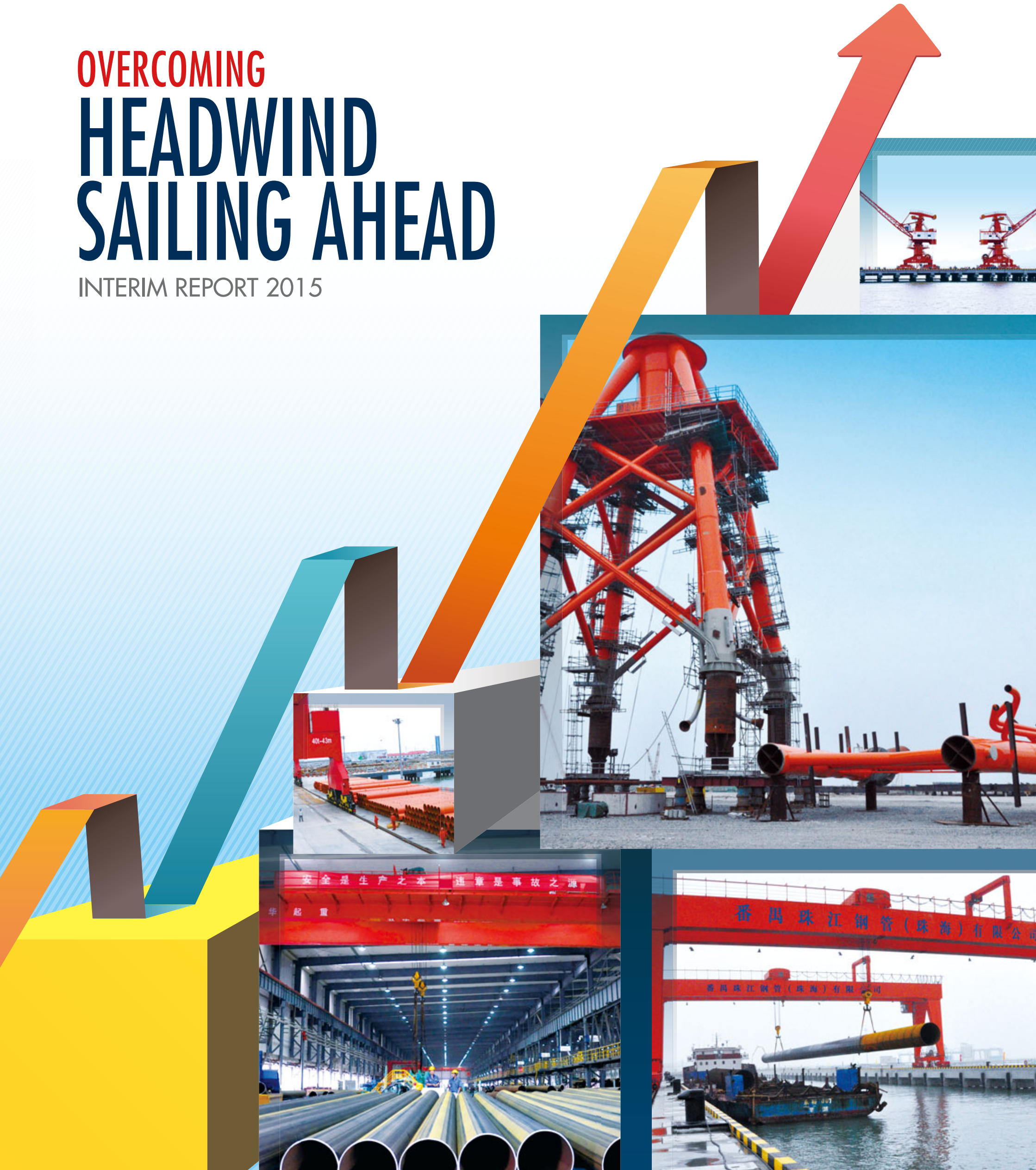
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1938

OVERCOMING HEADWIND SAILING AHEAD

INTERIM REPORT 2015



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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. SEE Tak Wah
Mr. TIAN Xiao Ren

Registered Office

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

Company Secretary

Ms. WONG Pui Shan
FCCA, CPA, ACIS, ACS, Msc (Fin)

Audit Committee

Mr. SEE Tak Wah *(Chairman)*
Mr. CHEN Ping
Mr. TIAN Xiao Ren

Nomination Committee

Mr. CHEN Ping *(Chairman)*
Mr. TIAN Xiao Ren
Mr. CHEN Chang

Remuneration Committee

Mr. TIAN Xiao Ren *(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

1938

Company's Website

www.pck.com.cn
www.pck.todayir.com

Legal Advisers as to Hong Kong Law

Locke Lord

Corporate Information

Principal Bankers

In Hong Kong:

Bank of China (Hong Kong) Limited
China Citic Bank International Limited
China Development Bank Corporation
Deutsche Bank AG
Industrial and Commercial Bank of China (Asia) Limited

In the PRC:

Bank of China Limited
Bank of Communications
Bank of Jiangsu
China Construction Bank
China Merchants Bank
China Resources Bank Company Limited
Guangzhou Rural Commercial Bank
Industrial and Commercial Bank of China
Ping An Bank Co Ltd
Shanghai Pudong Development Bank
The Export-Import Bank of China

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman
KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Center
183 Queen's Road East
Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company", together with its subsidiaries hereafter referred to as the "Group"), I would like to present to you the unaudited consolidated interim results of the Group for the six months ended 30 June 2015.

In the first half of 2015, the Company continued its strategy of focusing on developing overseas markets such as South America and Africa, both of which showed promising potential. Capitalising on its firm business ties in both regions, the Group has obtained several sizable orders, among which the most iconic and largest order in volume was the second order from Odebrecht E&P GmbH for its gas project in Peru. The order volume was 111,800 tonnes, up from 57,700 tonnes in the first order placed in November 2014.

For the six months ended 30 June 2015, the Group recorded a revenue of approximately RMB1,128.7 million, decreased by approximately 23.9% as compared with the same period in 2014 (1H2014: RMB1,484.0 million). Loss attributable to the owners of the Company was approximately RMB206.1 million (profit attributable to the owners of the Company in 1H2014: RMB70.6 million). Loss per share was approximately RMB0.20 (earnings per share in 1H2014: RMB0.07). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (1H2014: Nil).

