customer maintenance and market exploration.

For the key oil and gas projects of the PipeChina and local markets, the Group thoroughly studied the standard requirements, formulated the key points of quality control and inspection, and implemented the system of self-inspection by job personnel and review of key points by technical personnel to ensure that the products delivered meet the standards and user satisfaction.

INTENSIFYING MANAGEMENT ON ENERGY CONSUMPTION TO STRIVE FOR ENERGY CONSERVATION AND EMISSION REDUCTION

During the Year under Review, the Group intensified efforts on the management, supervision and assessment of energy consumption and achieved energy conservation and emission reduction.

Despite maintaining welded pipe output levels consistent with the corresponding period of the previous year, Shandong Shengli Steel Pipe achieved a decline in power consumption per tonne of products to varying degrees. The pipe manufacturing sub-factory rationally arranged the production time and staggered the peaks and valleys of electricity consumption. According to the monthly pre-scheduling demand, combined with the industrial electricity season and the distribution of peak period and valley period, we made full use of low-priced valley period and deep valley period to avoid peak period and timely adjust working time. The Group achieved a decline in power consumption per tonne of products to varying degree, with a total year-on-year electricity saving of 827,300 KWh. In addition, the Group also stepped up efforts in the supervision, inspection and assessment of energy consumption, and facilitated the energy conservation and emission reduction initiative of the Company, in an endeavor to protect the ecological environment, rein in production costs and reinforce the Company's competitiveness.

Moreover, the Group proactively fulfilled its corporate social responsibilities. Shandong Shengli Steel Pipe introduced photovoltaic power generation projects on the roofs of the production plants and building rooftops, which generated a total of approximately 3.265 million kWh of electricity, and removal of CO_2 by 3.2 kilotonnes (equivalent to emission reduction achieved by 1,814 green plants). At present, all power generation equipment operates in a sound condition with high efficiency. While striving to reduce power costs, the Group will also contribute to the "carbon peaking and neutrality" initiative proposed in China's "14th five-year" plan.

PROACTIVELY EXPEDITING AUTOMATION TRANSFORMATION, IMPROVING TECHNOLOGY CAPABILITIES

During the Year under Review, Shandong Shengli Steel Pipe implemented 5 technology projects, including the Automatic Welding Seam Tracking System for 3# Unit* (3#機組內焊縫自動跟蹤系統), the 2# Continuous Detection Equipment Upgrade and Technological Transformation in No. 2 Factory* (二分廠2#連探設備升級技改項目), the Transformation of Continuous Detection into Truss-type Whole-pipe Ultrasonic Phased Array Detection in No. 3 Factory* (三分廠連探改造為桁架式全管體超聲波相控陣檢測), the Automatic Pipe-end Measuring System of Pre-welding Finished Products* (預精焊成品管端自動測量系統), the Ultrasonic Phased Array Detection of Pre-welding Branch Factories* (預精焊分廠超聲波相控陣檢測). In addition, the Group implemented 24 equipment technology upgrading and transformation, including Transforming the Remote Control of the Western Cross Zhongtian Vehicles by Pre-welding (預精焊西跨中天車改遙控), the Pipe End Grinding Dust Collector (管端修磨除塵器), the Flux Recovery Device of No. 2 Factory (二分廠焊劑回收裝置), the Fine Welding Back Frame Automatic Pipe Conveying System of Pre-welding Plants* (預精焊分廠精焊後台架自動運管系統) and 1# Anti-corrosion Line Interior Spraying Equipment Upgrade (防腐1#線內噴塗設備改造), in order to further improve the level of equipments.

