SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
勝 利 油 氣 管 道 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1080)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 (the "**Period under Review**") was approximately RMB333,604,000, representing an increase of approximately 3.5% when compared to the corresponding period in 2023.

- Gross profit margin for the Period under Review was approximately 11.0%, representing an increase of approximately 6.8 percentage points when compared to the corresponding period in 2023.

- Loss for the period attributable to owners of the Company for the Period under Review was approximately RMB23,716,000, while loss for the period attributable to owners of the Company for the corresponding period in 2023 was approximately RMB57,348,000.

- Total comprehensive loss for the period attributable to owners of the Company for the Period under Review amounted to approximately RMB49,305,000, while total comprehensive loss for the period attributable to owners of the Company for the corresponding period in 2023 amounted to approximately RMB57,348,000.

- Basic loss per share attributable to owners of the Company for the Period under Review amounted to approximately RMB0.61 cents, while basic loss per share attributable to owners of the Company for the corresponding period in 2023 amounted to approximately RMB1.48 cents.

- The Board of Directors does not recommend the declaration of any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

The board (the "**Board**") of directors (the "**Director(s)**") of Shengli Oil & Gas Pipe Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Period under Review**") prepared in accordance with the International Financial Reporting Standards, together with the comparative figures for the corresponding period of 2023 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**333,604**	322,269
Cost of sales and services		**(296,810)**	(308,592)
Gross profit		**36,794**	13,677
Other income, gains and losses	*5*	**4,423**	12,223
Selling and distribution expenses		**(18,909)**	(13,844)
Administrative expenses		**(39,763)**	(48,913)
Other expenses		**(380)**	(979)
Share of results of associates		**(28)**	15,401
Impairment loss on investment in an associate		**–**	(28,722)
Reversal of impairment loss on trade receivables, net		**378**	54
Finance costs	*6*	**(6,601)**	(6,821)
Loss before tax	*7*	**(24,086)**	(57,924)
Income tax expense	*8*	**(20)**	(20)
Loss for the period		**(24,106)**	(57,944)
Other comprehensive loss:			
Item that will not be reclassified to profit or loss:			
Change in fair value of Designated FVOCI	*12*	**(25,589)**	–
Total comprehensive loss for the period		**(49,695)**	(57,944)

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(23,716)**	(57,348)
Non-controlling interests		**(390)**	(596)
		(24,106)	(57,944)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(49,305)**	(57,348)
Non-controlling interests		**(390)**	(596)
		(49,695)	(57,944)
Loss per share			
Basic (RMB cents)	*9*	**(0.61)**	(1.48)
Diluted (RMB cents)	*9*	**(0.61)**	(1.48)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	**30 June 2024 *RMB'000* (Unaudited)**	31 December 2023 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	**220,368**	215,951
Right-of-use assets		**170,558**	172,715
Investment in an associate		**92,750**	92,778
Designated FVOCI	*12*	**71,675**	97,264
Deposits paid for acquisition of property, plant and equipment		**26**	289
Deferred tax assets		**321**	358
		555,698	579,355
Current assets			
Inventories		**165,600**	122,395
Trade and bills receivables	*13*	**61,660**	61,926
Contract assets		**44,831**	42,159
Prepayments, deposits and other receivables	*14*	**83,721**	129,243
Restricted deposits		**442**	11,183
Cash and cash equivalents		**47,366**	137,318
		403,620	504,224
Current liabilities			
Trade payables	*15*	**41,924**	44,497
Other payables and accruals		**14,504**	20,956
Contract liabilities		**121,097**	181,490
Lease liabilities		**954**	954
Borrowings	*16*	**218,817**	237,167
Deferred income		**292**	292
		397,588	485,356
Net current assets		**6,032**	18,868
Total assets less current liabilities		**561,730**	598,223

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		**572**	1,007
Borrowings	*16*	**106,200**	92,400
Deferred income		**994**	1,140
Deferred tax liabilities		**227**	244
		107,993	94,791
NET ASSETS		**453,737**	503,432
Capital and reserves			
Issued capital	*17*	**334,409**	334,409
Reserves		**111,485**	160,790
Equity attributable to owners of the Company		**445,894**	495,199
Non-controlling interests		**7,843**	8,233
TOTAL EQUITY		**453,737**	503,432

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 have been 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 places of business 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.

The Group is principally engaged in the manufacture, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications and trading of commodities.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the IAS 34 *"Interim Financial Reporting"* issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure provisions to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Group has prepared the unaudited condensed consolidated interim financial statements on the basis that it expects to operate as a going concern.

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated interim financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2023, and therefore, do not include all of the information required for a full set of financial statements prepared in accordance with the IFRS Accounting Standards which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

The unaudited condensed consolidated interim 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 measurement basis used in the preparation of the unaudited condensed consolidated interim financial statements is historical cost except for financial assets designated at fair value through other comprehensive income ("**Designated FVOCI**"), which is measured at fair value.

2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023.

In the current period, the Group has adopted all the new and revised IFRS Accounting Standards that are relevant to its operations and effective for its accounting period beginning on 1 January 2024. The adoption of these new and revised IFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's interim financial statements and amounts reported for the current period and prior periods.

At the date of authorisation of the unaudited condensed consolidated interim financial statements, the IASB has issued a number of new/revised IFRS Accounting Standards that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the future adoption of new/revised IFRS Accounting Standards will have any material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has two reportable segments which comprise (i) production of submerged-arc helical welded pipes (the "**SAWH 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 on resource allocation and performance assessment.

Segment assets exclude deferred tax assets, Designated FVOCI and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude borrowings, 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, impairment loss on investment in an associate, equity-settled share-based payments expenses, share of results of an associate and items not directly related to the core business of the segments.

