Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

珠江石油天然氣鋼管控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1938

Position for Today & Tomorrow

Interim Report 2010

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Corporate Information

Directors

Executive Directors

Mr. CHEN Chang *(Chairman)*
Ms. CHEN Zhao Nian
Ms. CHEN Zhao Hua

Independent Non-Executive Directors

Mr. CHEN Ping
Mr. LIANG Guo Yao
Mr. SEE Tak Wah

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Company Secretary

Mr. HU Chung Ming *FCPA, CPA (Aust)*

Audit Committee

Mr. SEE Tak Wah *(Chairman)*
Mr. CHEN Ping
Mr. LIANG Guo Yao

Remuneration Committee

Mr. LIANG Guo Yao *(Chairman)*
Mr. CHEN Ping
Mr. CHEN Chang

Authorised Representatives

Mr. CHEN Chang
Ms. CHEN Zhao Nian

Head Office and Principal Place of Business in the PRC

Qinghe Road
Shiji Town
511450 Panyu District
Guangzhou City
Guangdong Province
The PRC

Principal Place of Business in Hong Kong

Suite Nos 1, 2 and 19
15th Floor, Tower 3
China Hong Kong City
33 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Auditor

Ernst & Young

Stock Code & Company's Website

1938
www.pck.com.cn

Compliance Adviser

ICBC International Capital Limited

Legal Advisers as to Hong Kong Law

Chiu & Partners

Principal Bankers

The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Panyu Branch)

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Dear shareholders,

On behalf of the Board (the "Board") of Director (the "Directors"), of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company"), together with its subsidiaries (hereinafter referred to as the "Group"), I hereby present to our shareholders the unaudited interim results of the Group for the six months ended 30 June 2010 ("Interim Period").

During the Interim Period, the turnover of our Group was approximately RMB865.5 million, representing a decrease of 32.3% from approximately RMB1,279.1 million for the same period last year. Profit attributable to the equity holders of the Company decreased by 50.9% as compared to the same period last year to approximately RMB51.8 million (2009: approximately RMB105.4 million). The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2010.

Despite the gradual recovery of the global economy from the impact brought by the financial crisis started in late 2008, Europe was hit by another round of financial turmoil in early 2010. Confidence in the global capital market deteriorated, and resulted in the slowdown of infrastructure projects in the world in 2010, including pipeline projects. A number of export contracts that our Group initially expected during the period did not materialize. During the first half of 2009, our Group has completed partial delivery of a large order of electric resistant welding pipes ("ERW steel pipe") to a customer in the Sultanate of Oman. In the first half of 2010, however, no order of the same kind was secured during the Interim Period. This also resulted in a significant decline in our export sales during the Interim Period.

In respect of the PRC domestic market, the implementation of a series of tightening measures by the PRC government with the view of curbing spending resulted in a delay of a number of pipeline construction projects in the PRC. This in turn has led to the postponement of the delivery schedule for some of the Group's orders on hand in the PRC, and also affected the progress of new pipeline project approval. As such, our domestic sales were affected and recorded a decline. However, deep sea pipeline projects in the PRC were not affected and even posted a satisfactory growth as compared to the previous year. We believe that these projects will become the market focus and our sales growth driver in the future.

Regarding additional production capacity, our Group's new production line in Panyu, Guangdong commenced production in June 1010, which was ahead of schedule. With an annual production capacity of 300,000 tonnes, this production line is mainly used for the production of steel pipes for infrastructure projects. Our Group has already secured orders from the State Grid Corporation of China and expects that the number of orders from State Grid's projects will increase substantially. We will proactively participate in new project tender and to explore stable income source by capitalizing on our first mover advantage in producing infrastructure steel pipes.

Chairman's Statement

Our Group has achieved remarkable breakthrough in research and development during the Interim Period: we have successfully developed deep sea longitudinal steel pipes which are formed utilising submerged arc welded technology ("LSAW steel pipes") and have obtained approval of the Expert Committee in the scientific achievement appraisal meeting organized by the Department of Science and Technology of Guangdong Province and hosted by the Bureau of Science and Technology of Guangzhou Municipality. We are also accredited international certifications such as Det Norske Veritas ("DNV") and American Petroleum Institute ("API"). We are the first manufacturer in the PRC that has successfully developed steel pipes applicable for deep sea pipeline projects. It is expected that new orders will be secured in the second half of 2010. Deep sea LSAW is mainly used in high pressure environment and deep sea oil and gas transmission projects. As offshore oil and gas resources will be the key area for exploitation around the world in the future, we believe that this sector will definitely become the focus of the oil and gas market with promising prospects. We are confident of capturing the enormous opportunities for deep sea pipeline projects.

Our Company is not only the largest manufacturer of LSAW steel pipes in the PRC, but also the first domestic manufacturer with LSAW steel pipe production line using UOE production method. As our Group has successfully tapped into the international capital market early this year, we will continue to expand our business through this international platform and capitalize on arising market opportunities.