During the Year under Review, Shandong Shengli Steel Pipe, by virtue of its long-term leading technical strength in the industry, participated in the drafting and revision of relevant national standards. The Company participated in the drafting of GB/T42673 Non-destructive Testing of Steel Pipes – Magnetic Particle Testing for Surface Flaw of Ferromagnetic Seamless and Welded Steel Pipes* (《鋼管無損檢測鐵磁性無縫和焊接鋼管表面缺欠的磁粉檢測》) and GB/T20490 Non-destructive Testing of Steel Pipes – Automatic Ultrasonic Detection for Seamless and Welded Steel Pipe Layered Defects (《鋼管無損檢測無縫和焊接鋼管分層缺欠的自動超聲檢測》), both of which were issued on 6 August 2023. At the same time, the Company participated in the revision of the national standard Evaluation Method for the Suitability of Hydrogenblended Natural Gas Pipeline Transportation* (《天然氣管道摻氫輸送適用性評價方法》), and the proposed revision suggestions were adopted. Technicians of the Group published 2 scientific papers on periodicals, and 1 published article was included as a meeting paper at the 2023 National Welded Pipes Academic Annual Meeting. 3 senior managements of the Company were appointed as special experts in the Steel Rolling Committee of the Chinese Society for Metals (中國金屬學會軋鋼分會). 1 utility model patent has been authorized and 1 invention patent is being applied for, fully demonstrating the Group's technological strength in the industry.

FUTURE PROSPECTS

2024 is a critical year to achieve the goals and tasks of the national "14th Five-Year Plan". With a number of positive developments such as approaching the target time of 240,000 kilometres of the national oil and gas pipeline network in 2025 determined by the National Development and Reform Commission and the National Energy Administration, the intensification of the demand for clean energy such as natural gas from the dual-carbon strategy and the increase in the demand for the construction of long-distance heating pipeline network from centralized heating, the Group believes that macro market demand for pipeline construction will witness a rally ahead.

Since its establishment, PipeChina has been committed to expediting the construction of oil and gas pipeline infrastructure. At present, the welding of the entire main line of West-East Gas Pipeline No. 4 Natural Gas Pipeline Project Turpan-Zhongwei Section* (西氣東輸四線天然氣管道工程吐魯番－中衛全線主體線路) has been completed. Tianjin LNG Transmission Pipeline* (天津LNG外輸管道) was successfully put into operation in one go. The projects such as Sichuan-to-East Natural Gas Pipeline No. 2 Project* (川氣東送二線天然氣管道工程) and Hulin-Changchun Natural Gas Pipeline Project* (虎林－長春天然氣管道工程) have successively commenced construction. Shandong Shengli Steel Pipe, a subsidiary of the Group, as a major supplier of PipeChina in 2023, will give full play to its advantages in production capacity and technology, and strive for more project orders from PipeChina with high-quality and efficient supply performance; it also will actively deploy 2024 annual framework agreement bidding to stabilize the position of the main supplier. The Group believes that by leveraging its desirable performance and good quality advantages, it is well-positioned to embrace more construction opportunities in the future, in a drive to broaden its revenue stream while creating value to the society.

Looking forward to 2024, the Group will further optimise the order structure, focus on the customer-supplied materials processing market and the large-diameter heat pipeline market, and form a situation where we can successfully complete both social pipeline orders and national pipeline network orders. The Group will deeply explore the heat preservation pipe market, increase high-quality partners, ensure a stable increase in orders in the high-quality heat preservation market, and achieve industrial extension in the field of processing of steel pipe heat preservation materials. The Company will also focus on the performance of each business segment, assets and investment to refine its operations, and remain focused on its principal businesses, in an endeavor 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. By making timely moves to seize business opportunities and proactive planning and embracing the "fighting spirit", the Group, while strengthening and optimizing oil and gas transmission 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 & Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2023, the global economy exhibited a weak recovery trend. According to the World Economic Outlook report published by the International Monetary Fund, the global economy was expected to grow by 2.9% in 2023. The global economy has suffered a setback but maintained moderate growth amid the prolonged impact of the COVID-19, the series of crises caused by the war in Ukraine and the Israeli-Palestinian conflict, and the complicated international situation of the decrease in income due to high inflation in many countries. In China, with the relaxation of COVID-19 pandemic prevention measures and the monetary and fiscal policies, China's GDP increased by 5.2% year-on-year in 2023, representing an increase of 2.2 percentage points compared to 2022. In general, the national economy has been steadily on the road towards recovery in post-pandemic.