3. SEGMENT INFORMATION (Continued)

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

Segment revenue and results

For the six months ended 30 June 2024 (Unaudited)

	Pipe Business *RMB'000*	Trading Business *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	**322,910**	**10,694**	**333,604**
Segment results	**(10,699)**	**(1,652)**	**(12,351)**
Interest income			**406**
Rental income			**486**
Unallocated expenses			**(6,026)**
Finance costs			**(6,601)**
Loss before tax			**(24,086)**
Income tax expense			**(20)**
Loss for the period			**(24,106)**

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2023 (Unaudited)

	Pipe Business *RMB'000*	Trading Business *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	322,269	–	322,269
Segment results	(16,781)	(3,675)	(20,456)
Interest income			292
Rental income			787
Share of results of an associate			2,460
Impairment loss on investment in an associate			(28,722)
Equity-settled share-based payments expenses			(75)
Unallocated expenses			(5,389)
Finance costs			(6,821)
Loss before tax			(57,924)
Income tax expense			(20)
Loss for the period			(57,944)

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 30 June 2024 (Unaudited)

	Pipe Business *RMB'000*	**Trading Business** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Segment assets	**834,422**	**24,287**	**100,609**	**959,318**
Segment liabilities	**(178,326)**	**(6)**	**(327,249)**	**(505,581)**

At 31 December 2023 (Audited)

	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)

3. SEGMENT INFORMATION (Continued)

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 of 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 investment in an associate, Designated FVOCI and deferred tax assets, is presented based on the location of the assets as follows:

Non-current assets

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
The PRC	**389,525**	387,097
Hong Kong	**1,427**	1,858
	390,952	388,955

Information about major customers

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

		Six months ended 30 June	
	Segment	**2024** *RMB'000* **(Unaudited)**	2023 *RMB'000* (Unaudited)
Customer A	Pipe Business	**250,151**	59,457
Customer B	Pipe Business	***(Note)***	46,493
Customer C	Pipe Business	***(Note)***	36,575

Note:

The customers contributed less than 10% of the total revenue of the Group for the six months ended 30 June 2024.

4. REVENUE

Disaggregation of revenue from contracts with customers within IFRS 15

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or service		
Pipe Business		
Sales of pipe	**293,963**	305,226
Rendering of services related to Pipe Business	**28,947**	17,043
	322,910	322,269
Trading Business		
Trading of commodities	**10,694**	–
	333,604	322,269

For the six months ended 30 June 2024 (Unaudited)

	Pipe Business	**Trading Business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Geographical markets			
The PRC	**322,910**	**10,694**	**333,604**
Timing of revenue recognition			
At a point in time	**322,910**	**10,694**	**333,604**

For the six months ended 30 June 2023 (Unaudited)

	Pipe Business	Trading Business	Total
	RMB'000	*RMB'000*	*RMB'000*
Geographical markets			
The PRC	322,269	–	322,269
Timing of revenue recognition			
At a point in time	322,269	–	322,269

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**406**	292
Government grants *(Note)*	**146**	146
Rental income	**486**	787
Exchange gain, net	**–**	91
Others	**406**	241
	1,444	1,557
Other gains and losses		
Gain on sales of materials	**2,937**	10,670
Gain (Loss) on disposal of property, plant and equipment, net	**42**	(4)
	2,979	10,666
	4,423	12,223

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**5,319**	5,845
Interest on other loans	**1,234**	905
Interest on lease liabilities	**48**	71
	6,601	6,821

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold *(Note)*	**278,890**	296,752
Cost of services	**17,920**	11,840
	296,810	308,592
Employees benefits expenses (including directors' remunerations)	**30,612**	34,932
Depreciation of property, plant and equipment	**9,186**	8,550
Depreciation of right-of-use assets	**2,157**	2,599
(Gain) Loss on disposal of property, plant and equipment, net	**(42)**	4
Reversal of impairment loss on trade receivables, net	**(378)**	(54)
Short term lease payments	**63**	691

Note:

Included in the cost of inventories sold is an amount of approximately RMB1,182,000 (six months ended 30 June 2023: RMB589,000) related to the write-down of inventories for the six months ended 30 June 2024.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax	**–**	–
Deferred tax	**20**	20
Income tax expense	**20**	20

For the six months ended 30 June 2024 and 2023, the assessable profits of Hong Kong incorporated subsidiaries of the Group are entitled to a two-tiered profits tax rates regime (the "**Hong Kong Profits Tax**") 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 six months ended 30 June 2024 and 2023.

Singapore Corporate Income Tax ("**CIT**") is calculated at 17% of the assessable profits for the six months ended 30 June 2024 and 2023. Singapore CIT has not been provided as the Group had no assessable profits in Singapore for the six months ended 30 June 2024 and 2023.

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 six months ended 30 June 2024 and 2023. PRC Enterprise Income Tax has not been provided for the six months ended 30 June 2024 and 2023 as the Group's entities in the PRC incurred a loss for taxation purpose.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss:		
Loss attributable to the owners of the Company, used in basic loss per share calculation	**(23,716)**	(57,348)

	Six months ended 30 June	
	2024	2023
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 six months ended 30 June 2024 and 2023.

The diluted loss per share is the same as the basic loss per share for the six months ended 30 June 2024 and 2023.

10. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a total cost of approximately RMB13,622,000 (six months ended 30 June 2023: RMB5,310,000).

Property, plant and equipment with a carrying amount of approximately RMB19,000 (six months ended 30 June 2023: RMB15,000) were disposed of by the Group during the six months ended 30 June 2024.

