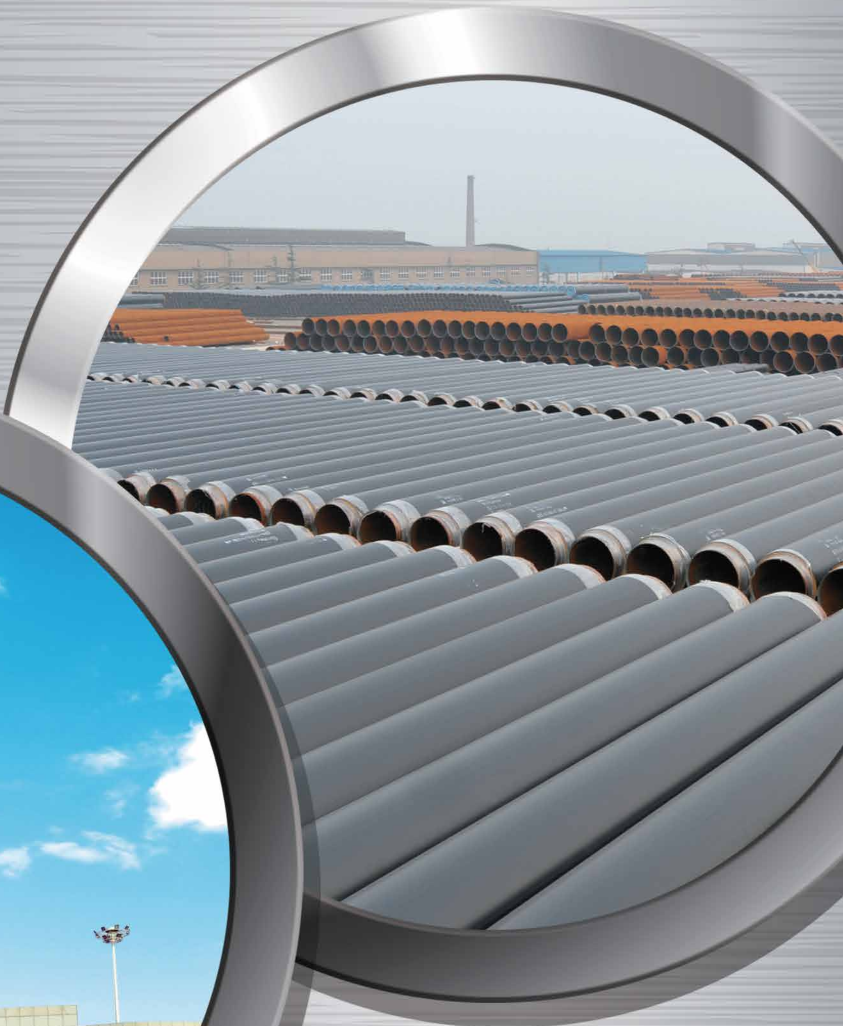
勝利管道
SHENGLI PIPE

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1080



2014
ANNUAL REPORT

CORPORATE PROFILE

SHENGLI OIL & GAS PIPE HOLDINGS LIMITED (the "Company") is one of the largest oil and gas pipeline manufacturers in China.
We focus on the design, manufacturing, value-added processing and servicing of spiral submerged arc welded pipes ("SSAW pipes") and longitudinal submerged arc welded pipes ("LSAW pipes"), that are used to transport crude oil, refined petroleum products, natural gas and other related products.

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Bizhuang
(Chairman and Chief Executive Officer)
Mr. Jiang Yong *(Vice President)*
Mr. Wang Kunxian *(Vice President)*
(appointed on 14 August 2014)
Ms. Han Aizhi *(Vice President)*
Mr. Song Xichen *(Vice President)*
Mr. Liu Yaohua *(Vice President)*
(resigned on 14 August 2014)

Non-executive Director

Mr. Yan Tangfeng (resigned on 16 October 2014)

Independent non-executive Directors

Mr. Guo Changyu
Mr. Wang Xueyou
Mr. Chen Junzhu, *ACCA, CICPA*
Mr. Wu Geng (appointed on 19 March 2015)

AUDIT COMMITTEE

Mr. Chen Junzhu *(Chairman), ACCA, CICPA*
Mr. Guo Changyu
Mr. Wu Geng (appointed as member of the Audit Committee on 23 March 2015)
Mr. Wang Xueyou (resigned as member of the Audit Committee on 23 March 2015)
Mr. Yan Tangfeng (resigned on 16 October 2014)

REMUNERATION COMMITTEE

Mr. Wang Xueyou *(Chairman)*
Mr. Zhang Bizhuang
Mr. Chen Junzhu, *ACCA, CICPA*
Mr. Yan Tangfeng (resigned on 16 October 2014)

NOMINATION COMMITTEE

Mr. Guo Changyu *(Chairman)*
Mr. Zhang Bizhuang
Mr. Wu Geng (appointed as member of the Nomination Committee on 23 March 2015)
Mr. Wang Xueyou (resigned as member of the Nomination Committee on 23 March 2015)

COMPANY SECRETARY

Mr. Hong Kam Le

AUTHORISED REPRESENTATIVES

Ms. Han Aizhi
Mr. Hong Kam Le

REGISTERED OFFICE

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

HEADQUARTERS IN CHINA

Zhongbu Town
Zhangdian District, Zibo City
Shandong Province
the PRC
Postal Code: 255082

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2111,
21st Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

PRINCIPAL BANKERS

Industrial & Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communication
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISER AS TO HONG KONG LAW

Li & Partners

AUDITORS

ZHONGHUI ANDA CPA Limited
Unit 701, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

LISTING EXCHANGE INFORMATION

Main Board
The Stock Exchange of Hong Kong Limited

STOCK CODE

1080

COMPANY WEBSITE

www.slogp.com

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,009,062,000, representing a decrease of approximately 21.4% when compared to 2013.