In 2023, new achievements were made in China's high-quality energy development, and the capacity of energy security and stable supply was steadily enhanced. Crude oil production above designated size and natural gas production industry players reached 208 million tonnes and 230 billion cubic metres, representing a year-on-year increase of over 3 million tonnes and 4.5%, respectively. At its 2023 work promotion assembly with a focus on intensifying oil and gas exploration and development efforts, the National Energy Administration stated that the energy system and oil and gas industry shall adhere to the decisions made by the 20th National Congress of the Communist Party of China regarding "pressing ahead with the energy reform" and "intensifying oil and gas exploration and development efforts and increasing reserve and production", in a drive to guarantee China's oil and gas supply. During the year, branches of Shandong Shengli Steel Pipe, a subsidiary of the Group, completed the production of welded and anti-corrosion pipes used for the transmission of oil, gas and water across several regions of the nation, enhanced internal organization management and gained steady progress in technological and equipment upgrade to further improve the level of production automation.

Looking ahead to 2024, it is expected that the international uncertainties will persist. While in China, the central government announced that it plans to strengthen macroeconomic control and policy coordination to underpin and accelerate the momentum of economic recovery. At the 2024 National Energy Work Conference, it was emphasised that China is committed to giving better play to the role of coal in ensuring the satisfaction of basic needs, promote the stable production of crude oil at 200 million tonnes, and natural gas will maintain a good momentum of increasing production. The National Energy Administration will improve the independent controllable level of the energy industrial chain and supply chain and improve the energy technology innovation system. In addition, China will coordinate and deepen energy cooperation with major countries under the guidance of jointly building the Belt and Road Initiative. In respect of people's livelihood, China will continue to improve infrastructure construction of energy consumption for people's livelihood, and promote the clean heating in northern regions and clean and low-carbon energy transformation in rural regions. The Group will actively respond to national construction needs, strive for more bidding opportunities for construction projects, and keep on making every effort to dig into production and research and development, providing energy guarantee for social construction and people's livelihood.

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 (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 submerged-arc helical welded pipes (the "**SAWH pipes**") and submerged-arc longitudinal welded pipes (the "**SAWL pipes**") used for the transport of crude oil, refined petroleum, natural gas and other related products.

During the Year under Review, Shandong Shengli Steel Pipe, a subsidiary of the Group, achieved notable success by securing the second position for the SAWH pipes project in PipeChina's 2023 annual pipeline framework bidding, representing an increase of one place as compared with that in 2022, and continued to be a major supplier as well as expanded into new social markets, such as Inner Mongolia, Hubei and Henan. The proportion of materials processing business increased, which optimized the order structure and reduced the capital occupancy for the purchase of steel coils and plates.

For the year ended 31 December 2023, the annual production capacity of the SAWH pipes, the ancillary anti-corrosion production line and the insulation pipe production line of the Group reached approximately 800,000 tonnes, 7.20 million square metres and 110 kilometres, respectively.

For the year ended 31 December 2023, pipes manufactured by the Group's subsidiaries were used in the world's major oil and gas pipelines with a cumulative total length of approximately 35,162 kilometres, of which 94.8% were installed in China while the remaining 5.2% were installed outside China.

During the Year under Review, large-scale pipe projects using SAWH pipes manufactured by the Group's subsidiaries included: PipeChina Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section* (國家管網集團川氣東送二線天然氣管道工程川渝鄂段工程), PipeChina Tianjin Liquefied Natural Gas (LNG) Export Pipeline Double-track Project* (國家管網集團天津液化天然氣(LNG)外輸管道復線項目), SINOPEC Shandong Pipeline and Jiqing Pipeline (Zhangqiu-Jiaozhou Section) Upgrading and Renovation Project* (中石化山東管道濟青管道(章丘-膠州段)提升改造工程), the PipeChina Nanning-Pingxiang Branch Line (Nanning-Chongzuo Section) Natural Gas Pipeline Project* (國家管網集團南寧-憑祥支線(南寧-崇左段)天然氣管道工程), PipeChina Jinzhou-Zhengzhou Oil Pipeline Project* (國家管網集團錦州-鄭州成品油管道工程), SINOPEC Nanling-Fanchang Natural Gas Pipeline Project* (中石化南陵-繁昌天然氣管道工程), PipeChina Hulin-Changchun Natural Gas Pipeline Project* (國家管網集團虎林-長春天然氣管道工程), Long-distance Transmission and Supply Heating Pipeline Network Project from Inner Mongolia Tuoketuo Power Plant to Hohhot* (內蒙古托克托電廠至呼和浩特市長輸供熱管網工程), Raw Water Relocation and Renovation Project of Water Supply System in Xiaogan City, Hubei* (湖北孝感城區供水系統原水遷改工程), Henan Province Natural Gas Pipeline Network Luoyang Yichuan-Zhengzhou Xuedian (Phase I) Natural Gas Transmission Pipeline Project* (河南省天然氣管網洛陽伊川-鄭州薛店(一期)天然氣輸氣管道工程), Tianjin Eco-city Heat Supply Project* (天津生態城供熱項目) and Heating Pipeline Network Project in the Central District of Weihai City* (威海市中心城區供熱管網工程).