12. DESIGNATED FVOCI

	Unlisted equity investment *RMB'000*
At 1 January 2023 (audited)	–
Additions	97,264
Change in fair value recognised in other comprehensive loss	–
At 31 December 2023 (audited) and 1 January 2024 (audited)	97,264
Change in fair value recognised in other comprehensive loss	(25,589)
At 30 June 2024 (unaudited)	**71,675**

The unlisted equity investment represented the 19.95% of equity interests in Xinfeng Energy Enterprise Group Co., Ltd. ("**Xinfeng Energy**"), a private entity incorporated in the PRC, which principally engaged in 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. No dividends were received on this investment during the six months ended 30 June 2024 and 2023.

Upon initial recognition, 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.

The fair value of the investment in Xinfeng Energy was assessed by the management of the Group with reference to the valuation report prepared by an independent professional valuer, CHFT Advisory and Appraisal Limited (31 December 2023: ValQuest Advisory (Hong Kong) Limited) using adjusted assets approach and was categorised into the level 3 fair value hierarchy as defined in IFRS 13, *"Fair Value Measurement"* and detailed as follow:

Financial assets	Fair value at the end of the reporting period	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Designated FVOCI						
Unlisted equity investment	RMB71,675,000 (31 December 2023: RMB97,264,000)	Level 3	Adjusted asset approach	Marketability discount	The higher the discount rate, the lower the fair value.	If the discount rate increased/ decreased by 1%, the fair value of the unlisted equity investment would be decreased/increased by approximately RMB1,153,000 (31 December 2023: RMB1,154,000).

13. TRADE AND BILLS RECEIVABLES

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables from third parties		**59,022**	57,460
Less: Loss allowance		**(982)**	(1,360)
	13(a)	**58,040**	56,100
Bills receivables	*13(b)*	**3,620**	5,826
		61,660	61,926

13(a) Trade receivables

The Group's trading terms with its customers are mainly on credit generally ranging from 90 to 180 days (31 December 2023: 90 to 180 days). All bills receivables are due within 90 to 180 days.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	**45,534**	39,894
3 to 6 months	**44**	5,152
6 months to 1 year	**11,003**	10,673
1 to 2 years	**1,459**	381
	58,040	56,100

13. TRADE AND BILLS RECEIVABLES (Continued)

13(a) Trade receivables (Continued)

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	**Within 1 year past due**	**1 to 2 years past due**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
At 30 June 2024 (Unaudited)				
Weighted average expected loss rate (%)	**0.0%**	**5.0%**	**10.0%**	**1.7%**
Gross Amount	**39,922**	**18,569**	**531**	**59,022**
Loss allowance	**–**	**(929)**	**(53)**	**(982)**
Net amount	**39,922**	**17,640**	**478**	**58,040**
At 31 December 2023 (Audited)				
Weighted average expected loss rate (%)	0.0%	5.0%	10.0%	2.4%
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

13(b) Bills receivables

At 30 June 2024, all bills receivables are interest-free and guaranteed by banks in the PRC and have maturities of less than six months.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Advances to suppliers *(Note)*	**61,917**	85,638
Value-added tax recoverables	**779**	779
Prepayments	**153**	803
Deposits	**1,725**	13,193
Tender deposits to customers	**1,714**	2,902
Security deposits in respect of sales contract with customers	**15,588**	22,274
Others	**1,845**	3,654
	83,721	129,243

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 one year.

15. TRADE PAYABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables to third parties	**41,924**	44,497

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**31,064**	29,250
3 to 6 months	**2,868**	3,608
6 months to 1 year	**1,106**	222
1 to 2 years	**3,948**	10,376
Over 2 years	**2,938**	1,041
	41,924	44,497

The trade payables are non-interest bearing. The payment terms with suppliers are normally on credit ranging from 90 to 180 days (31 December 2023: 90 to 180 days) since the goods are received from suppliers.

16. BORROWINGS

	At 30 June 2024			At 31 December 2023		
	Effective interest rate *(%)*	**Maturity (year)**	***RMB'000*** **(Unaudited)**	Effective interest rate *(%)*	Maturity (year)	*RMB'000* (Audited)
Bank loans						
Secured *(Note (i))*	**3.76%-4.38%**	**2024-2026**	**276,250**	3.97%-4.38%	2024-2026	280,800
Other loans						
Unsecured *(Note (ii))*	**5.00%**	**2024**	**48,767**	5.00%	2024	48,767
			325,017			329,567

Borrowings are repayable as follows:	***RMB'000*** **(Unaudited)**	*RMB'000* (Audited)
On demand or within one year	**218,817**	237,167
One to two years	**106,200**	400
Two to three years	**–**	92,000
	325,017	329,567

Notes:

(i) The bank loans were secured by pledge of certain property, plant and equipment of the Group amounting to approximately RMB119,333,000 (31 December 2023: RMB101,501,000) and right-of-use assets amounting to approximately RMB69,079,000 (31 December 2023: RMB70,046,000).

(ii) At 30 June 2024, the other loans represented the advance from directors, chief executive and other members of key management of the Company and employees amounting to approximately RMB1,065,000 (31 December 2023: RMB1,065,000) and RMB47,702,000 (31 December 2023: RMB47,702,000), respectively, which are unsecured, bear a fixed interest rate of 5% per annum and are repayable within one year.