Looking forward to the second half of the year, with the tightening policies in the PRC being relaxed, the delivery of certain projects in the PRC is expected to be resumed. In respect of the overseas market, while a number of key projects are ready to kick off, we have also received new overseas orders, which may bring forth positive impact on the gradual recovery of our exports business.

In addition to strengthening our existing exports and domestic sales of steel pipes business, we will also further explore the non-oil and gas pipeline projects. We will proactively facilitate project development progress, so as to speed up order delivery and boost sales performance to return to an increasing track. While we are upgrading and enhancing our existing production and ancillary facilities, we will also further strengthen our cooperation with customers, with an aim of staying abreast with market trend, developing and producing products that cater to customers' requirement and market demand, as well as driving product sales.

Leveraging our excellent product quality, advanced and diversified production equipment and technologies as well as scalable production scale and a global customer base, we have established good reputation in the industry. We will continue to further develop our competitive edge as market pioneer and are committed to becoming the leading manufacturer of quality LSAW steel pipes in the PRC and creating the best return to our shareholders.

Chen Chang
Chairman

Hong Kong, 23 August 2010

Business Review

The Group mainly manufactures and sells longitudinal welded steel pipes, as well as provides manufacturing service for processing raw materials into steel pipes. Our steel pipe products can be broadly categorized into LSAW steel pipes and ERW steel pipes. We are one of the largest LSAW steel pipes manufacturers who are capable of producing LSAW steel pipes that meet the X80 standard, which are suitable for application in major national pipeline projects in the PRC.

During the Interim Period, while the global economic environment seems stabilizing, the PRC government has imposed tightening measures to curb spending which resulted in a postponement of a number of pipeline construction projects in the PRC. This has resulted in delay of the delivery schedule of some of our domestic sales orders on hand. Moreover, the European financial crisis led to deterioration of confidence in the global financial market, and also slowed down global infrastructure projects, including pipeline projects. A number of export contracts that the Group initially expected during the period did not materialize. As a result, the Group's performance has been adversely affected.

Financial Review

During the Interim Period, the turnover of the Group was approximately RMB865.5 million (2009: RMB1,279.1 million), representing a decrease of approximately 32.3% as compared to the corresponding period in 2009; gross profit amounted to approximately RMB146.6 million (2009: RMB221.8 million), representing a decrease of approximately 33.9% as compared to the corresponding period in 2009; net profit attributable to the owners of the Company was approximately RMB51.8 million (2009: net profit of RMB105.4 million), representing a decrease of approximately 50.9% as compared to the corresponding period in 2009; earnings per share was RMB0.05.

Revenue

Sales by geography	**Six months ended 30 June**			
	2010		2009	
	RMB'000 (unaudited)	**% of revenue**	RMB'000 (unaudited)	% of revenue
Domestic sales	**600,955**	**69.4%**	651,747	51.0%
Overseas sales	**264,566**	**30.6%**	627,374	49.0%
Total	**865,521**	**100.0%**	1,279,121	100.0%

Management Discussion and Analysis

Sales by products	Six months ended 30 June			
	2010		2009	
	RMB'000 (unaudited)	**% of revenue**	RMB'000 (unaudited)	% of revenue
Manufacture and sale of steel pipes				
LSAW steel pipes	**740,711**	**85.6%**	941,106	73.6%
ERW steel pipes	**85,410**	**9.9%**	251,604	19.7%
Sub total	**826,121**	**95.5%**	1,192,710	93.3%
Steel pipe manufacturing services				
LSAW steel pipes	**18,109**	**2.1%**	25,391	2.0%
ERW steel pipes	**1,410**	**0.1%**	2,381	0.2%
Sub total	**19,519**	**2.2%**	27,772	2.2%
Others	**19,881**	**2.3%**	58,639	4.5%
Total	**865,521**	**100.0%**	1,279,121	100.0%

During the Interim Period, our overseas sales was approximately RMB264.6 million, accounted for approximately 30.6% of our total revenue as compared to that of approximately RMB627.4 million, accounted for approximately 49.0%, for the corresponding period in 2009. The decrease in overseas sales of approximately RMB362.8 million or 57.8% was mainly due to the deterioration of confidence in the global financial market resulted from European financial crisis in early 2010 and hence, slowdown in global infrastructure projects, including pipeline projects. Our domestic sales was approximately RMB601.0 million, accounted for 69.4% of our total revenue as compared to that of approximately RMB651.7 million, accounted for 51.0% of our total revenue, for the corresponding period in 2009. The decrease in domestic sales of approximately RMB50.7 million or 7.8% was mainly due to the tightening measures adopted by the PRC government to curb spending since 2010 which resulted in the postponement of a number of pipeline construction projects in the PRC and therefore delayed the delivery schedule for some of our domestic sales orders on hand.

