



SHENGLI OIL & GAS PIPE HOLDINGS LIMITED 勝利油氣管道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1080

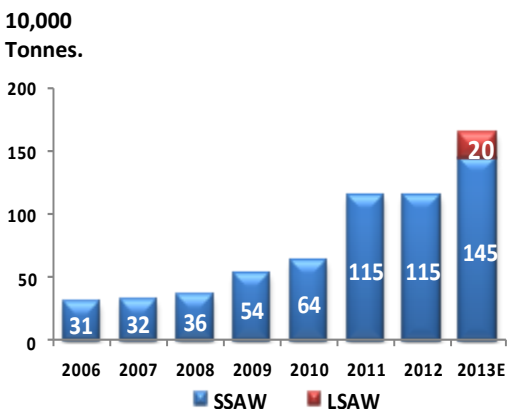


November 2013

Market Information

Price (31 Oct 2013)	HK\$ 0.42
52-Week Range	HK\$ 0.39–HK\$0.90
No. of Issued Shares	2,480,580,000
Free Float	42.25%
Avg Vol (10 days)	4.00 Million shares
Market Cap.	HK\$ 1.04 Billion

Capacity Expansion Plan



Company Overview

Shengli Oil & Gas Pipe Holdings Limited is one of the largest oil and gas pipe manufacturers in China

- One of the major producers of Spiral Submerged Arc Welded pipe (SSAW Pipe) for PetroChina Group and Sinopec Group with over 20% market share in China.

Main Products & Business

- Manufacturing and sales of SSAW pipes and related anti-corrosion treatment services
- Participated in the construction of long-distance oil and gas pipelines in China and of transnational pipelines projects.

Solid Track Record

- Participated in major pipeline projects such as 1st, 2nd and 3rd West-East Gas Pipeline, Central Asia-China Natural Gas Pipeline, Shaanxi-Beijing Gas Pipeline, Kazakhstan-China Oil Pipeline, China-Russia Natural Gas Pipeline, China-Myanmar Oil and Gas Pipeline, China-Asia Line C and Tanzania Pipeline.
- As at 30 June 2013, SSAW pipes of the Group comprised approximately **22,600 km** of the total length of the world's major oil and gas pipelines, of which **94.2%** have been installed domestically and the remaining **5.8%** installed overseas.

Market Opportunity

Approved Suppliers of National Pipeline Project

Production capacity at 1H2013

Supplier	Capacity (million tonnes)
(1) Shengli Oil & Gas Pipe Holdings Limited	1.15
(2) Baoji Petroleum Steel Pipe Co., Ltd.	
(3) North China Petroleum Steel Pipe Co., Ltd.	
(4) Shashi Steel Pipe Factory	3.45

Total demand for SSAW pipes: **3.5 million tonnes/year**

VS

Total effective supply: **< 3 million tonnes/year**

Total Length of PRC National Pipelines*



Note: (2)-(3) are subsidiaries of PetroChina Group
(4) is the subsidiary of Sinopect Group

*Source : Xinhua News "The summary of the 12th Five-year Plan on economic and social developments"
** from 2H2013 to 2015

Latest Company Updates

- In the first half of year 2013, the group has won a total of **77 tenders**, whereby responsible for the provision of SSAW pipes and related anti-corrosion services with total contract value amounted to approximately **RMB 500 millions**.
- On July 7, the company published announcement to resume trading in the shares with effect from July 8.
- On April 26 and on June 10, the company published two holding announcements to bring attention to the public of the unresolved issues and report the results of independent review results conducted by independent professional firm.
- On March 14, the company announced that trading in the shares will be halted with effect from March 14 pending the release of an announcement in relation to inside information.
- On January 24, Shandong Shengli entered into a contract with China University of Petroleum to establish an Academic Research and Experiment Base in Zibo, serving as a communication platform between Shandong Shengli and the university. Aiming at Production Academy and Research, the establishment of the base will further strengthen the R&D ability and technology advance of the Group.



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Main Business

SSAW Pipes



Hot-rolled steel coils formed into pipes with automated submerged arc welding process

LSAW Pipes

Flat plates formed into pipes with automated longitudinal submerged arc welding process

Anti-Corrosion



Anti-corrosion treatments for oil and gas pipes

Zibo 880k tonnes, 5+1 set production lines**
Dezhou 120k tonnes, 4 production lines
Urumqi 150k tonnes, 1 production line
Xiangtan* 300k tonnes, 2 production lines

Xiangtan* 200k tonnes, 1 production line
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Zibo 4.8m sqm, 2 external and 2 internal coating lines
Dezhou 1.2m sqm, 1 external coating line
Urumqi* 1.4m sqm, 1 external and 1 internal coating lines
Xiangtan* 2.4m sqm, 1 external and 1 internal coating lines

*Did not commence in production and are still under construction

** Including five SSAW pipes production lines using traditional technique and one set of SSAW pipes production line using pre-welding and precision-welding technique

Other Business

Gas Distribution in PRC
through Strategic Investment (25%)
(involve in Jiangsu Wujiang, Henan Pingdingshan & Luohe, and Fujian Sanming etc)

Dome Integration House
through JV(40%)

Note:
Rizhao Branch has leased certain warehouse, equipment and office facilities to the JV (cold-formed section steel had been ceased in production in the later part of last year)

Metal Commodity Trading

Aiming at fully utilizing the business chain capacity of our existing customers and other storage resources available

Financial Highlights

(RMB'000)	1H2013	1H2012	YoY	(RMB'000)	2013.06.30	2012.12.31	HoH
Revenue	1,341,413	617,431	+117.3%	Total Assets	4,404,538	3,587,484	+22.8%
Gross Profit	39,579	29,456	+34.4%	Total Liabilities	2,050,503	1,322,423	+55.1%
GP Margin(%)	3.0%	4.8%	-1.8pt	Cash & Cash Equivalents	228,740	166,056	+37.8%
EBIT	14,784	16,022	-7.7%	Current Ratio (times)	1.3	1.5	-13.3%
Profit*	7,827	9,821	-20.3%	Net Debt to Equity	33.6%	25%	8.6pt
Basic EPS (RMB cents)	0.47	0.50	-6.0%				

* total comprehensive income for the period

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Growth Strategy

- Dedicate great efforts to facilitate and monitor the construction of LSAW (200,000tonnes) and SSAW (300,000tonnes) production lines in Xiangtan Project
- Utilize capacity advantage, geographical advantage and technical advantage of pre-welding and precision-welding technique to actively seize the business opportunities of the rapid industry growth in the future
- Establish an international sales team in an attempt to expand business overseas
- Strengthen R&D to prompt technological innovation and technology advance
- Progressively seek for mergers and acquisitions as well as other investment opportunities to make a move to expand into the upstream and downstream segments of the oil industry