17. SHARE CAPITAL

	At 30 June 2024		At 31 December 2023	
		HK$'000		*HK$'000*
	No. of shares	**(Unaudited)**	No. of shares	(Audited)
Ordinary shares of Hong Kong dollars ("**HK$**") 0.1 each				
Authorised:				
At the beginning and at the end of the reporting period	**5,000,000,000**	**500,000**	5,000,000,000	500,000

	No. of shares	Issued capital	Issued capital
		HK$'000	*RMB'000*
Issued and fully paid:			
At 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	3,874,365,600	387,437	334,409

18. COMMITMENTS

Capital commitments

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for, net of deposits paid (if any)	**17**	242

19. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the six months ended 30 June 2024 and 2023, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on other loans paid to directors of the Company	**26**	37

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party balances

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

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Other loans from directors, chief executive and other members of key management	**1,065**	1,065

(c) Key management compensation

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

	Six months ended 30 June	
	2024 *RMB'000* **(Unaudited)**	2023 *RMB'000* (Unaudited)
Directors' fees	**976**	971
Salaries, wages, allowances and other benefits in kind	**2,654**	2,889
Retirement benefit scheme contributions	**310**	345
	3,940	4,205

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of the Company, I hereby present to you the unaudited results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Period under Review**").

In the first half of 2024, despite a significant amplification in the complexity, gravity and uncertainty in the external environment, coupled with fresh challenges brought about in the course of in-depth restructuring adjustment in the domestic market, new growth pillars have been established capitalising on the continuous support lent from the macro policies, reviving external demands and accelerating progress of new quality productive forces. Overall, the national economy remained on an upward trajectory with improvements amid stability in the first half of the year. Specifically, the oil and gas industry was exposed to multiple uncertainties as on one hand, the complicated and volatile geopolitical conditions posed challenges to national energy security; while on the other hand, the rapid popularity of alternative energies further depressed oil consumption. The oil and gas industry is still confronted with profound adjustments, and the transition to green and low-carbon energies, as an integral component of the global energy system, have weighed on oil and gas investments, which is expected to aggravate in the long run.

Since the beginning of the year, China Oil & Gas Pipeline Network Corporation* (國家石油天然氣管網集團有限公司) ("**PipeChina**") effectively expedited the "five persistence" principles and "five tremendous efforts" deployments, thereby securing remarkable operating results and contributing to the continuous recovery of the domestic economy. The Group will intrepidly accomplish the annual operation goals with the tenacity to confront each and every challenge, in an endeavor to facilitate and consolidate the economic revival.

CEMENTING PARTNERSHIP WITH KEY CUSTOMERS WHILE PROACTIVELY EXPLORING MARKET RESOURCES

During the Period under Review, the Group has cultivated stable cooperation foundations with PipeChina and the procurement framework agreements signed between the two parties are valid and in effect. Meanwhile, upholding the strategic guideline of making progress amid stability, the Group continued to enhance partnership with PipeChina, China Petroleum & Chemical Corporation ("**SINOPEC**"), China National Petroleum Corporation ("**CNPC**"), China National Offshore Oil Corporation ("**CNOOC**") (collectively, the "**Three Barrels**"), China Petroleum Technology and Development Corporation and other key customers. Besides, the Group won the first place leveraging its superior product quality and efficient services in CNPC's 2023 welding pipe centralised procurement bidding program. Furthermore, the Group also performed impressively to rank 2nd among peers in SINOPEC's 2024 long-distance submerged-arc helical welded pipes processing and anti-corrosion framework bidding activity.

While cementing its foothold in the national high-end oil and gas pipeline market, the Group also proactively embraced fresh opportunities in the social market. During the Period under Review, the Group successfully established ties with five new customers, including leading players in the insulation industry in Shandong Province, which not only helped to diversify business portfolios, but also set the solid foundation for long-standing and stable cooperation in the future. In addition, the Group enhanced efforts in securing processing orders with supplied materials, thereby effectively reducing capital occupation for procurement of coils, remarkably boosting the profit of processing business, further optimising the overall order structure and enhancing the Group's market competitiveness and profitability.

REFINING PRODUCTION COORDINATION TO GUARANTEE EFFICIENT SUPPLY

During the Period under Review, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("**Shandong Shengli Steel Pipe**") satisfactorily accomplished pipe production and anti-corrosion tasks for several oil, gas and water transmission pipeline projects leveraging excellent execution and unremitting efforts, including the PipeChina Hulin-Changchun Natural Gas Pipeline Project* (國家管網集團虎林－長春天然氣管道工程), Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section* (川氣東送二線天然氣管道工程川渝鄂段工程), Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section* (連雲港至儀征原油管道工程連雲港至淮安段) and other major pipeline projects. In terms of production assignment and staff allocation, the Group formulated accurate and efficient strategies based on keen analyses of order requirements and raw materials supply. Through constant optimisation of the process and coordination among staff of different positions, the Group achieved an improvement in workshop production efficiency, and significantly mitigated unnecessary time and human resource wastage, thus ensuring that efficient and smooth progress can be attained in each and every process and assignment.

ENHANCING MANAGEMENT EFFICIENCY TO FACILITATE STEADY BUSINESS GROWTH

The Group has been rendering constant efforts to improve its management systems, aspiring to enhance the management efficiency and strengthen the comprehensive quality of all staff. The ever intensely competitive environment calls not only for normal production and operation, but also effective reduction of costs and expenditures. During the Period under Review, committed to the manpower principle of "guaranteeing stability in key positions and flexible staffing in supporting positions", Shandong Shengli Steel Pipe gradually cut down on the number of contracted employees and thus effectively reined in labor cost. In addition, the Group also launched the one-for-one mentor programme for technical personnel to help newly recruited technicians rapidly transform theoretical knowledge into productivity, facilitating their rapid development into key contributors of the Company.