Under its product and application diversification strategy, the Group successfully tapped into the offshore equipment engineering manufacturing industry by commencing to supply steel structure pipes to offshore drilling platform constructers. The geographical advantages of the production plant in Zhuhai have begun to emerge, as it is adjacent to certain major equipment engineering manufacturers, including Offshore Oil Engineering (Zhuhai) Co., Ltd. ("OOEC"), a subsidiary of China National Offshore Oil Corporation ("CNOOC"). In view of the Company's reputation, quality of its products and the proximity advantage of its production facilities, OOEC has become a regular customer to the Company for years. Recently, OOEC placed another order in June 2015 for its construction of an offshore drilling platform in the Gulf of Thailand.

The Saudi Arabian production plant has started its trial production. It is expected that the necessary licences and certificates will be obtained by the Company by the end of the 2015, before the commercial production can be launched. The establishment of the production plant was also encouraged by the local government in Saudi Arabia, which granted the Company an interest-free loan for as long as 10 years. In view of the vibrant oil and gas industry in the Middle-East and its surrounding areas, the new plant is expected to make valuable contribution to the Group in the near future.

Chairman's Statement

As previously stated in the 2014 Annual Report, after the change of the land use of the land situated at the east of intersection of Changsha Road and Qinghe Road, Shiji Town, Panyu, Guangzhou (廣州番禺區石基鎮清河路與長沙路交滙處以東) (the "Panyu Land"), the Group plans to develop the first phase of the Panyu Land into an integrated commercial complex of offices, shops, serviced apartments and villas, to be named as "Golden Dragon City Fortune Plaza (金龍城財富廣場)". The first phase of the development will have a permitted construction area (including the underground construction area) of approximately 135,000 m^2. The total permitted construction area of the Panyu Land (including underground construction area) is approximately 550,000 m^2. The construction work has already commenced and the development is expected to be partially completed and generate income by the end of 2015.

The Group is also planning to relocate its production facilities in Panyu to Lianyungang and Zhuhai, which will both be the Group's major production bases in China in the near future. When such relocation is completed, the Group will carefully consider all available options relating to the vacated land in Panyu with a view to maximising its economic return to the Company and its shareholders.

Although the domestic market for steel pipes is less than vibrant, there are silver linings in the industry. China's "One Belt One Road" ("OBOR") strategy and the establishment of the Asian Infrastructure Investment Bank ("AIIB") are expected to fuel the infrastructure constructions and hardware developments in Asia and boost the economic growth in the regions. As a world-recognised pipe manufacturer, the Company is poised to capture the precious opportunities created by the implementation of the OBOR and AIIB. The demand for pipes used in infrastructure projects and oil and gas pipeline installations is expected to increase substantially.

Next year will see the introduction of the 13th Five-year Plan, under which many new projects are expected to be rolled out. This has attracted nationwide attention, particularly that from state-owned enterprises which are usually more sensitive to policy changes. The trend of increasing gas consumption will likely to continue as the Sino-Russian cooperation on gas supply continues to deepen. The construction of the Central Asia – China Gas Pipeline Line D will be completed by 2016. With the auxiliary facilities completed, Line A, B, C and D together will transmit as much as 80 billion cubic metres of gas into China by the end of the 13th Five-Year Plan.

Chairman's Statement

Appreciation

On behalf of the Group, I would like to express my gratitude to all staff members for their valuable contribution to the Group's development. I would also like to thank our shareholders for their continuous tremendous support to the Group in this consolidation stage for accumulating strength to embrace the prosperities in the future. The Group and its staff members will work hard as a team to maintain the Group's leading position and market the name "PCK", which is one of the most reputable brand names in the steel pipe industry, with the aim of further entrenching its role model image in the industry.

Chen Chang
Chairman

Panyu, Guangdong Province, China
28 August 2015

Management Discussion and Analysis

Business Review

The Group mainly manufactures and sells welded steel pipes and provides manufacturing service for processing raw materials into welded steel pipes. Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are one of the largest LSAW steel pipes manufacturers in China and are capable of manufacturing LSAW steel pipes that meet the X100 standard. We also hold 10 international quality certifications accredited by renowned certification bodies, such as Det Norske Veritas ("DNV") and American Petroleum Institute ("API"). In addition, we are the first and only PRC manufacturer that has successfully produced deep sea welded pipes for use at 1,500m water depth. Our products are widely applicable to major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

The Group is capable of manufacturing subsea pipes and drilling platform structure pipes for offshore projects and is being classified as part of the Offshore Engineering Equipment Industry* (海洋工程裝備製造業) under the 12th Five-Year Plan. We benefited from and were supported by China's strategic policies and policy banks and insurance institutions in China. We have maintained good relationships with and have obtained medium-term loans and credit facilities from the China Development Bank, the Export-Import Bank of China and the China Export & Credit Insurance Corporation.

In March 2015, the Group entered into an agreement with Lianyungang Xuwei Port Investment Group Co., Ltd. ("Liangyungang Xuwei Port") to establish a joint venture ("JV Company") with registered capital of RMB100 million. The JV Company will be owned as to 25% by the Group and 75% by Lianyungang Xuwei Port. The initial investment in the JV Company by the Group is RMB25 million. The total investment commitment in the JV Company by the Group will not exceed RMB200 million, which is in proportion to its shareholding in the JV Company pursuant to the Agreement. The principal business of the JV Company is to construct and operate the port facilities and logistics services of the port at Xuwei New District, Lianyuangang. The Group has the priority to use the port under the agreement, which can reduce the cost and improve the efficiency of the deliveries of raw materials and finished goods.

The Group received new orders of approximately 220,000 tonnes for the period under review and approximately 68% were received from overseas customers. These included sizeable overseas orders for the Odebrecht's gas project in Peru and the CNOOC's offshore drilling platforms in Thailand. The Group delivered approximately 218,000 tonnes of welded steel pipes during the period under review.

Financial Review

During the period under review, the revenue of the Group was approximately RMB1,128.7 million (1H2014: RMB1,484.0 million), representing a decrease of approximately 23.9% as compared with the corresponding period in 2014. The decrease in revenue was mainly attributed to a fall in domestic sales by approximately 40.3% to approximately RMB452.8 million (1H2014: RMB758.2 million), principally due to government's anti-corruption movement, which caused delay to the bidding process of projects in China.