During the Interim Period, revenue from the manufacture and sale of LSAW steel pipes was approximately RMB740.7 million (2009: RMB941.1 million), representing a decrease of approximately 21.3% compared to the corresponding period in 2009. Sales volume for LSAW steel pipes was approximately 93,000 tons (2009: 104,700 tons), representing a decrease in approximately 11.2% and the average selling price was approximately RMB8,000 per ton (2009: RMB9,000 per ton), representing a decrease in approximately 11% compared to the corresponding period in 2009. The decrease in average selling price was mainly attributable to the decrease in the average cost of our raw materials – steel plates compared to the corresponding period in 2009. Revenue from the manufacturing service of LSAW steel pipes was approximately RMB18.1 million (2009: RMB25.4 million), representing a decrease of approximately 28.7% as compared to the corresponding period in 2009.

During the Interim Period, revenue from the manufacture and sale of ERW steel pipes was approximately RMB85.4 million (2009: RMB251.6 million), representing a decrease of approximately 66.1% as compared to the corresponding period in 2009. Sales volume for ERW steel pipes was approximately 16,700 tons (2009: 28,900 tons), representing a decrease in approximately 42.2% and the average selling price was approximately RMB5,100 per ton (2009: RMB8,700 per ton), representing a decrease in approximately 41.4% as compared to the corresponding period in 2009. The decrease in both quantity and average selling price was primarily due to the completion of a large order from a customer in the Sultanate of Oman and sales to such customer was amounted to approximately RMB200.3 million in the six months ended 30 June 2009. The unit selling price per ton of such order was higher due to the customer's special technical requirement for anti-corrosive ERW steel pipes. This order was completed in August 2009 and no such lucrative order of ERW steel pipes was received during the Interim Period. Revenue from the manufacturing service of ERW steel pipes was approximately RMB1.4 million (2009: RMB2.4 million), representing a decrease of approximately 41.7% compared to the corresponding period in 2009.

Gross profit and gross profit margin	Six months ended 30 June			
	2010		2009	
	RMB'000 (unaudited)	**%**	RMB'000 (unaudited)	%
Manufacture and sale of steel pipes				
LSAW steel pipes	**132,561**	**17.9%**	132,182	14.0%
ERW steel pipes	**1,809**	**2.1%**	64,223	25.5%
Sub total	**134,370**	**16.3%**	196,405	16.5%
Steel pipe manufacturing services				
LSAW steel pipes	**10,296**	**56.9%**	15,455	60.9%
ERW steel pipes	**114**	**8.1%**	839	35.2%
Sub total	**10,410**	**53.3%**	16,294	58.7%
Others	**1,841**	**9.3%**	9,056	15.4%
Total	**146,621**	**16.9%**	221,755	17.3%

During the Interim Period, the gross profit of the Group was approximately RMB146.6 million (2009: RMB221.8 million), representing a decrease of approximately 33.9% as compared to the corresponding period in 2009. The decrease was primarily attributable to the completion of the sales order from a major customer in the Sultanate of Oman as discussed above. This also accounted for the lower gross profit margin for ERW steel pipe during the Interim Period. The gross profit margin for the manufacture and sale of LSAW steel pipe has increased from approximately 14.0% for the corresponding period in 2009 to approximately 17.9% for the Interim Period. This was mainly attributable to the lower gross profit margin from the Central Asia Pipeline Project which amounted to RMB358.5 million with a gross profit margin of only approximately 5% and was completed in 2009. The overall gross profit margin was approximately 16.9% as compared with approximately 17.3% for the same period in 2009.

Other income and gains were approximately RMB7.2 million (2009: RMB2.6 million), representing an increase of approximately 176.9% as compared to the corresponding period in 2009. The increase was mainly due to the increase in both bank interest income and subsidy income from the government.

Selling and distribution expenses were approximately RMB18.1 million (2009: RMB38.1 million), representing a decrease of approximately 52.5% as compared to the corresponding period in 2009. The percentage of selling and distribution expenses to our revenue was approximately 2.1% as compared to 3.0% for the same period in 2009. The major decreases were commission and transportation cost which were in line with our decline in revenue.

Administrative expenses were approximately RMB47.9 million (2009: RMB40.7 million), representing an increase of approximately 17.7% compared to the corresponding period in 2009. The major increases were research and development cost, salary of management staff and relevant expenses.

Finance costs were approximately RMB20.3 million (2009: RMB22.5 million), representing a decrease of 9.8% as compared to the corresponding period in 2009. The decrease was primarily due to the decrease in monthly average balance of our interest-bearing bank loans.

Future Plan and Prospects

The business for the second half of 2010 probably will still be challenging. However, there are signs of improvement after the second quarter of the year as enquiries and orders from overseas customers are becoming more active. The outlook of the steel pipe market remains positive although short-term fluctuation is inevitable.

The Directors are confident that with the Group's solid foundation, times of challenge bring opportunity for the Group to break away from competitors and take business to next level of market leadership in China steel pipe industry.

To maintain steady growth of its businesses in the long run, the Group will adhere to its pro active yet prudent development strategies.