During such process, the Corporate Management Department of the Group revised and promulgated the Compensation Plan Rewarding Reasonable Advices and Minor Rectifications and Reforms* (《合理化建議與小改小革獎勵辦法》), encouraging employees to collaborate and pool collective wisdom to contribute ideas and opinions in favor of the development blueprint of the Company. During the Period under Review, Shandong Shengli Steel Pipe evaluated and approved several pieces of rational advice and schemes of minor rectifications and reforms, which have borne remarkable fruits. Meanwhile, the Safety Production Department continued to optimise the safety regulations and rules, proactively pressed ahead with the "grid-based" safety management, established the safety violations and potential hazards whistle-blowing platform, and effectively set up the reward and punishment mechanism to materialise the safety production responsibility system and realise zero blind spot in safety management. Besides, it initiated multiple deliberately planned activities, including the "emergency plan, emergency response, evacuation and escape" special training and drill, which effectively sharpened the safety awareness of all employees, regulated work process, noticeably enhanced the Group's safety management capabilities, and paved the way for the smooth roll-out of various production activities.

SECURING EFFECTIVE PROGRESS IN QUALITY MANAGEMENT AND OBTAINING NEW ENVIRONMENTAL ASSESSMENT CREDENTIALS

During the Period under Review, Shandong Shengli Steel Pipe secured impressive results in quality management and environmental sustainability. The Group successfully satisfied the API 5L standards and API Spec Q1 annual supervision audit. Coinciding with the first external audit following the release of the tenth edition of API Spec Q1, the management system of Shandong Shengli Steel Pipe was highly appreciated and recognised among the review panel. Meanwhile, Shandong Shengli Steel Pipe successfully passed the carbon footprint and Type III environmental statement evaluation and certification of submerged-arc helical welded pipes and anti-corrosion pipes, and obtained the certificates, which further clarified the carbon footprint of the Group's each production process, set the foundation for seeking energy conservation and emission reduction approaches, and provided potent support for the Group to engage in bidding for major pipeline projects.

The CNAS (China National Accreditation Service for Conformity Assessment) laboratory system is in good operating condition with valid certificates. Shandong Shengli Steel Pipe regularly arranges technical professionals to launch trainings for inspectors working at different posts, so as to deepen their understanding and application of product standards. Besides, the Company also adopted stricter-than-standard internal controls over certain quality indexes often arousing disputes, striving to guarantee that ex-factory pipes are up to standards, and consolidate and improve the Group's brand reputation and market position.

IMPROVING TECHNOLOGY INNOVATION CAPABILITY AND REINFORCING RESEARCH AND DEVELOPMENT STRENGTH

Upholding the core philosophy of technological innovation and industrial upgrade, Shandong Shengli Steel Pipe implemented eight key equipment and technical upgrade and renovations with solid paces during the Period under Review, including the renovation of purging rod in anti-corrosion line 1, design and installation of pre-precision welding and pre-welding splash baffle, renovation of automatic pipe conveying program before fine welding and experiment on removal of main engine fan in pre-precision welding branch. In addition, the Group pressed ahead with technological innovation, and is conducting experiments on renovation of air knifing after plate inspection and magnetic iron absorption before delivery. In the field of scientific research, the Group's technical personnel have demonstrated excellent innovation capability and academic accomplishment, who have published 15 scientific and technological papers in various periodicals, annual meetings and conferences. Besides, Shandong Shengli Steel Pipe holds one authorised invention patent, one authorised utility model patent and two utility model patents under declaration, suggesting that the Group has made solid progress in technological innovation and achievement transformation.

FUTURE PROSPECTS

Global economic growth has demonstrated strong resilience since the beginning of 2024. According to the International Monetary Fund, global economy is expected to grow at 3.2% in 2024, remaining flat as compared with the previous year and hopefully securing a "soft landing". From the perspective of domestic economic development, several institutions are bullish on the market trends in the second half of the year, and expect a rebound in growth following the implementation of multiple policies. It is estimated that China will deliver on its goal of approximately 5% increase in gross domestic product ("**GDP**") in 2024. Today, we have marched into the post-pandemic era, where the recovery-driven rebound in global oil consumption has concluded, and demand will gradually normalise. Meanwhile, the rapid popularity of new energy vehicles has left an increasingly material impact on oil consumption, which is expected to result in a slowdown in global oil demands. Information published by the National Bureau of Statistics showed that, in the first half of the year, China's crude oil output registered a steady increase, while natural gas output hit record highs. Relevant government authorities also released positive signals in favor of the oil and gas exploration and service industry through offering fiscal support and tax incentives. The Group holds the firm belief that it is well positioned to navigate the pressing challenges and achieve healthier and sustainable development by leveraging continued strategic adjustments, technological innovations and market expansion.

Since its establishment, PipeChina has been sparing no effort in promoting oil and gas pipeline infrastructure construction. So far, the West-East Gas Pipeline No. 1* (西氣東輸一線) embraced the 20th anniversary since commercial operation. During the Period under Review, PipeChina Hulin-Changchun Natural Gas Pipeline Project kicked off construction and Zhangzhou LNG Export Pipeline Project* (漳州LNG外輸管道工程) commenced commercial operation. As a major supplier of PipeChina, Shandong Shengli Steel Pipe, one of the Group's subsidiaries, will tap upon its advantages in production capacity and technologies to pursue more orders from PipeChina leveraging its quality and efficient supply track record. Besides, it will also proactively prepare for the framework agreement bidding activity in the second half of 2024 to consolidate its position as a major supplier. The Group believes that drawing on its sound results and remarkable quality advantages, it is poised to obtain more construction opportunities in the future, and broaden revenue stream while creating value to social progress.

Addressing changes in industry environment and new trends in market demands, the Group will press ahead with strategic adjustment, optimise business structure and reinforce communication and cooperation with major customers to ensure the stability and sustainability of orders. Meanwhile, given the role of technological innovation as a key driver for corporate growth, the Group will also expedite the upgrade and update of products and technologies, in a bid to enhance its core competitiveness.