As a result of the fall in domestic sales, overseas sales took up the larger proportion of the Group's overall sales. During the period under review, domestic sales represented approximately 40.1% (1H2014: 51.1%) of our total revenue. For the same period, overseas sales were approximately RMB675.9 million (1H2014: RMB725.8 million), seeing its share of the total revenue rising to 59.9% (1H2014: 48.9%). Examples of overseas sales during the period under review included the delivery of pipes for the Odebrecht E&P GmbH's gas project in Peru and a gas project in Mexico.

Revenue

Sales by geography	Six months ended 30 June			
	2015		2014	
	RMB'000 (unaudited)	**% of revenue**	RMB'000 (unaudited)	% of revenue
Domestic sales	**452,847**	**40.1%**	758,200	51.1%
Overseas sales	**675,854**	**59.9%**	725,820	48.9%
Total	**1,128,701**	**100.0%**	1,484,020	100.0%

Sales by products	Six months ended 30 June			
	2015		2014	
	RMB'000 (unaudited)	**% of revenue**	RMB'000 (unaudited)	% of revenue
Manufacture and sale of steel pipes				
LSAW steel pipes	**739,455**	**65.5%**	1,196,417	80.6%
ERW steel pipes	**110,152**	**9.8%**	41,768	2.8%
SSAW steel pipes	**222,105**	**19.7%**	114,440	7.7%
Sub total	**1,071,712**	**95.0%**	1,352,625	91.1%
Steel pipes manufacturing services				
LSAW steel pipes	**14,882**	**1.3%**	3,177	0.2%
ERW steel pipes	**2,486**	**0.2%**	491	0.1%
SSAW steel pipes	**4,260**	**0.4%**	–	–
Sub total	**21,628**	**1.9%**	3,668	0.3%
Others	**35,361**	**3.1%**	127,727	8.6%
Total	**1,128,701**	**100.0%**	1,484,020	100.0%

During the period, the Group's gross profit was approximately RMB181.4 million (1H2014: RMB245.0 million), representing a decrease of approximately 26.0% as compared with the Group's corresponding period in 2014. The decrease was primarily attributable to the decrease in sales as compared with that for the corresponding period in 2014. The overall gross profit margin was approximately 16.1%, which was similar to that of approximately 16.5% for the same period in 2014.

Gross Profit and Gross Profit Margin	**Six months ended 30 June**			
	2015		2014	
	RMB'000 (unaudited)	**GP margin %**	RMB'000 (unaudited)	GP margin %
Manufacture and sale of steel pipes				
LSAW steel pipes	**128,007**	**17.3%**	206,929	17.3%
ERW steel pipes	**16,680**	**15.1%**	3,693	8.8%
SSAW steel pipes	**18,298**	**8.2%**	11,092	9.7%
Sub total	**162,985**	**15.2%**	221,714	16.4%
Steel pipes manufacturing services				
LSAW steel pipes	**8,686**	**58.4%**	1,701	53.5%
ERW steel pipes	**765**	**30.8%**	42	8.6%
SSAW steel pipes	**1,281**	**30.1%**	–	–
Sub total	**10,732**	**49.6%**	1,743	47.5%
Others	**7,659**	**21.7%**	21,543	16.9%
Total	**181,376**	**16.1%**	245,000	16.5%

There was no fair value gains on investment properties during the period (1H2014: gain RMB89.4 million).

Other income and gains for the six months ended 30 June 2015 were approximately RMB30.0 million (1H2014: RMB106.6 million), representing a decrease of approximately 71.9% as compared with that for the corresponding period in 2014. Such decrease was due to the decrease in subsidies from the PRC government for the period under review as compared with the corresponding period in 2014.

Selling and distribution expenses for the six months ended 30 June 2015 were approximately RMB94.7 million (1H2014: RMB51.4 million), representing an increase of approximately 84.3% as compared with that for the corresponding period in 2014. Such increase was mainly due to an increase in sales commission related to overseas sales during the period under review.

Administrative expenses for the six months ended 30 June 2015 were approximately RMB216.4 million (1H2014: RMB174.6 million), representing an increase of approximately 24.0% as compared with that for the corresponding period in 2014. The increase in administrative expenses was mainly due to the surge in salaries and wages and office expenses for the new production bases and offices, increase in research and development expenses and increase in amortisation of land.

Finance costs for the six months ended 30 June 2015 were approximately RMB127.0 million (1H2014: RMB116.9 million), representing an increase of 8.7% as compared with that for the corresponding period in 2014. The increase was due to the rise in borrowing to finance both the Group's working capital and capital expenditure.

Income tax expenses changed from tax expense of approximately RMB21.3 million for the six months ended 30 June 2014 to tax credit of approximately RMB23.7 million for the six months ended 30 June 2015.

As a result of the above, the net loss attributable to the owners of the Company was approximately RMB206.1 million (1H2014: profit of RMB70.6 million); loss per share was RMB0.20 (1H2014: earnings per share RMB0.07).

Future Plan and Prospects

When the anti-corruption campaign in China draws to a close, the momentum of China's gas resources development, in particular the transportation related infrastructure constructions, is expected to be restored as the Chinese government is determined to push it forward. All necessary pipelines and auxiliaries will have to be ready to support the increasing supply of natural gas, especially from Central Asia, Xinjiang and Russia. The construction of the Central Asia – China Gas Pipeline Line D will be completed by 2016. With the auxiliary facilities completed, Line A, B, C and D together will transmit as much as 80 billion cubic metres of gas into China by the end of the 13th Five-Year Plan. Russia is expected to deliver 38 billion cubic metres of gas into China on an annual basis for 30 years, starting as soon as in 2018. With all the secured gas sources and infrastructures in place, the Chinese government expects that gas will account for over 10 percent of the nation's energy consumption by 2020 towards the end of the 13th Five-Year Plan. As a leading oil and gas transmission pipes manufacturer in China, the Company shall contribute to the nation's development in pipeline constructions. Based on the above, the Directors remain optimistic that the Group will be able to benefit from a recovery in the domestic market and increase its output by utilising its expanded production capacity in the near future. Furthermore, with its production plant in Saudi Arabia soon in operation, the Group will continue to enhance its international competitiveness and pursue its aspiration to become a multinational corporation in the market.