Employees

As at 30 June 2010, the Group had 1,933 full time employees in total (31 December 2009: 1,816). The Group provides competitive remuneration package to retain its employees including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

Exchange Risk Exposure

During the period, most of its operating transactions are settled in RMB except for the export sales which are mostly denominated in USD. The fluctuation of the exchange rate between RMB and USD may affect the operating results of the Group. However, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of exchange rate fluctuation during the period.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil) to the shareholders.

Contingent Liabilities

As at 30 June 2010, the Group did not have any material contingent liabilities or guarantees.

Liquidity and Financial Resources

As at 30 June 2010, the Group maintained a sound financial position where cash and cash equivalents and current ratio, as a ratio of current assets to current liabilities, were approximately RMB467.4 million (at 31 December 2009: RMB349.5 million) and 2.76 (at 31 December 2009: 1.45) respectively. As at 30 June 2010, the Group's borrowings amounted to approximately RMB593.8 million (at 31 December 2009: RMB670 million), among which, approximately RMB303.8 million (at 31 December 2009: RMB293.0 million) were repayable within one year and approximately RMB290 million (at 31 December 2009: RMB377 million) become due more than one year. Based on the current cash position, the Group should have sufficient liquidity to meet its operational needs.

The gearing ratio, expressed as a percentage of the summation of bank borrowings, government grants and amount due to the ultimate shareholder (at 30 June 2010: Nil) over total assets of approximately RMB2,878.6 million (at 31 December 2009: RMB2,334.2 million) is approximately 20.8% (at 31 December 2009: 29.8%).

Use of Net Proceeds from the Company's Initial Public Offering ("IPO") and the Over-Allotment

The shares of the Company were listed on the Main Board on 10 February 2010 with net proceeds (the "IPO proceeds") received by the Company from the global offering (including the 11,142,000 over-allotment shares) amounted to approximately HK$1,112.5 million (RMB973.7 million) after deducting underwriting commissions and all related expenses. The Company will utilize the IPO proceeds in accordance with the purpose of net proceeds as stated in the prospectus of the Company dated 28 January 2010. As at the date of this report, we do not anticipate any material changes to the plan of use of the IPO proceeds.

Directors' Interests in a Competing Business

As at the date of this report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2010, the interests or short positions of the Directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Shares of the Company

Name of Director	Capacity	Position	Number of shares held	Percentage of shareholding in the Company
Chen Chang	Interest of controlled corporation (note 1)	Long	701,911,000	69.42%

Note:

1. These shares are held by Bournam, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Chang. By virtue of the SFO, Mr Chen is deemed to be interested in the 701,911,000 shares held by Bournam.

Shares of Associated Corporation

Mr. Chen Chang beneficially owns the entire issued share capital of Bournam. Bournam is the beneficial owner of about 69.42% of the issued shares of the Company.

Interest and Short Positions of Substantial Shareholders in Shares, Underlying Shares and Debentures

As at 30 June 2010, so far as the Directors are aware, save as disclosed above, the persons or corporations (not being a Director or a chief executive of the Company) who have interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of shareholder	Capacity	Position	Number of shares	Approximately percentage of voting power
Bournam Profits Limited	Beneficial owner (note 1)	Long	701,911,000	69.42%
Su Xing Fang	Interest of spouse (note 2)	Long	701,911,000	69.42%
Value Partners Limited	Investment manager	Long	61,015,000 (note 3)	6.03%
Cheah Capital Management Limited	Interest of controlled corporation	Long	61,015,000 (note 3)	6.03%
Value Partners Group Limited	Interest of controlled corporation	Long	61,015,000 (note 3)	6.03%
Cheah Company Limited	Interest of controlled corporation	Long	61,015,000 (note 3)	6.03%
Hang Seng Bank Trustee International Limited	Trustee	Long	61,015,000 (note 3)	6.03%
Cheah Cheng Hye	Person who set up a discretionary trust	Long	61,015,000 (note 3)	6.03%
To Hau Yin	Interest of spouse	Long	61,015,000 (note 3)	6.03%

Notes:

1. The entire share capital of Bournam is solely and beneficially owned by Mr. Chen Chang. Mr. Chen is deemed under the SFO to be interested in 701,911,000 shares.

2. Madam Su Xing Fang, the spouse of Mr. Chen Chang, is also deemed to be interested in such 701,911,000 shares in which Mr. Chen is deemed to be interested.

3. The 61,015,000 shares as referred to in note 3 above represent the same block of shares in which all the relevant parties are deemed under the SFO to be interested.

   Hang Seng Bank Trustee International Limited, as trustee of The C H Cheah Family Trust, has 100% interest over Cheah Company Limited which in turn has 100% interest over Cheah Capital Management Limited. Cheah Capital Management Limited has approximately 31.19% interest over Value Partners Group Limited which in turn has 100% interest over Value Partners Limited.

   The C H Cheah Family Trust was set up by Mr. Cheah Cheng Hye. Madam To Hau Yin is the spouse of Mr. Cheah Cheng Hye and accordingly is deemed to be interested in the 61,015,000 shares.