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 optimising 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

The first half of 2024 witnessed a stark aggravation in the complexity, gravity and uncertainty in the external environment, coupled with fresh challenges arising from the deepening pace of the domestic economic restructuring. However, riding upon such favorable factors as adjustments in macro policies, pick-up in external demands and improvements of new quality productive forces, the national economy continued to revive along an upward trajectory and achieved progress amid stability during the first half of the year. China's GDP amounted to approximately RMB61.7 trillion in the first half of 2024, representing a year-on-year increase of 5.0%. The Group, while proactively resonating with the call of the nation and adopting aggressive market strategies, contributed to China's oil and gas pipeline construction projects and secured solid business growth.

During the first half of the year, overall market sentiments in the oil and gas industry embraced an improvement thanks to the economic revival. With the recovery-driven rebound in global oil consumption drawing to a close in the post-pandemic era, demands have been normalised. International oil prices fluctuated within the range of core trends, striking a basic balance between demand and supply. From the perspective of domestic market, leveraging the scientific deployment of China's national energy security strategies, constant progress has been achieved in the reserve and output of oil and gas resources, as evidenced by the increase in production of over 10 billion cubic metres for seven consecutive years. During the first half of the year, crude oil produced by industry players with designated scale reached 107 million tonnes, representing a year-on-year increase of 1.9%, while natural gas produced by industry players with designated scale reached 123.6 billion cubic metres, hitting record highs for the same periods historically and representing a year-on-year increase of 6.0%. On the demand side, total energy consumption in the domestic market in the first half of the year registered a year-on-year growth of approximately 4.7%. In particular, gasoline consumption posted a year-on-year increase of 0.21%, while diesel consumption suffered a dip and recorded a decline of 3.8% year-on-year. In contrast, consumption of clean energy such as natural gas, hydropower, nuclear power, wind power, photovoltaic power and electricity edged up by 2.2 percentage points from the corresponding period of last year. It is thus perceived that the depressed demand in the domestic oil market is primarily attributable to the enhanced penetration of new and alternative energies, which further brightens the prospect of green and sustainable development.

During the Period under Review, the Group made constant efforts to keep abreast of pipeline construction demands of PipeChina, the "Three Barrels" and other major customers, and won the bids for several national pipeline projects. Besides, the Group also established ties with five new customers, including leading enterprises operating in the insulation industry in Shandong Province, thereby paving the way for future long-term and stable cooperation. Meanwhile, to contribute to the "carbon peaking and carbon neutrality" initiative, the Group rolled out multiple assessments on carbon footprints, which set the solid foundation for tapping on energy conservation and emission reduction measures.

Looking into the second half of the year, the National Energy Administration has indicated, in the work promotion meeting with a focus on vigorously enhancing oil and gas exploration and exploitation efforts in 2024, that industry players should ensure the accomplishment of the oil and gas production and reserve goals established for the last two years of the "14th five-year period" via rendering utmost efforts and riding upon the opportunities, so as to guarantee the national energy security and strengthen the dynamic for transformation development. In general, given the enormous market opportunities in the domestic energy industry and economic structural upgrade transformation, the Group will continue to capitalise upon its core competitive advantages in pipeline construction and strive to obtain more production and construction orders. In addition, underpinned by technological innovation and corporate governance upgrade, the Group is well poised to achieve sustainability and deliver long-term benefits for the investors.

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 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, CNPC and CNOOC). The Group focuses on the design, manufacturing, anti-corrosion processing, insulation processing and servicing of submerged-arc helical welded pipes (the "**SAWH pipes**") used for the transport of crude oil, refined petroleum, natural gas and other related products.

As of 30 June 2024, the annual production capacity of the SAWH pipes, ancillary anti-corrosion production line and insulation pipe production line of Shandong Shengli Steel Pipe, one of the Group's subsidiaries, reached approximately 800,000 tonnes, 4.80 million square meters and 110 kilometres, respectively.

As of 30 June 2024, 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 35,367 kilometres, of which 94.8% were installed in China while the remaining 5.2% were installed outside China.

During the Period under Review, large-scale pipeline projects using SAWH pipes manufactured by the Group included: PipeChina Hulin-Changchun Natural Gas Pipeline Project, Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section, Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section, Haixi Natural Gas Pipeline Network Phase II Project Rectification Assignment (Zhangzhou-Longyan Section)* (海西天然氣管網二期工程整改項目(漳州-龍岩段)) and 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). Local pipeline projects included Laiwu-to-Tai'an Long-distance Transmission Heat Supply Pipeline Project* (萊熱入泰長距離輸送供熱管網工程), Gongyi Yulian Industrial Park-Northern Zhengzhou Municipal Centralised Heat Supply Pipeline Connecting Project* (鞏義市豫聯工業園至鄭州市北部區域市政集中供熱幹線聯通管工程) and Anhui Dingjie Urban-rural Integration Water Supply Project* (安徽定結縣城鄉一體化供水工程).

Large-scale pipeline projects using anti-corrosion pipes manufactured by the Group included: PipeChina Hulin-Changchun Natural Gas Pipeline Project, Sichuan-to-East No. 2 Natural Gas Pipeline Project Sichuan-Chongqing-Hubei Section, Lianyungang-Yizheng Crude Oil Pipeline Project Lianyungang-Huai'an Section, Haixi Natural Gas Pipeline Network Phase II Project Rectification Assignment (Zhangzhou-Longyan Section) and SINOPEC Shandong Pipeline and Jiqing Pipeline (Zhangqiu-Jiaozhou Section) Upgrading and Renovation Project. Local pipeline projects included Gongyi Yulian Industrial Park-Northern Zhengzhou Municipal Centralised Heat Supply Pipeline Connecting Project and Liulin Area Connecting Line (Xiameizhi Gas Gathering Station-Linlin line 6# Valve Room) Construction Project* (柳林區塊連接線(下嵋芝集氣站至臨臨線6#閥室)建設項目).