Large-scale pipeline projects using anti-corrosion pipes manufactured by the Group's subsidiaries included: PipeChina Tianjin Liquefied Natural Gas (LNG) Export Pipeline Double-track Project* (國家管網集團天津液化天然氣(LNG)外輸管道復線項目), PipeChina Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section* (國家管網集團川氣東送二線天然氣管道工程川渝鄂段工程), PipeChina Jinzhou-Zhengzhou Oil Pipeline Project* (國家管網集團錦州-鄭州成品油管道工程), the PipeChina Nanning-Pingxiang Branch Line (Nanning-Chongzuo Section) Natural Gas Pipeline Project* (國家管網集團南寧-憑祥支線(南寧-崇左段)天然氣管道工程), SINOPEC Shandong Pipeline and Jiqing Pipeline (Zhangqiu-Jiaozhou Section) Upgrading and Renovation Project* (中石化山東管道濟青管道(章丘-膠州段)提升改造工程), SINOPEC Nanling-Fanchang Natural Gas Pipeline Project* (中石化南陵-繁昌天然氣管道工程), PipeChina Hulin-Changchun Natural Gas Pipeline Project* (國家管網集團虎林-長春天然氣管道工程), Henan Province Natural Gas Pipeline Network Luoyang Yichuan-Zhengzhou Xuedian (Phase I) Natural Gas Transmission Pipeline Project* (河南省天然氣管網洛陽伊川-鄭州薛店(一期)天然氣輸氣管道工程) and Shandong Yantai Port Crude Oil Pipeline Double-track Shouguang Branch Line Project* (山東煙台港原油管道復線壽光支線工程).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group's sales revenue witnessed a decline of approximately 43.5%, decreasing from approximately RMB1,046,891,000 in the previous year to approximately RMB591,885,000. The majority of revenue was attributable to the Group's primary business, the pipe business, where the revenue from the sales of SAWH pipes diminished by approximately 35.6% to approximately RMB510,914,000 (2022: approximately RMB793,316,000), the SAWL pipes segment's revenue regressed to nil (2022: approximately RMB159,386,000). Furthermore, the anti-corrosion processing business experienced an approximately 47.8% decrease to approximately RMB36,770,000 (2022: approximately RMB70,474,000), coupled with the insulation processing business plummeting by approximately 99.0% to approximately RMB143,000 (2022: approximately RMB14,780,000). Conversely, the trading segment burgeoned by approximately 393.1%, amassing revenue of approximately RMB44,058,000 (2022: approximately RMB8,935,000).

The decline in revenue primarily stemmed from PipeChina, one of the Group's principal customers, deferring the 2023 annual pipeline framework bidding, with the culmination of order signings concentrated around the financial year end date. This precipitated a notable reduction in the volume of national pipeline sales and anti-corrosion processing business during the Year under Review, as compared to the year 2022. Additionally, the cessation of Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司) ("**Hunan Shengli Steel Pipe**") as a subsidiary after 21 February 2022, following the dilution of the Group's equity stake to 48%, resulted in the relevant financial results not being consolidated into the Group's financial statements. Consequently, the Group did not recognize any revenue from the sale of SAWL pipes during the Year under Review, leading to a significant decrease revenue of the Group as compared to 2022.

Cost of sales and services

The Group's cost of sales and services decreased by approximately 40.9% from approximately RMB944,910,000 for the year ended 31 December 2022 to approximately RMB558,422,000 for the year ended 31 December 2023. The decrease in cost of sales and services was mainly due to the facts that the significant decrease in the sales volume of the national pipeline and anti-corrosion processing business during the Year under Review as compared to 2022, resulting in a significant decrease in the cost of sales of SAWH pipes and the cost of services for anti-corrosion processing business as compared to 2022; and the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group after 21 February 2022.