The Company will continue to push forward the relocation plan for the headquarters and production plant in Panyu. According to the relocation plan, the production lines in the Panyu plant will be migrated to the shoreside plants in Lianyungang and Zhuhai. When such relocation is completed, the Group will carefully consider all available development options relating to the vacated production site in Panyu with a view to maximising its economic return to the Company and its shareholders.

As previously stated in the 2014 Annual Report, after the change of the land use of the land situated at the east of intersection of Changsha Road and Qinghe Road, Shiji Town, Panyu, Guangzhou (廣州番禺區石基鎮清河路與長沙路交滙處以東) (the "Panyu Land"), the Group plans to develop the first phase of the Panyu Land into an integrated commercial complex of offices, shops, serviced apartments and villas, to be named as "Golden Dragon City Fortune Plaza (金龍城財富廣場)". The first phase of the development will have a permitted construction area (including the underground construction area) of approximately 135,000 m^2. The total permitted construction area of the Panyu Land (including the underground construction area) is approximately 550,000 m^2. The construction work has already commenced, and the development is expected to be partially completed and generate income by the end of 2015.

Moreover, the Company and the industry are excited to welcome the proposal of the Chinese OBOR strategy and the establishment of AIIB. It is believed that OBOR and AIIB will encourage infrastructure investments and drive up demand for large diameter steel pipes and for energy transmission and infrastructure construction in Asia. It is also believed that OBOR and AIIB will support the growth of the industry in a long-run, and benefit the Company which has already established a good reputation in the international market.

Employees

As at 30 June 2015, the Group had 3,380 full time employees in total (at 31 December 2014: 3,892). To retain its employees, the Group provides competitive remuneration package including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory retirement benefit schemes for employees in respective countries.

Exchange Risk Exposure

During the period under review, most of the Group's operating transactions are settled in RMB except for the export sales which are mostly denominated in USD. Most of the Group's assets and liabilities are denominated in RMB. The Group did not adopt formal hedging policies nor instruments of foreign currency for hedging purposes during the period under review.

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil) to the shareholders.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 30 June 2015, the Group pledged certain property, plant, equipment and land use rights with an aggregate net book value of RMB985.8 million (at 31 December 2014: RMB279.0 million) and RMB633.6 million (at 31 December 2014: RMB500.0 million) respectively, to secure bank loans granted to the Group.

Liquidity and Financial Resources

As at 30 June 2015, the cash and cash equivalents and current ratio of the Group, as a ratio of current assets to current liabilities, were approximately RMB309.4 million (at 31 December 2014: RMB637.6 million) and 0.81 (at 31 December 2014: 0.84) respectively.

As at 30 June 2015, the Group's aggregate borrowings were approximately RMB6,463.6 million (at 31 December 2014: approximately RMB5,968.0 million), of which approximately RMB5,787.1 million (at 31 December 2014: RMB4,927.8 million) were bank borrowings, approximately RMB169.2 million (at 31 December 2014: RMB221.4 million) were for obligations under finance leases, nil (at 31 December 2014: RMB313.6 million) were short term notes and approximately RMB507.3 million (at 31 December 2014: RMB505.2 million) were USD and HKD bonds.

The gearing ratio, expressed as a percentage of the summation of interest-bearing borrowings, finance lease, bonds and short term notes over total assets of approximately RMB11,856.9 million (at 31 December 2014: RMB11,461.6 million) was approximately 54.5% (at 31 December 2014: 52.1%).

The maturity profile of the Group's total borrowings as at 30 June 2015 was spread over a period of over five years, with approximately 47% (at 31 December 2014: 53%) of the total borrowings repayable within one year, with approximately 46% (at 31 December 2014: 44%) repayable between two to five years and the remaining 7% (at 31 December 2014: 3%) repayable over five years. The Group has to finance its working capital by short term borrowings as around 90% of the cost of sales was incurred on the procurement of steel plates and steel coils. Once the Group receives sales proceeds from its customers, it will repay the short term borrowings. In addition, the Group has net current liabilities of approximately RMB909.7 million as at 30 June 2015 as some long term interest-bearing loans will be repayable within one year and was classified as current portion of the borrowings. Taking into account the cash held at the balance sheet date and unused banking facilities of approximately RMB4,092.5 million and cash flows generated from the profits of sale of products, the Group has sufficient liquidity and strong financial position to repay its short term borrowings.

As at 30 June 2015, approximately 43% (at 31 December 2014: 41%) of the Group's total borrowings were denominated in RMB which carried interest rates linked to the benchmark lending rate published by the People's Bank of China, approximately 7% (at 31 December 2014: 15%) of total borrowings were denominated in RMB which carried fixed interest rate, approximately 27% (at 31 December 2014: 29%) of total borrowings as at 30 June 2015 were denominated in USD and HKD with interest rates linked to the London Interbank Offered Rate for USD loans and Hong Kong Interbank Offered Rate for HKD loans and approximately 23% (at 31 December 2014: 15%) of the total borrowings as at 30 June 2015 were denominated in USD and HKD which carried fixed interest rate.

Litigation

As at 30 June 2015, the Group had four outstanding lawsuits as follows:

(i) Nanjing Rongyu Group Company Limited (南京鎔裕集團有限公司) ("Nanjing Rongyu") and Nanjing City Xixia Hill Roll Steeling Company Limited (南京市棲霞山軋鋼有限公司) ("Xixia Hill")

Nanjing Yuanchang Investment Guarantee Development Co., Ltd.* ("Yuancheng Investment") (南京源昌投資擔保發展有限公司) alleged Nanjing Rongyu and Xixia Hill of breaching and repudiating counter guarantee contract in the amount of RMB5.6 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group (collectively, Nanjing Rongyu, Xixia Hill and Nanjing Rongyu Group Market Management Company Limited* (南京鎔裕集團市場管理有限公司)) prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu and Xixia Hill have to pay compensatory amount of RMB5.6 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Xixia Hill applied for a retrial to the Jiangsu Higher People's Court in respect of the above judgement.