FINANCIAL REVIEW

Revenue

The Group's unaudited revenue for the Period under Review was approximately RMB333,604,000, which was mainly generated from the Group's core business segment, the pipes business (the "**Pipes Business**"), and represented an increase of approximately 3.5% when compared to that of approximately RMB322,269,000 for the corresponding period of 2023. In particular, revenue from sales of SAWH pipes reached approximately RMB293,963,000 (the corresponding period of 2023: approximately RMB305,226,000), representing a decrease of approximately 3.7%; revenue from anti-corrosion processing reached approximately RMB28,947,000 (the corresponding period of 2023: approximately RMB16,973,000), representing an increase of approximately 70.5%; and revenue from insulation processing was nil (the corresponding period of 2023: approximately RMB70,000). Revenue from the Group's trading business (the "**Trading Business**") reached approximately RMB10,694,000 (the corresponding period of 2023: nil). Although the Group recorded a slight decrease in revenue from the sales of SAWH pipes and insulation processing as compared to the corresponding period of 2023, it recorded an increase in revenue from anti-corrosion processing and Trading Business as compared to the corresponding period of 2023, contributing to a slight increase in revenue during the Period under Review as compared to the corresponding period of 2023.

Cost of sales and services

The Group's cost of sales and services decreased by approximately 3.8% from approximately RMB308,592,000 for the six months ended 30 June 2023 to approximately RMB296,810,000 during the Period under Review. Such decrease was mainly attributable to the Group's efforts to cut down on expenses during the Period under Review.

Gross profit

Gross profit of the Group for the Period under Review was approximately RMB36,794,000, as compared to approximately RMB13,677,000 for the corresponding period of 2023, representing an increase of approximately 169.0%. The Group's gross profit margin increased by approximately 6.8 percentage points from approximately 4.2% for the six months ended 30 June 2023 to approximately 11.0% for the Period under Review. The increase in gross profit and gross profit margin was primarily attributable to a significant increase in the proportion of national pipeline projects and anti-corrosion processing business of the Pipes Business with higher gross profit margin during the Period under Review.

Other income, gains and losses

Other income, gains and losses of the Group decreased from approximately RMB12,223,000 for the six months ended 30 June 2023 to approximately RMB4,423,000 for the Period under Review. Such decrease was primarily due to a significant decrease in income from sale of materials during the Period under Review, while the Group disposed of certain steel plates with relatively long ageing through inventory clearance during the corresponding period of 2023.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately RMB13,844,000 for the six months ended 30 June 2023 to approximately RMB18,909,000 for the Period under Review, principally due to an increase in distribution expenses incurred by the subsidiaries of the Group during the Period under Review.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB48,913,000 for the six months ended 30 June 2023 to approximately RMB39,763,000 for the Period under Review. Such decrease was mainly attributable to reasonable planning by the Group to cut down on expenses during the Period under Review.

Share of results of associates

During the Period under Review, the Group recorded a share of losses of an associate of approximately RMB28,000, as compared to share of profits of associates of approximately RMB15,401,000 for the corresponding period of 2023. The share of losses of an associate during the Period under Review was primarily because Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司), an associate of the Group, recorded a decrease in gross profit during the Period under Review as compared to the corresponding period of 2023, as a result of a decline in its business performance, and the Group lost significant influence over Xinfeng Energy Enterprise Group Co., Ltd.* (新鋒能源集團有限公司) ("**Xinfeng Energy**") following the disposal of its 2% equity interests on 27 December 2023, upon which the Group ceased to record the shareholding in Xinfeng Energy as investment in an associate, but instead re-designated it as a financial asset designated at fair value through other comprehensive income.

Impairment loss

During the corresponding period of 2023, the Group recorded an impairment loss of approximately RMB28,722,000, primarily representing the impairment loss on investment in Xinfeng Energy, a then associate of the Group. Following the disposal of the 2% equity interests in Xinfeng Energy on 27 December 2023, the Group re-designated the investment in Xinfeng Energy as a financial asset designated at fair value through other comprehensive income. As a result, the Group did not provide for impairment loss on investment in an associate during the Period under Review.

Finance costs

The Group's finance costs decreased from approximately RMB6,821,000 for the six months ended 30 June 2023 to approximately RMB6,601,000 for the Period under Review. The finance costs were mainly incurred on the interest of bank loans.

Other comprehensive loss

As at 30 June 2024, the Group recognised a loss on fair value changes of financial assets designated at fair value through other comprehensive income with respect to investment in Xinfeng Energy of approximately RMB25,589,000 with reference to the valuation report prepared by an independent professional valuer using the adjusted net asset approach.

Income tax expense

Hong Kong profits tax is calculated at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profit for the six months ended 30 June 2024. The profits tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, is 17% (six months ended 30 June 2023: 17%) for the six months ended 30 June 2024. Under the Enterprise Income Tax ("**EIT**") Law and Implementation Regulation of the EIT Law, the income tax rate of the Company's subsidiaries in the PRC for the Period under Review is 25% (six months ended 30 June 2023: 25%). The income tax expense of the Group for the Period under Review amounted to approximately RMB20,000, which remained unchanged as compared to that for the six months ended 30 June 2023.

Total comprehensive loss for the period

Total comprehensive loss for the period of the Group decreased from approximately RMB57,944,000 for the six months ended 30 June 2023 to approximately RMB49,695,000 during the Period under Review.