Gross profit

The gross profit of the Group decreased from approximately RMB101,981,000 for the year ended 31 December 2022 to approximately RMB33,463,000 for the year ended 31 December 2023. The decrease in gross profit was primarily attributable to the significant decrease in sales volume of national pipeline and anti-corrosion processing business with a higher gross profit during the Year under Review as compared to 2022. The gross profit margin of the Group decreased from approximately 9.7% for the year ended 31 December 2022 to approximately 5.7% for the Year under Review, which was mainly due to the significant decrease in the proportion of national pipeline and anti-corrosion processing business which have higher gross profit margin during the Year under Review as compared to 2022, and the significant increase in the proportion of projects secured from the general market which have lower gross profit margin as compared to 2022. The Group has entered into several pipe business contracts with PipeChina at the end of 2023, which will be delivered in 2024.

Other income and gains

Other income and gains of the Group increased from approximately RMB14,384,000 for the year ended 31 December 2022 to approximately RMB17,838,000 for the year ended 31 December 2023, which was mainly due to increase in the gain on sales of remaining sheet material by the Group during the Year under Review.

Selling and distribution costs

Selling and distribution costs of the Group decreased from approximately RMB53,651,000 for the year ended 31 December 2022 to approximately RMB27,730,000 for the year ended 31 December 2023. The significant decrease in selling and distribution costs was primarily attributable to the fact that the substantial reduction in freight charges borne by the Group's subsidiaries during the Year under Review.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB111,973,000 for the year ended 31 December 2022 to approximately RMB94,281,000 for the year ended 31 December 2023. The decrease in administrative expenses was primarily because Hunan Shengli Steel Pipe ceased to be a subsidiary of the Group commencing from 21 February 2022 and its financial results were no longer consolidated into the Group, leading to a decrease in the Group's administrative expenses during the Year under Review as compared to 2022.

Share of results of associates

For the year ended 31 December 2023, the Group's share of results of associates was approximately RMB11,773,000, as compared to share of results of associates of approximately RMB26,738,000 for the year ended 31 December 2022.

Gain/loss on disposal of equity interests

For the year ended 31 December 2023, the Group recorded gain of approximately RMB1,029,000 on partial disposal of equity interests in an associate, representing gain on disposal of 2% equity interests in Xinfeng Energy Enterprise Group Co., Ltd. ("**Xinfeng Energy**"). For further details of the aforesaid disposal, please refer to the announcements of the Company dated 24 November 2023 and 5 December 2023. For the year ended 31 December 2022, the Group recorded gain of approximately RMB64,939,000 on partial disposal of equity interests in a subsidiary, representing gain on disposal of 8.9% equity interests in Hunan Shengli Steel Pipe, and recorded loss of approximately RMB44,294,000 on partial disposal of equity interests in an associate, representing loss on disposal of approximately 9.9% equity interests in Xinfeng Energy.

Impairment loss on investment in an associate

For the year ended 31 December 2023, the Group recognised an impairment loss of approximately RMB39,044,000, primarily attributable to the impairment of the Group's investment in an associate, namely Xinfeng Energy. A thorough evaluation of the investment was conducted by the Group after reviewing historical financial performance of Xinfeng Energy including its direct investee companies (collectively referred to as the "**Xinfeng Energy Group**") and its current operational status. A valuation in respect of Xinfeng Energy was conducted by ValQuest Advisory (Hong Kong) Limited (the "**Valuer**") as part of the evaluation.

As a result of the review, the Group determined that there may be an impairment of its investment in Xinfeng Energy Group as of 27 December 2023 (being date of disposal of 2% equity interests in Xinfeng Energy and re-designated to Designated FVOCI as mentioned in Notes 11 and 12 to this announcement) and recognised an impairment loss of approximately RMB39,044,000 with reference to the independent valuation, in addition to the impairment loss of approximately RMB8,570,000 recorded in the previous year, which was also attributed to the impairment of the investment in Xinfeng Energy Group. Further information in relation to the impairment assessment on Xinfeng Energy Group is set out below.