(ii) Nanjing Rongyu

Yuancheng Investment alleged Nanjing Rongyu of breaching and repudiating a counter guarantee contract in the amount of RMB7.6 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB7.6 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu applied for a retrial to the Jiangsu Higher People's Court against the above judgement.

(iii) Nanjing Rongyu

Yuancheng Investment alleged Nanjing Rongyu of breaching and repudiating a counter guarantee contract in the amount of RMB4 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB4 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu applied for a retrial to the Jiangsu Higher People's Court against the above judgement.

(iv) Nanjing Rongyu and Xixia Hill

Yuancheng Investment alleged Nanjing Rongyu and Xixia Hill of breaching and repudiating a counter guarantee contract in the amount of RMB4.2 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu Group has to pay compensatory amount of RMB4.2 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Xixia Hill applied for a retrial to the Jiangsu Higher People's Court against the above judgement.

As at 30 June 2015, the Group has made full provision for the claimed amounts for the above lawsuits. Through the court's enforcement, the Group has paid RMB10 million to Yuancheng Investment.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no significant investments, material acquisitions or disposals during the period under review.

Directors' Interests in Competing Business

As at the date of this report, none of the directors of the Company (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 2015, 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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)	Long	701,911,000	69.42%
	Personal interest	Long	1,638,000	0.16%

Note:

These shares are held by Bournam Profits Limited ("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.

Other Information

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

As at 30 June 2015, 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
Su Xing Fang	Interest of spouse (note 1)	Long	703,549,000	69.58%
Bournam Profits Limited	Beneficial owner (note 2)	Long	701,911,000	69.42%

Notes:

1. Madam Su Xing Fang, the spouse of Mr. Chen Chang, is also deemed under the SFO to be interested in such 703,549,000 shares in which Mr. Chen is deemed to be interested.

2. 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 701,911,000 shares.

Share Option and Share Award Schemes

We adopted a share option scheme on 23 January 2010 and a share award scheme on 22 March 2012 (together, the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Schemes include, without limitation, employees, Directors and any other eligible persons as defined in the Schemes. As at 30 June 2015, no share option or share has been granted or awarded or agreed to be granted or awarded to any person under the Schemes.

Corporate Governance

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015.

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 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". 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. 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 circumstances arise.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2015.

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 for the six months ended 30 June 2015.

Audit Committee

The Company's Audit Committee comprises Mr. See Tak Wah (Chairman), Mr. Chen Ping and Mr. Tian Xiao Ren who are the independent non-executive Directors of the Company.

The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2015.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed and reviewed the adequacy and effectiveness of the Group's internal control system and financial reporting system.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
REVENUE	5	**1,128,701**	1,484,020
Cost of sales		**(947,325)**	(1,239,020)
Gross profit		**181,376**	245,000
Fair value gains on investment properties		**–**	89,447
Other income and gains	5	**29,971**	106,596
Selling and distribution costs		**(94,676)**	(51,359)
Administrative expenses		**(216,382)**	(174,556)
Other expenses		**(1,769)**	(5,740)
Finance costs	6	**(127,005)**	(116,863)
Share of loss of a joint venture		**(116)**	(548)
PROFIT/(LOSS) BEFORE TAX	7	**(228,601)**	91,977
Income tax credit/(expense)	8	**23,657**	(21,346)
PROFIT/(LOSS) FOR THE PERIOD		**(204,944)**	70,631
Profit/(loss) attributable to:			
Owners of the parent		**(206,118)**	70,631
Non-controlling interests		**1,174**	–
		(204,944)	70,631
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB(0.20)**	RMB0.07

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT/(LOSS) FOR THE PERIOD	**(204,944)**	70,631
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**8,252**	(11,373)
Income tax effect	**–**	–
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**8,252**	(11,373)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**8,252**	(11,373)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(196,692)**	59,258
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**(197,866)**	59,258
Non-controlling interests	**1,174**	–
	(196,692)	59,258

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**3,689,738**	3,547,707
Investment properties	11	**2,377,460**	2,333,627
Long term prepayments and deposit		**360,404**	228,424
Prepaid land lease payments		**1,040,047**	1,051,625
Goodwill		**4,075**	4,075
Investment in a joint venture		**39,326**	39,493
Due from a joint venture		**–**	140,050
Deferred tax assets		**79,700**	61,987
Pledged deposits		**440,846**	22,313
Total non-current assets		**8,031,596**	7,429,301
CURRENT ASSETS			
Inventories	12	**1,009,112**	921,526
Trade and bills receivables	13	**1,025,977**	1,342,668
Prepayments, deposits and other receivables		**770,354**	648,344
Due from a joint venture		**142,282**	–
Investment deposits		**–**	26,000
Pledged deposits		**568,152**	456,192
Cash and bank balances		**309,428**	637,577
Total current assets		**3,825,305**	4,032,307
CURRENT LIABILITIES			
Trade and bills payables	14	**1,105,205**	922,551
Interest-bearing loans and other borrowings	15	**3,020,809**	2,830,164
Other payables and accruals		**523,450**	616,348
Provision		**19,878**	29,960
Tax payable		**65,643**	66,362
Short-term notes	16	**–**	313,608
Total current liabilities		**4,734,985**	4,778,993
NET CURRENT LIABILITIES		**(909,680)**	(746,686)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,121,916**	6,682,615

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2015

	Notes	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing loans and other borrowings	15	**2,935,503**	2,319,038
Fixed rate bonds	17	**507,308**	505,174
Government grants		**131,013**	112,728
Deferred tax liabilities		**475,668**	476,559
Total non-current liabilities		**4,049,492**	3,413,499
Net assets		**3,072,424**	3,269,116
EQUITY			
Equity attributable to owners of the parent			
Issued capital	18	**88,856**	88,856
Reserves		**2,970,911**	3,168,777
		3,059,767	3,257,633
Non-controlling interests		**12,657**	11,483
Total equity		**3,072,424**	3,269,116

Director

Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Note	Issued capital RMB'000 (note 18)	Share premium RMB'000	Asset revaluation reserve RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000 (note (a))	Statutory reserve fund RMB'000 (note (b))	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
		Attributable to owners of the parent										
At 1 January 2015		**88,856**	**767,097**	**1,154,425**	**224,589**	**57,607**	**133,745**	**816,274**	**15,040**	**3,257,633**	**11,483**	**3,269,116**
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(206,118)**	**–**	**(206,118)**	**1,174**	**(204,944)**
Other comprehensive loss for the year												
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,252**	**8,252**	**–**	**8,252**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(206,118)**	**8,252**	**(197,866)**	**1,174**	**(196,692)**
At 30 June 2015 (unaudited)		**88,856**	**767,097***	**1,154,425***	**224,589***	**57,607***	**133,745***	**610,156***	**23,292***	**3,059,767**	**12,657**	**3,072,424**

* These reserve accounts comprise the consolidated reserves of RMB2,970,911,000 (31 December 2014: RMB3,168,777,000) in the interim condensed consolidated statement of financial position as at 30 June 2015.