Share Option Scheme

On 23 January 2010, we adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Scheme include, without limitation, employees, Directors and any other eligible persons as defined in the Scheme. From the date of the adoption of the Scheme and up to 30 June 2010, no share option has been granted or agreed to be granted to any person under the Scheme.

Code on Corporate Governance Practices

Save as disclosed below, the Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "CG Code") to the Listing Rules since the listing of shares of the Company on the Stock Exchange on 10 February 2010 ("listing date").

CG Code A.2.1

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Chen Chang, the Chairman and founder of the Group, is also responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders' benefits.

The Board will nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code for transactions in the Company's securities since listing date up to 30 June 2010.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since listing date up to 30 June 2010.

Audit Committee

The Company's Audit Committee comprises Mr. See Tak Wah, Mr. Liang Guo Yao and Mr. Chen Ping who are the independent non-executive directors of the Company.

The Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the Interim Period.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
REVENUE	5	**865,521**	1,279,121
Cost of sales		**(718,900)**	(1,057,366)
Gross profit		**146,621**	221,755
Other income and gains	5	**7,249**	2,643
Selling and distribution costs		**(18,067)**	(38,060)
Administrative expenses		**(47,865)**	(40,695)
Other expenses		**(1,102)**	(137)
Finance costs	6	**(20,256)**	(22,529)
Exchange loss, net		**(3,216)**	(1,411)
PROFIT BEFORE TAX	7	**63,364**	121,566
Income tax expense	8	**(11,608)**	(16,175)
PROFIT FOR THE PERIOD		**51,756**	105,391
Other comprehensive income:			
Exchange differences on translating foreign operations		**(239)**	58
Income tax relating to component of other comprehensive income		**–**	–
Other comprehensive income for the period, net of tax		**(239)**	58
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**51,517**	105,449
Profit attributable to:			
Owners of the Company		**51,756**	105,391
Total comprehensive income attributable to:			
Owners of the Company		**51,517**	105,449
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	**RMB0.05**	RMB0.14

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**537,795**	499,891
Deposit paid for purchases of items of property, plant and equipment		**587,529**	278,814
Prepaid land lease payments		**83,582**	84,659
Goodwill		**4,075**	4,075
Deferred tax assets		**1,233**	1,320
Pledged deposits		**5,243**	11,566
Total non-current assets		**1,219,457**	880,325
CURRENT ASSETS			
Inventories	12	**516,386**	520,157
Trade receivables	13	**371,644**	267,158
Prepayments, deposits and other receivables		**178,035**	116,223
Pledged deposits		**125,663**	201,056
Cash and bank balances		**467,427**	349,302
Total current assets		**1,659,155**	1,453,896
TOTAL ASSETS		**2,878,612**	2,334,221
CURRENT LIABILITIES			
Trade and bills payables	14	**139,216**	395,570
Interest-bearing bank loans	15	**303,752**	292,953
Other payables and accruals		**139,734**	266,220
Tax payable		**18,975**	24,236
Due to the ultimate shareholder	19	**–**	20,540
Total current liabilities		**601,677**	999,519
NET CURRENT ASSETS		**1,057,478**	454,377
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,276,935**	1,334,702

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2010

	Notes	**30 June 2010 (Unaudited) RMB'000**	31 December 2009 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	15	**290,000**	377,000
Government grants		**5,771**	5,771
Total non-current liabilities		**295,771**	382,771
Net assets		**1,981,164**	951,931
EQUITY			
Equity attributable to Owners of the Company			
Issued capital	16	**88,856**	–
Reserves		**1,892,308**	951,931
Total equity		**1,981,164**	951,931
TOTAL EQUITY AND LIABILITIES		**2,878,612**	2,334,221

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to Owners of the Company							
	Issued capital RMB'000 Note 16	Share premium RMB'000	Contributed surplus RMB'000 Note (a)	Capital reserve RMB'000 Note (b)	Statutory reserve fund RMB'000 Note (c)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2010	**–**	**–**	**233,372**	**57,607**	**73,707**	**579,990**	**7,255**	**951,931**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**51,756**	**(239)**	**51,517**
Issued and fully paid shares	**8,783**	**–**	**(8,783)**	**–**	**–**	**–**	**–**	**–**
Capitalisation issue of shares	**57,122**	**(57,122)**	**–**	**–**	**–**	**–**	**–**	**–**
Issuance of new shares for the global offering	**21,970**	**966,680**	**–**	**–**	**–**	**–**	**–**	**988,650**
Issuance of new shares upon exercise of the Over-allotment Option	**981**	**43,137**	**–**	**–**	**–**	**–**	**–**	**44,118**
Share issue expenses	**–**	**(55,052)**	**–**	**–**	**–**	**–**	**–**	**(55,052)**
At 30 June 2010 (unaudited)	**88,856**	**897,643***	**224,589***	**57,607***	**73,707***	**631,746***	**7,016***	**1,981,164**

* These reserve accounts comprise the consolidated reserves of RMB1,892,308,000 (31 December 2009 (audited): RMB951,931,000) in the interim condensed consolidated statement of financial position as at 30 June 2010.