As at 27 December 2023, the Group performed an impairment assessment on Xinfeng Energy Group to determine its recoverable amount based on the fair value less cost of disposal which falls within level 3 fair value hierarchy as defined in IFRS 13 "*Fair Value Measurement*". Overall, the fair value less cost of disposal of the investment in Xinfeng Energy Group, was assessed based on the valuation report prepared by the Valuer using the adjusted net asset approach. The adoption of the adjusted net asset approach, with reference to the net asset value of Xinfeng Energy Group, is consistent with the valuation approach adopted in last year, and was selected because most of the investee companies were not generating profit and/or significant revenue.

In the valuation, the significant input is the marketability discount of 16.0% to the adjusted net assets value of Xinfeng Energy Group, which aligns with the prevailing practice according to the Valuer's assessment. The Valuer estimated the entire value of Xinfeng Energy based on a lack of marketability basis as it is not a listed company. Other considerations in arriving adjusted net assets value of Xinfeng Energy Group included the possible risk and uncertainties from the political, legal and fiscal views and the economic conditions of Xinfeng Energy and each of its investee companies.

Other key bases and assumptions for the valuation: (i) the information and estimates (such as the possible exposure of legal liabilities, the composition of the investment profile, and the business and value of Xinfeng Energy and its direct investee companies) provided by management of the Company are accurate and reliable; (ii) the public and statistical information obtained from reputable sources is also reliable; (iii) the political, legal, fiscal, and economic conditions in the countries where the business operates are expected to remain stable; (iv) the overall economic and industry outlook is anticipated to remain relatively stable, ensuring business continuity and fair value of shares; (v) no significant changes have occurred in important factors such as tax rates, interest rates, borrowing rates, and exchange rates in the countries where the business operates, which would significantly impact its operations; (vi) the business has competent management and staff to support ongoing operations, ensuring successful operation with sufficient resources; and (vii) no major changes are expected in management, business strategies, and operational structure, which will continue to follow the current mode.

Based on the assessment, the recoverable amount of investment in Xinfeng Energy Group at 27 December 2023 based on the fair value less cost of disposal is lower than its net carrying amount, and therefore, an impairment loss of approximately RMB39,044,000 was recognised in respect of investment in Xinfeng Energy for the year ended 31 December 2023.

Finance costs

The Group incurred finance costs of approximately RMB14,503,000 for the year ended 31 December 2023 (2022: approximately RMB17,579,000), which were primarily derived from interest on bank loans. Such decrease was due to a decline in interest rate of bank borrowings during the Year under Review as compared to last year, and the financial results of Hunan Shengli Steel Pipe were no longer consolidated into the Group commencing from 21 February 2022, leading to a decrease in the Group's finance costs during the Year under Review as compared to 2022.

Income tax credit (expenses)

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year ended 31 December 2023. The profits tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, is 17% (2022: 17%) for the year ended 31 December 2023. Under the EIT Law and Implementation Regulation of the EIT Law, the income tax rate of the Company's subsidiaries in the PRC for the Year under Review is 25% (2022: 25%). Income tax credit for the year ended 31 December 2023 was approximately RMB15,122,000 (2022: income tax expenses of approximately RMB186,000). Income tax credit recognised for the Year under Review was primarily due to the reversal of income tax provided in prior years of approximately RMB15,308,000 after the Group confirmed the treatment of certain previously unresolved tax matters with the PRC tax authority during the year ended 31 December 2023.

Total comprehensive loss for the year

Due to the combined effect of the above factors, the audited total comprehensive loss of the Group for the year ended 31 December 2023 was approximately RMB99,233,000, as compared to the audited total comprehensive loss of the Group of approximately RMB29,395,000 for the year ended 31 December 2022.

Net current assets

As of 31 December 2023, the Group's net current assets amounted to approximately RMB18,868,000, as compared to net current liabilities of approximately RMB22,920,000 as of 31 December 2022. Such turnaround from net current liabilities to net current assets was primarily attributable to the change in maturities of certain bank borrowings of the Group from short term to mid-to-long term, leading to a decrease in current liabilities.