Assets and liabilities

As of 30 June 2024, the Group's total assets amounted to approximately RMB959,318,000 (31 December 2023: approximately RMB1,083,579,000); the Group's net assets amounted to approximately RMB453,737,000 (31 December 2023: approximately RMB503,432,000); and the Group's total liabilities amounted to approximately RMB505,581,000 (31 December 2023: approximately RMB580,147,000).

Net current assets

As of 30 June 2024, the Group's net current assets amounted to approximately RMB6,032,000, as compared to net current assets of approximately RMB18,868,000 as of 31 December 2023.

Capital expenditure

The Group incurred capital expenditure for the acquisition of property, plant and equipment, expansion of production facilities and purchase of machinery for the manufacture of steel pipe products. Capital expenditure during the six months ended 30 June 2024 and 2023 was primarily related to the purchase of property, plant and equipment.

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

	Six months ended 30 June 2024 *RMB'000*	Six months ended 30 June 2023 *RMB'000*
Purchase of property, plant and equipment	**13,622**	5,310

Indebtedness

Borrowings

As at 30 June 2024, the borrowings of the Group amounted to approximately RMB325,017,000 (31 December 2023: approximately RMB329,567,000).

The following table sets forth information of the loans of the Group:

	As at 30 June 2024 ***RMB'000***	As at 31 December 2023 *RMB'000*
Loans:		
Bank loans – Secured	**276,250**	280,800
Other loans – Unsecured	**48,767**	48,767
	325,017	329,567

The amount of loans of approximately RMB218,817,000 shall be repayable within one year. The following table sets forth the annual interest rates of the Group's bank loans:

	As at 30 June 2024 *%*	As at 31 December 2023 *%*
Effective interest rate per annum	**3.76 to 4.38**	3.97 to 4.38

The other loans carried a fixed annual interest rate of 5% during the six months ended 30 June 2024.

The following discussion should be read in conjunction with the Group's financial information and its notes, which are included in this announcement.

Financial management and fiscal policy

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

Liquidity and financial resources and capital structure

As of 30 June 2024, cash and cash equivalents of the Group amounted to approximately RMB47,366,000 (31 December 2023: approximately RMB137,318,000). The significant decrease in cash and cash equivalents from 31 December 2023 was primarily attributable to a significant increase in inventories and a significant decrease in contract liabilities as at 30 June 2024 as compared with 31 December 2023, leading to a significant decrease in cash and cash equivalents as compared with 31 December 2023. The Group had borrowings of approximately RMB325,017,000 as of 30 June 2024 (31 December 2023: approximately RMB329,567,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables, contract liabilities and other payables and accruals, net of cash and cash equivalents and pledged deposits) divided by the sum of total equity and net debt. As of 30 June 2024, the gearing ratio of the Group was approximately 50.1% (31 December 2023: approximately 46.0%).

Contingent liabilities

For the six months ended 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

Capital commitments

The Group had a capital commitment of approximately RMB17,000 (31 December 2023: approximately RMB242,000) in respect of acquisition of property, plant and equipment as at 30 June 2024.

Pledge of assets

As at 30 June 2024, the bank loans of RMB276,250,000 (31 December 2023: approximately RMB280,800,000) were secured by pledge of certain property, plant and equipment amounting to approximately RMB119,333,000 (31 December 2023: approximately RMB101,501,000), and certain right-of-use assets amounting to approximately RMB69,079,000 (31 December 2023: approximately RMB70,046,000) of the Group.

Foreign exchange risk

During the Period under Review, the Group's businesses have been mainly transacted and settled in the functional currency of subsidiaries of the Company, so the Group has had minimal exposure to foreign currency 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 practices and assessments of the performance of the Group and individual employees. As at 30 June 2024, the Group has employed a workforce of 480 employees (including the Directors). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB30,612,000 (30 June 2023: approximately RMB34,932,000).

Interim dividend

The Board of Directors does not recommend the declaration of any interim dividend for the Period under Review (for the six-month period ended 30 June 2023: Nil).

EVENTS OCCURRING AFTER THE PERIOD UNDER REVIEW

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

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management 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. During the Period under Review, 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Company has made specific enquiries with all Directors and all Directors confirmed that during the Period under Review, they have complied with the required standards set out in the Model Code and the code of conduct regarding Directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period under Review (including resale of treasury shares as defined under the Listing Rules). The Company did not hold any treasury shares as at 30 June 2024.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirmed that the Company had maintained sufficient public float as required under the Listing Rules throughout the Period under Review.

AUDIT COMMITTEE

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

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the unaudited interim financial statements for the Period under Review, with the management and external auditor, who has conducted certain agreed-upon procedures on the interim financial information for the Period under Review in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION AND STRIVING FOR THE GOALS

Last but not least, on behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, stakeholders and employees of the Company for their continuous support and encouragement for the Company to overcome difficulties and flourish. The Company is positioned in the oil and gas and related equipment and pipeline industry and has a close connection with the economic and strategic development of the country. With the high quality and technical standards, unwavering efforts and unswerving dedication to our corporate philosophy, we are committed to capturing each and every opportunity. While maintaining stable growth for the existing pipes principal business and strengthening and optimising oil and gas transportation products, we will continue to exploit new business opportunities with a vision towards sustainable growth, thereby delivering long-term value to our shareholders.

* *For identification purpose only*

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

Zibo, Shandong, 26 August 2024

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

Executive Directors:	*Mr. Zhang Bizhuang, Mr. Wang Kunxian and Ms. Han Aizhi*
Non-executive Directors:	*Mr. Wei Jun and Mr. Huang Xingwang*
Independent non-executive Directors:	*Mr. Chen Junzhu, Mr. Qi Defu and Mr. Qiao Jianmin*