For the six months ended 30 June 2014

	Issued Capital RMB'000 (note 18)	Share premium RMB'000	Asset Revaluation Reserve RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000 (note (a))	Statutory reserve fund RMB'000 (note (b))	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
	Attributable to owners of the parent								
At 1 January 2014	88,856	767,097	1,154,425	224,589	57,607	133,745	1,175,521	17,229	3,619,069
Profit for the period	–	–	–	–	–	–	70,631	–	70,631
Other comprehensive income for the period:									
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–	(11,373)	(11,373)
At 30 June 2014 (unaudited)	88,856	767,097	1,154,425	224,589	57,607	133,745	1,246,152	5,856	3,678,327

Notes:

(a) 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").

(b) 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 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	**(348,611)**	(222,250)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(342,151)**	(282,617)
Addition to investment properties	**(50,460)**	(6,648)
Addition to prepaid land lease payments	**–**	(212,566)
Investment in a joint venture	**–**	(67,052)
Proceeds from disposal of items of property, plant and equipment	**1,088**	4,523
Proceeds from disposal of an investment property	**6,706**	–
Payment for investment deposits	**(256,300)**	–
Collection of investment deposits	**282,300**	–
Proceed from settlement of a forward contract	**–**	11,246
Net cash flows used in investing activities	**(358,817)**	(553,114)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	**2,971,431**	1,475,815
Repayment of bank loans and other borrowings	**(2,109,518)**	(1,776,684)
Proceeds from issue of bonds	**–**	68,597
Proceeds from issue of short term note	**–**	298,850
Repayment of short term note	**(300,000)**	(200,000)
Interest paid	**(149,917)**	(127,550)
Interest element of finance lease rental payments	**(6,943)**	(2,216)
Capital element of finance lease rental payments	**(53,965)**	(16,700)
Cash received from sales and lease back finance lease	**24,000**	164,000
Net cash flows from/(used in) financing activities	**375,088**	(115,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(332,340)**	(891,252)
Effect of foreign exchange rate changes, net	**4,191**	7,869
Cash and cash equivalents at 1 January	**637,577**	1,609,517
CASH AND CASH EQUIVALENTS AT 30 JUNE	**309,428**	726,134

1. Corporate Information

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (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 Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (together, the "Group") are 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.

In the opinion of the directors, the holding company and ultimate holding company of the Company is Bournam Profits Limited, which was incorporated in the British Virgin Islands.

2. Basis of Preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2015 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 of Hong Kong Limited and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB"). These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These 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 statements for the year ended 31 December 2014.

2. Basis of Preparation (Continued)

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of approximately RMB909,680,000 as at 30 June 2015, the financial statements have been prepared by the directors of the Company on a going concern basis, because:

(i) as at 30 June 2015, the Group had unutilised credit facilities from banks of approximately RMB4,092,475,000; and

(ii) the directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date together with the expected results of other measures in progress, the Group is able to fulfil its financial obligations upon fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions as at 30 June 2015.

3.1 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

Amendments to IAS 19	*Defined benefit plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*

The adoption of these new and revised IFRSs has no significant effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3.2 Issued But Not Yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial statements:

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferred Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (Revised)	*Equity Method in Separate Financial Statements*[1]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 10, IFRS 12 and IAS 28 (Revised)	*Investment Entities: Applying the Consolidation Exception*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the manufacture and sale of welded steel pipes and the provision of related manufacturing services; and

(b) property development and investment for its rental income potential.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating Segment Information (Continued)

Six months ended 30 June 2015 (unaudited)	Steel pipes RMB'000	Property RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	1,128,701	–	1,128,701
Segment results:	(195,055)	(12,842)	(207,897)
Reconciliation:			
Interest income			1
Corporate and other unallocated expenses			(20,705)
Loss before tax			(228,601)
Segment assets:	6,670,071	2,601,549	9,271,620
Reconciliation:			
Elimination of intersegment receivables			(324,165)
Corporate and other unallocated assets			2,909,446
Total assets			11,856,901
Segment liabilities:	7,832,084	764,526	8,596,610
Reconciliation:			
Elimination of intersegment payables			(324,165)
Corporate and other unallocated liabilities			512,032
Total liabilities			8,784,477
Other segment information:			
Share of loss of a joint venture	(116)	–	(116)
Impairment losses recognised in the statement of profit or loss	(4,467)	–	(4,467)
Impairment losses reversed in the statement of profit or loss	17,870	–	17,870
Depreciation and amortisation	(89,466)	(97)	(89,563)
Capital expenditure*	221,169	50,515	271,684

4. Operating Segment Information (Continued)

Six months ended 30 June 2014 (unaudited)	Steel pipes RMB'000	Property RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	1,484,020	–	1,484,020
Segment results:	25,083	84,982	110,065
Reconciliation:			
Corporate and other unallocated expenses			(18,088)
Profit before tax			91,977
Segment assets:	6,357,281	2,495,089	8,852,370
Reconciliation:			
Elimination of intersegment receivables			(196,964)
Corporate and other unallocated assets			2,956,772
Total assets			11,612,178
Segment liabilities:	6,988,728	632,140	7,620,868
Reconciliation:			
Elimination of intersegment payables			(196,964)
Corporate and other unallocated liabilities			509,947
Total liabilities			7,933,851
Other segment information:			
Share of loss of a joint venture	(548)	–	(548)
Impairment losses recognised in the statement of profit or loss	(40)	–	(40)
Depreciation and amortisation	(51,918)	(45)	(51,963)
Capital expenditure*	610,647	7,070	617,717

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

4. Operating Segment Information (Continued)

Information about products

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Manufacture and sale of steel pipes:		
LSAW steel pipes	**739,455**	1,196,417
ERW steel pipes	**110,152**	41,768
SSAW steel pipes	**222,105**	114,440
Steel pipe manufacturing services:		
LSAW steel pipes	**14,882**	3,177
ERW steel pipes	**2,486**	491
SSAW steel pipes	**4,260**	–
Others*	**35,361**	127,727
	1,128,701	1,484,020

* Others mainly included the manufacture and sale of steel fittings, screw thread steels and scrap materials and the trading of equipment.