For the six months ended 30 June 2009

	Attributable to Owners of the Company							
	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000 Note (a)	Capital reserve RMB'000 Note (b)	Statutory reserve fund RMB'000 Note (c)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2009	–	–	233,372	57,607	33,016	269,369	7,273	600,637
Total comprehensive income for the period	–	–	–	–	–	105,391	58	105,449
Dividends	–	–	–	–	–	(49,714)	–	(49,714)
At 30 June 2009 (unaudited)	–	–	233,372	57,607	33,016	325,046	7,331	656,372

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group Reorganisation, and the nominal value of the Company's shares issued in exchange therefore.

(b) Capital reserve represents the excess capital paid over the registered capital of Panyu Chu Kong Steel Pipe Co., Ltd. ("PCKSP") by Lessonstart Enterprises Limited ("Lessonstart").

(c) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 25% of the registered capital after such usage.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash outflow from operating activities	**(418,979)**	(22,475)
Net cash outflow from investing activities	**(360,857)**	(26,372)
Net cash inflow from financing activities	**898,006**	23,769
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**118,170**	(25,078)
Exchange realignment	**(241)**	47
Cash and cash equivalents at beginning of period	**349,498**	160,236
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**467,427**	135,205
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balance	**467,427**	128,961
Pledged bank deposits with original maturity of less than three months when acquired	**–**	6,244
	467,427	135,205

1. Corporate Information

The Company was incorporated in the Cayman Islands on 9 January 2008 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The initial authorised share capital of the Company was HK$100,000 divided into 1,000,000 shares of HK$0.10 each. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is involved in the manufacture and sale of seam welded steel pipes and the provision of related manufacturing services. There were no significant changes in the nature of the Group's principal activities during the period.

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to which the Company became the holding company within the Group on 23 January 2010. Further details of the Group Reorganisation (the "Reorganisation") were set out in the Company's prospectus dated 28 January 2010. The shares of the Company were listed on the Main Board of the Stock Exchange on 10 February 2010.

In the opinion of the Directors, the ultimate holding company of the Company is Bournam Profits Limited ("Bournam"), which was incorporated in the British Virgin Islands.

2. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement as at 31 December 2009.

2. Basis of Preparation (Continued)

Basis of consolidation

The acquisitions of the subsidiaries pursuant to the Reorganisation were regarded as a business combination under common control. Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the principles of merger accounting. On this basis, the Company has been treated as the holding company of its subsidiaries since the beginning of the financial periods presented rather than from their respective dates of acquisition. Accordingly, the interim consolidated results for the six months ended 30 June 2010 include the results of the Company and its subsidiaries with effect from 1 January 2010 or since their respective dates of incorporation or establishment, whichever is shorter. The comparative interim condensed consolidated statement of financial position as at 31 December 2009 has been prepared as if the existing Group had been in place at that date.

In the opinion of the Directors, the interim condensed consolidated financial statements prepared on the above basis present fairly the results and state of affairs of the Group as a whole.

All material intra-group transactions and balances have been eliminated on consolidation.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

3. Accounting Policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2009, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning 1 January 2010. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has one reportable operating segment: the manufacture and sale of seam welded steel pipes and the provision of related manufacturing services. Management monitors the operating results of the Group's business unit as a whole for the purpose of making decisions about resources allocation and performance assessment.

Information about products

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Manufacture and sale of steel pipes:		
LSAW steel pipes	**740,711**	941,106
ERW steel pipes	**85,410**	251,604
Steel pipe manufacturing services:		
LSAW steel pipes	**18,109**	25,391
ERW steel pipes	**1,410**	2,381
Others*	**19,881**	58,639
	865,521	1,279,121

* Others mainly included the manufacture and sale of steel fittings, trading of steel pipes and sale of scrap materials.

4. Operating Segment Information (Continued)

Information about geographical areas

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

The following table presents the revenue information for the Group's geographical segments:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales to external customers:		
Mainland China	**600,955**	651,747
America	**40,103**	153,151
European Union	**165**	2,642
Middle East	**40,452**	363,789
Other Asian countries	**180,002**	98,502
Others	**3,844**	9,290
	865,521	1,279,121

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

Information about major customers

For the six months ended 30 June 2010, revenue from two major customers of the Group amounting to RMB152,784,000 (for the six months ended 30 June 2009: RMB358,462,000) and RMB117,162,000 (for the six months ended 30 June 2009: RMB200,339,000) had individually accounted for over 10% of the Group's total revenue.

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and discounts; and the value of services rendered, net of business taxes and surcharges during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	**865,521**	1,279,121
Other income and gains		
Bank interest income	**4,483**	2,479
Subsidy income from the PRC government	**2,623**	65
Compensation	**143**	71
Others	**–**	28
	7,249	2,643

The subsidy income represented subsidies granted by the local finance bureau to PCKSP as encouragement for its oversea market exploration. There are no unfulfilled conditions or contingencies relating to such subsidies.

6. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	**20,256**	22,529

7. Profit Before Tax

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

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Cost of inventories sold		**665,999**	978,064
Depreciation	11	**18,709**	17,974
Impairment loss of trade receivables recognised/(reversed)		**(571)**	4,004

8. Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China charged for the period	**11,521**	16,728
Deferred	**87**	(553)
Total tax charge for the period	**11,608**	16,175

9. Dividends

No dividend has been paid or declared by the Company during the period.

The dividends paid by the Company's subsidiary to its then shareholders during the period are as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	**–**	49,714

10. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share is based on the profit for the period attributable to Owners of the Company, and the weighted average number of ordinary shares of 952,076,784 (2009: 750,000,000) in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the period ended 30 June 2010 includes the pro forma issued share capital of the Company of 750,000,000 shares, comprising:

(i) 100,000,000 shares issued and fully paid (note 16(c)); and

(ii) the capitalisation issue of 650,000,000 shares (note 16(d)).

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2010 includes the weighted average of 194,751,381 shares issued upon the listing of the Company's shares on the Stock Exchange on 10 February 2010 and the weighted average of 7,325,403 shares issued upon exercise of the Over-allotment Option (as defined in note 16(f)) on 4 March 2010 in addition to the aforementioned 750,000,000 ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

11. Property, Plant and Equipment

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
At beginning of the period/year	**499,891**	479,637
Additions	**57,617**	143,852
Disposals	**(965)**	(92,059)
Depreciation	**(18,709)**	(31,534)
Exchange realignment	**(39)**	(5)
At end of the period/year	**537,795**	499,891

12. Inventories

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Raw materials	**222,477**	166,604
Work in progress	**41,582**	49,820
Finished goods	**252,327**	303,733
	516,386	520,157

13. Trade Receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 60 days	**283,858**	159,643
61 to 90 days	**11,550**	8,676
91 to 180 days	**11,893**	43,582
181 to 365 days	**35,289**	25,337
1 to 2 years	**33,318**	34,663
2 to 3 years	**3,021**	3,113
	378,929	275,014
Less: Impairment of trade receivables	**(7,285)**	(7,856)
	371,644	267,158

The carrying amounts of the trade receivables approximate to their fair values.

14. Trade and Bills Payables

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 90 days	**70,733**	57,286
91 to 180 days	**9,307**	3,410
181 to 365 days	**3,639**	3,306
1 to 2 years	**1,360**	9,385
2 to 3 years	**6,040**	1,686
	91,079	75,073
Bills payable	**48,137**	320,497
	139,216	395,570

The trade payables are non-interest-bearing and are normally settled on 60-day terms. The carrying amounts of the trade payables and bills payable approximate to their fair values.

All the bills payable bear maturity dates within 180 days.

15. Interest-Bearing Bank Loans

	Effective interest rate %	Maturity	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Current				
Bank loans				
– secured	3.000~5.670	2011	**303,752**	292,953
Non-current				
Bank loans				
– secured	5.933	2014	**290,000**	377,000
			593,752	669,953

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Analysed into bank loans repayable:		
Within one year	**303,752**	292,953
In the third to fifth years, inclusive	**290,000**	377,000
	593,752	669,953

The Group's bank loans are secured by:

(a) a charge over certain property, plant and equipment of the Group with a net carrying amount of approximately RMB53,615,000 (31 December 2009: RMB65,601,000) as at the end of the reporting period; and

(b) a charge over certain leasehold lands of the Group with a net carrying amount of approximately RMB75,692,000 (31 December 2009: RMB83,713,000) as at the end of the reporting period.

In addition, no interest-bearing bank loans of the Group (31 December 2009: RMB126,050,000) were guaranteed by related parties as at the end of the reporting period (note 19(b)).

16. Share Capital

During the period, the movements in authorised and issued share capital were as follows:

	Notes	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares HK$'000	RMB'000
Authorised:				
On incorporation	(a)	1,000,000	100	93
As at 1 January 2010		1,000,000	100	93
Increase in authorised share capital	(b)	9,999,000,000	999,900	878,242
As at 30 June 2010		10,000,000,000	1,000,000	878,335
Issued:				
Issued and fully paid	(c)	1,000,000	100	88
Increase in issued share capital	(c)	99,000,000	9,900	8,695
Capitalisation Issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	(d)	650,000,000	–	–
Pro forma share capital as at 23 January 2010		750,000,000	10,000	8,783
Capitalisaion of the share premium account as set out above	(d)	–	65,000	57,122
Issuance of new shares for the global offering	(e)	250,000,000	25,000	21,970
Issuance of new shares upon exercise of the Over-allotment Option	(f)	11,142,000	1,114	981
As at 30 June 2010		1,011,142,000	101,114	88,856

16. Share Capital (Continued)

Notes:

(a) The Company was incorporated on 9 January 2008 with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On 9 January 2008, one share was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Bournam on the same date. 999,999 additional shares were allotted and issued, at nil paid, to Bournam on the same date;

(b) Pursuant to a written resolution of the sole shareholder passed on 23 January 2010, the authorised share capital of the Company was increased from HK$100,000 to HK$1,000,000,000 by the creation of an additional 9,999,000,000 shares of HK$0.10 each;

(c) The Company acquired from Bournam the entire issued share capital of Lessonstart pursuant to a share purchase agreement dated 23 January 2010, in consideration of and in exchange for (i) the allotment and issue, credited as fully paid, of 99,000,000 new shares to Bournam; and (ii) the crediting as fully paid at par the 1,000,000 nil-paid shares then held by Bournam, thereby becoming the ultimate holding company of the Group;

(d) Conditional on the share premium account being credited as a result of new shares issued to the public in connection with the Company's initial public offering as detailed in (e) below, the directors were authorised to capitalise HK$65,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 650,000,000 shares for allotment and issue to shareholder(s) whose name(s) appeared on the register of members of the Company at the close of business on 23 January 2010 to its/their then existing shareholdings in the Company and so that the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued shares;

(e) In connection with the Company's initial public offering, 250,000,000 shares of HK$0.10 each were issued at a price of HK$4.50 per share for a total cash consideration, before listing expenses, of HK$1,125,000,000. Dealings of these shares on the Stock Exchange commenced on 10 February 2010; and

(f) Pursuant to the Global Offering and Over-allotment Option approved on 23 January 2010, the Company granted an option to the international underwriters, exercisable by J.P. Morgan Securities Ltd. ("J.P. Morgan") in consultation with the joint bookrunners on behalf of the international underwriters at the sole and absolute discretion of J.P. Morgan, whereby the Company was required to allot and issue up to 45,000,000 additional shares to cover any over-allocation in the global offering. The exercise price per share for the Over-allotment Option is HK$4.50. On 4 March 2010, the Over-allotment Option was partially exercised and, as a result, the Company issued 11,142,000 additional shares. Dealings of these shares on the Stock Exchange commenced on 9 March 2010.

The proceeds of HK$1,114,200, representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$49,024,800 have been credited to the share premium account.

17. Operating Lease Arrangements

The Group leases certain of its factory and office premises under operating lease arrangements. Leases for properties are negotiated for terms of one to three years with an option for renewal after that date, at which times all terms will be renegotiated.

As at 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	**1,782**	73
In the second to fifth years, inclusive	**2,560**	11
	4,342	84

18. Commitments

In addition to the operating lease commitments detailed in Note 17 above, the Group had the following capital commitments:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	**64,943**	261,476
Capital contributions payable to a subsidiary	**200,000**	–
	264,943	261,476

19. Related Party Transactions

During the period, the Directors are of the view that the following companies are related parties which entered into material transactions with the Group:

Name of party	Relationship
Guangzhou Fulingda Elevator Co., Ltd. ("GZFLD") 廣州富菱達電梯有限公司	GZFLD is a party of which Mr. Chen Chang is the ultimate shareholder.
Guangzhou City Pearl River Machine Tool Works Co., Ltd. ("GZMT") 廣州市珠江機床廠有限公司	GZMT is a party of which Mr. Chen Chang is the ultimate shareholder.

In addition to the related party information disclosed elsewhere in the interim condensed consolidated financial statements, the Group entered into the following material related party transactions during the period:

(a) Recurring transactions

		Six months ended 30 June	
		2010	2009
	Nature of	**(Unaudited)**	(Unaudited)
Name of party	**transaction**	**RMB'000**	RMB'000
GZFLD	Purchases of spare parts	**257**	2,185
GZMT	Purchases of spare parts	**1,706**	3,016

These purchases were made at prices based on agreements entered into between the parties. The above related party transactions have continued after the listing of the Company's shares on the Stock Exchange.

19. Related Party Transactions (Continued)

(b) Guarantees provided by related parties of the Group

The Group's related parties and the ultimate shareholder have provided guarantees in connection with bank loans obtained by the Group as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
GZFLD	–	30,000
GZFLD and Mr. Chen Chang	–	13,800
Mr. Chen Chang	–	82,250
	–	126,050

The Group had outstanding payables to the ultimate shareholder as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Amount due to Mr. Chen Chang	–	20,540

The amount due to the ultimate shareholder was non-trade in nature, unsecured, interest-free and repaid in February 2010.

19. Related Party Transactions (Continued)

(b) Guarantees provided by related parties of the Group (Continued)

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,407**	1,536
Retirement benefit scheme contributions	**69**	46
Total compensation paid to key management personnel	**3,476**	1,582

20. Events after the Reporting Period

There are no significant events subsequent to 30 June 2010 which would materially affect the Group's operating and financial performance as of the date of these interim condensed consolidated financial statements.

21. Approval of the Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2010.