Capital expenditure

The Group incurred capital expenditure for the purchase of property, plant and equipment, expansion of production facilities and purchase of machinery for the manufacture of steel pipe products. Capital expenditure during the years ended 31 December 2023 and 2022 were primarily related to the purchase of property, plant and equipment.

The following table sets forth the capital expenditure of the Group:

	2023	2022
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**13,355**	25,411

Material acquisition and disposal

On 24 November 2023, Zhejiang Shengguan Industrial Co., Ltd* (浙江勝管實業有限公司) ("**Zhejiang Shengguan Industrial**") (an indirect wholly-owned subsidiary of the Company) entered into an agreement to conditionally dispose of 2% equity interest in Xinfeng Energy to Hangzhou Hanyue New Energy Co., Ltd.* (杭州晗月新能源有限公司) ("**Hangzhou Hanyue**") at a consideration of RMB10,780,000. Please refer to the announcements of the Company dated 24 November 2023 and 5 December 2023 for details. Up to the date of this announcement, the Disposal has been completed and Xinfeng Energy Group is owned as to approximately 19.95% by Zhejiang Shengguan Industrial and 11.93% by Hangzhou Hanyue respectively. Save as disclosed in this announcement, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

Financial management and fiscal policy

During the Year 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 exchange fluctuations and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

Liquidity and financial resources and capital structure

As at 31 December 2023, cash and cash equivalents of the Group amounted to approximately RMB137,318,000 (2022: approximately RMB158,776,000). As at 31 December 2023, the Group had borrowings of approximately RMB329,567,000 (2022: approximately RMB321,310,000).

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 at 31 December 2023, the gearing ratio of the Group was 46.0% (2022: 37.0%).

Contingent liabilities

For the year ended 31 December 2023, the Group did not have any material contingent liabilities (2022: Nil).

Capital commitments

The Group has a capital commitment of approximately RMB242,000 (2022: approximately RMB2,735,000) in respect of acquisition of property, plant and equipment as at 31 December 2023.

Pledge of Assets

As at 31 December 2023, the bank loans were secured by pledge of the Group's property, plant and equipment amounting to approximately RMB101,501,000 (2022: approximately RMB110,855,000) and right-of-use assets amounting to approximately RMB70,046,000 (2022: approximately RMB71,981,000) .

Foreign Exchange Risk

During the Year under Review, the Group's businesses have been mainly transacted and settled in functional currency of subsidiaries, so the Group has had minimal exposure to foreign exchange risk. The Group did not utilise any forward contracts or other means to hedge its foreign exchange exposure. However, the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts are in place.

Human Resources and Remuneration Policies

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As of 31 December 2023, the Group's workforce comprised of 513 employees (including the Directors) (31 December 2022: 539 employees). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB68,522,000 (2022: approximately RMB76,004,000). Such decrease in the total salaries and related costs was mainly due to the optimization of the Group's employment during the Year under Review, as well as the decrease in the production volume of pipes business and anti-corrosion processing business, which led to the decrease in overtime pay and floating wages payable by the Group to its employees.

The long-term incentive scheme include share options scheme and other incentive scheme as adopted by the Company from time to time to incentivise employees of the Company.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

EVENTS AFTER THE YEAR UNDER REVIEW

No other important events which have an impact on the Group took place after the end of the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following period:

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 17 June 2024. During the period mentioned above, no transfer of shares will be registered.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Board continues to strive to uphold good corporate governance and adopt 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 C1 to the Listing Rules.

For the year ended 31 December 2023, the Company has complied with all the code provisions set out in the Code.

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

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the required standard for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirmed that during the year ended 31 December 2023, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of their respective securities during the year ended 31 December 2023.

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 has maintained sufficient public float as required under the Listing Rules during the Year under Review.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the current year. The work performed by Mazars CPA Limited in this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on this preliminary announcement.

AUDIT OPINION FROM MAZARS CPA LIMITED

Mazars CPA Limited has expressed an unqualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2023.

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, namely, Mr. Chen Junzhu, Mr. Wu Geng and Mr. Qiao Jianmin and Mr. Chen Junzhu serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.slogp.com). The annual report for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

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 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 grasping 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 develop new businesses around the energy and pipeline-related industries, 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 Chief Executive Officer

Zibo, Shandong, 27 March 2024

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

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