4. Operating Segment Information (Continued)

Geographical information

The revenue information based on the locations of the customers is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales to external customers:		
Mainland China	**452,847**	758,200
America	**433,741**	186,906
European Union	**2,723**	–
Middle East	**120,221**	107,087
Other Asian countries	**43,390**	406,623
Oceania	**42,564**	–
Other	**33,215**	25,204
	1,128,701	1,484,020

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 2015, revenue from two customers of the Group amounting to RMB266,323,000 and RMB130,587,000, which had accounted for over 24% and 12%, respectively 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	**1,128,701**	1,484,020
Other income		
Bank interest income	**11,948**	6,607
Subsidy income from the PRC government	**4,026**	101,179
Rental income	**15**	119
Others	**316**	3,190
	16,305	111,095
Gains		
Fair value loss, net:		
Derivative instruments – transactions not qualifying as hedge	**–**	(2,085)
Exchange gain/(loss), net	**13,666**	(2,414)
	13,666	(4,499)
	29,971	106,596

The subsidy income represented subsidies granted by the local finance bureaus to Panyu Chu Kong Steel Pipe (Lianyungang) Co Ltd., Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. and PCKSP as awards for their investment and high product quality, respectively. 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and government loans	**117,906**	118,965
Interest on other loans (including bonds and short term notes)	**16,282**	18,835
Interest on finance lease	**8,697**	5,249
Interest on discounted bills	**19,122**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**162,007**	143,049
Less: Interest capitalised	**(35,002)**	(26,186)
	127,005	116,863

7. Profit/(loss) Before Tax

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**800,874**	1,093,330
Depreciation	**78,130**	42,030
Impairment of trade receivables recognised/(reversed)	**(13,403)**	40

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 operated.

No provision for Hong Kong, Dubai, Indonesia and Singapore profits tax have been made as the Group had no assessable profits derived from or earned in these regions during the period.

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China charge/(credit) for the period	**(5,008)**	17,939
Deferred	**(18,649)**	3,407
Total tax charge/(credit) for the period	**(23,657)**	21,346

9. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent of RMB206,118,000 (six months ended 30 June 2014: profit of RMB70,631,000), and the weighted average number of ordinary shares of 1,011,142,000 (30 June 2014: 1,011,142,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the periods ended 30 June 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. Property, Plant and Equipment

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
At beginning of the period/year	**3,547,707**	2,903,523
Additions	**221,224**	738,713
Acquisition of a subsidiary	**–**	25,377
Disposals	**(1,088)**	(2,291)
Depreciation	**(78,130)**	(117,744)
Exchange realignment	**25**	129
At end of the period/year	**3,689,738**	3,547,707

11. Investment Properties

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Buildings		
Carrying amount at 1 January	**6,627**	6,313
Net gain from a fair value adjustment	**–**	293
Disposals	**(6,627)**	–
Exchange realignment	**–**	21
Carrying amount at end of the period/year	**–**	6,627
Land		
Carrying amount at 1 January	**2,327,000**	2,210,000
Additions	**50,460**	17,706
Net gain from a fair value adjustment	**–**	99,294
Carrying amount at end of the period/year	**2,377,460**	2,327,000
	2,377,460	2,333,627

12. Inventories

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Raw materials	**244,378**	278,261
Work in progress	**280,833**	212,650
Finished goods	**483,901**	430,615
	1,009,112	921,526

13. Trade and Bills Receivables

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade receivables	**1,029,464**	1,329,720
Impairment	**(15,560)**	(28,963)
Trade receivables, net	**1,013,904**	1,300,757
Bills receivable	**12,073**	41,911
	1,025,977	1,342,668

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 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.

13. Trade and Bills Receivables (Continued)

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 60 days	**389,950**	676,460
61 to 90 days	**97,065**	108,877
91 to 180 days	**136,110**	151,551
181 to 365 days	**226,178**	126,577
1 to 2 years	**106,534**	196,833
2 to 3 years	**27,538**	26,153
Over 3 years	**30,529**	14,306
	1,013,904	1,300,757

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 90 days	**313,008**	280,708
91 to 180 days	**42,547**	48,837
181 to 365 days	**46,897**	16,543
1 to 2 years	**21,166**	16,806
2 to 3 years	**9,252**	8,576
Over 3 years	**4,288**	3,070
	437,158	374,540
Bills payable	**668,047**	548,011
	1,105,205	922,551

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

All the bills payable bear maturity dates within 180 days.

15. Interest-Bearing Loans and Other Borrowings

	Effective interest rate %	Maturity	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
Current				
Finance lease payables	6.31	2015~2016	**38,566**	72,539
Bank loans				
– secured	2.07~7.59	2015~2016	**700,635**	607,513
– unsecured	2.30~7.59	2015~2016	**2,051,758**	1,932,112
Government loans				
– unsecured	4.20~6.33	2015~2016	**229,850**	218,000
			3,020,809	2,830,164
Non-current				
Finance lease payables	6.31	2016~2019	**130,664**	148,901
Bank loans				
– secured	6.40~7.59	2016~2028	**725,518**	918,339
– unsecured	2.50~6.15	2016	**1,709,321**	1,122,298
Government loans				
– secured	5.65	2023	**300,000**	–
– unsecured	5.50	2016	**70,000**	129,500
			2,935,503	2,319,038
			5,956,312	5,149,202

15. Interest-Bearing Loans and Other Borrowings (Continued)

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**2,752,393**	2,539,625
In the second year	**2,025,419**	1,503,352
In the third to fifth years, inclusive	**263,420**	389,285
Beyond five years	**146,000**	148,000
	5,187,232	4,580,262
Government loans repayable:		
Within one year	**229,850**	218,000
In the second year	**70,000**	129,500
Beyond five years	**300,000**	–
	599,850	347,500
Finance lease payables:		
Within one year	**38,566**	72,539
In the second year	**39,867**	41,505
In the third to fifth years, inclusive	**90,797**	107,396
	169,230	221,440
	5,956,312	5,149,202

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 RMB985,785,000 (31 December 2014: RMB278,969,000) as at the end of the reporting period; and

(b) a charge over certain leasehold land of the Group with a net carrying amount of approximately RMB633,597,000 (31 December 2014: RMB500,049,000) as at the end of the reporting period; and

In addition, the Company has guaranteed certain of the Group's bank loans up to RMB2,861,843,000 (31 December 2014: RMB2,249,650,000) as at the end of the reporting period.

Except for the bank loans of RMB177,683,000 (31 December 2014: RMB446,844,000), RMB2,023,509,000 (31 December 2014: RMB1,725,821,000) and RMB762,000 (31 December 2014: Nil) as at 30 June 2015, which are denominated in Hong Kong dollars, United State dollars and Euro, respectively, all borrowings are in RMB.

15. Interest-Bearing Loans and Other Borrowings (Continued)

The Group had the following undrawn banking facilities:

	Group	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Floating rate		
– expiring within one year	**4,092,475**	5,740,163

16. Short-Term Notes

The carrying amount of the Group's short-term notes is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
The First Tranche Notes 2014–8.3% fixed rate notes maturing in June 2015 – unsecured	**–**	313,608

In May 2014, PCKSP completed the registration with the National Association of Financial Market Institutional Investors for a RMB500 million unsecured short-term notes ("Notes 2014") facility issuable in two years from the date of registration. In June 2014, PCKSP issued the First Tranche Notes of RMB300 million in the PRC with a tenure of one year and carrying interest at a fixed rate of 8.3% per annum, it was matured in May 2015 and repaid.

17. Fixed Rate Bonds

US dollar 72,000,000 5.6% Bonds due 2018

On 30 April 2013, the Group issued bonds with a principal amount of US dollar 72,000,000 and the bonds will be repayable in full by 30 April 2018 (the "2013 Bonds"). The bonds may be redeemed at the option of the Group in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the bonds, at their principal amount, together with interest accrued to the date fixed for redemption. The bonds bear a fixed coupon interest rate at 5.6% per annum for five years payable semi-annually, commencing on 30 October 2013. The bonds are unsecured.

The bonds were issued for refinancing the existing debt and for general corporate purposes. The net proceeds of the bonds after deducting issue expenses amounted to approximately RMB438,381,000.

17. Fixed Rate Bonds (Continued)

HK dollar 100,000,000 5% Bonds due 2017

On 2 May 2014, the Group issued bonds with a principal amount of HK dollar 100,000,000 which was subscribed at a price equal to HK dollar 86,500,000 and the bonds will repayable in full by 2 May 2017 (the "2014 Bonds"). The bonds may be redeemed at the option of the Group in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the bonds, at their principal amount, together with interest accrued to the date fixed for redemption. The bonds bear a fixed coupon interest rate at 5% per annum for three years payable semi-annually, commencing on 2 November 2014. The bonds are unsecured.

The bonds were issued for refinancing the existing debt and for general corporate purposes. The net proceeds of the bonds after deducting issued expenses amounted to approximately RMB68,659,000.

2013 Bonds	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
Carrying amount at 1 January	**434,632**	431,453
Newly issued	**–**	–
Issue expense	**–**	–
Amortisation	**1,814**	1,569
Exchange realignment	**(1,417)**	1,610
Carrying amount at end of the period/year	**435,029**	434,632

The effective interest rate of the bonds is 6.05% per annum.

2014 Bonds	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
Carrying amount at 1 January	**70,542**	–
Newly issued	**–**	68,659
Issue expense	**–**	(62)
Amortisation	**1,764**	2,377
Exchange realignment	**(27)**	(432)
Carrying amount at end of the period/year	**72,279**	70,542

The effective interest rate of the bonds is 10.62% per annum.

18. Issued Capital

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Authorised:		
10,000,000,000 (31 December 2014: 10,000,000,000) ordinary shares of HK$0.10 each	**878,335**	878,335
Issued and fully paid:		
1,011,142,000 (31 December 2014: 1,011,142,000) ordinary shares of HK$0.10 each	**88,856**	88,856

19. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of two years.

At 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**–**	282
In the second to fifth years, inclusive	**–**	165
	–	447

19. Operating Lease Arrangements (Continued)

(b) As lessee

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 the period end, at which time all terms will be renegotiated.

As at 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**3,694**	5,611
In the second to fifth years, inclusive	**3,586**	3,643
After five years	**14,101**	14,821
	21,381	24,075

20. Commitments

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted, but not provided for:		
Purchase of land and buildings	**558,518**	593,983
Purchase of plant and machinery	**71,452**	128,249
	629,970	722,232
Contracted, but not provided for:		
Capital contributions payable for establishment of a joint venture	**99,858**	102,377
	729,828	824,609

21. Related Party Transactions

The directors are of the view that the following companies are related parties which entered into material transactions with the Group during the period:

Name of party	**Relationship**
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 company of which Mr. Chen Chang is the ultimate equity owner.
Al-Qahtani PCK Pipe Company	Al-Qahtani PCK Pipe Company is a joint venture of the Group.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

			Six months ended 30 June	
Name of party	**Nature of transaction**	**Notes**	**2015 (Unaudited) RMB'000**	2014 (Unaudited) RMB'000
GZMT	Purchases of spare parts	(i)	**4,406**	7,439
Al-Qahtani PCK Pipe Company	Sales of plant and machinery	(ii)	**1,910**	140,050

Notes:

(i) These purchases and sales were made at prices based on agreements entered into between the parties.

(ii) This transaction was carried out after negotiations between the Group and the joint venture in the ordinary course of business and on the basis of estimated market value as determined by the directors.

21. Related Party Transactions (Continued)

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,638**	4,968
Retirement benefit scheme contributions	**90**	96
Total compensation paid to key management personnel	**4,728**	5,064

22. Approval of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2015.