- Gross profit margin was approximately 1.4%, representing a decrease of approximately 2 percentage points when compared to 2013.

- The loss for the year attributable to owners of the Company amounted to approximately RMB219,176,000 (2013: profit of approximately RMB17,826,000).

- Basic loss per share attributable to owners of the Company amounted to approximately RMB8.72 cents, representing a decrease of approximately RMB9.44 cents when compared to 2013.

CHAIRMAN'S STATEMENT

Promising start

We believe that we are one of the few suppliers in China producing SSAW pipes and LSAW pipes of large diameter, high wall thickness, high steel grade and high pressure resistance for the transportation of crude oil, refined petroleum products and natural gas over long distances.

Dear Shareholders,

On behalf of Shengli Oil & Gas Pipe Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the audited results of the Group for the year ended 31 December 2014 to the shareholders.

With the PRC's great demand for imported oil and natural gas and its reliance on continuous improvement of infrastructures for its sustainable growth, there will still be, from a long-term perspective, substantial demand for oil and gas pipelines. However, the oil sector for some reasons has postponed the construction of long-distance oil and gas pipelines in 2014, resulting in a significant impact on the Group's performance for the year under review. The Group's principal business of production and anti-corrosion services of pipes recorded sales volume of approximately RMB359,368,000. Under the centralized planning of the board (the "Board") of directors (the "Directors") of the Company, the Group continued to strive for sustainable development and prosperity, and achieved notable results in, amongst others, our internal management, infrastructure for development and technological advancement.

DISPOSAL OF GOLDEN FORTUNE AND OPTIMISATION OF RESOURCE ALLOCATION

Having analysed the past operation and future development of Beijing Golden Fortune Investment Co., Ltd.* (北京慧基泰展投資有限公司) ("Golden Fortune"), in which the Group has shares, and taken into consideration the current industry trend in China and the uncertainties about the future of the natural gas distribution sector, the Group disposed of its 25% interests in Golden Fortune at a suitable price on 28 April 2014. The Directors unanimously considered that this is an inevitable part of the Group's optimisation initiative and is expected to bring additional working capital to the Group. On 13 February 2015, the agreement was completed, from which we realized our investment to solidify the Group's position for new pipeline construction projects.

WELL–ORGANIZATION OF PRODUCTION AND STAFF TRAINING

Since 2014, the respective subsidiaries of the Group have put more focus on enhancement of their quality control systems, strengthening their cost awareness, implementation of stringent production craftsmanship, well-organization of production and provision of training to their staffs.

Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("Shandong Shengli Steel Pipe") completed the production of 86 standards of spiral submerged arc welded pipes ("SSAW pipes"). The production units have respectively showed improvement in terms of material consumption and quality of the products, in particular the production units for pre-welding and precision-welding from which the product qualification ratio increased from 96.49% in 2013 to 99.9% in 2014, which demonstrated our gradual mastery of pre-welding and precision-welding production craftsmanship and our competitive edges in terms of quality and production process.

During the first half of the year, Xinjiang Shengli Steel Pipe Co., Ltd.* (新疆勝利鋼管有限公司) ("Xinjiang Shengli Steel Pipe") manufactured 40 km of Φ920 steel pipelines and provided anti-corrosion service for the key water supply project in Changji. A new coating, namely liquid ceramic epoxy resin coating, is applied for the first time to pipelines in the Group's anti-corrosion production line, and its anti-corrosion property has yielded positive feedback from the clients, thereby laying the foundation to secure more orders in the future.

Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司) ("Hunan Shengli Steel Pipe") completed the production of 32 standards of SSAW pipes and 6 standards of longitudinal submerged arc welded pipes ("LSAW pipes"), and succeeded in the production of Φ1,246 longitudinal pipes with 50mm of wall thickness. The production capacity of the facilities was effectively tested and the technology team has been strengthened.

In 2014, Hunan Shengli Steel Pipe passed the entry assessment conducted by China Petrochemical Corporation ("Sinopec") and CNOOC Limited ("CNOOC") and became one of their qualified suppliers. Xinjiang Shengli Steel Pipe passed the entry assessment conducted by Sinopec and is well-positioned to participate in large-scale national pipeline projects in the future.

EMPHASIZING ON TECHNOLOGICAL RESEARCH, DEVELOPMENT AND INNOVATION TO DRIVE UP THE PRODUCTIVITY

As a key factor of production, technology innovation has been the Group's utmost concern for years. Firstly, the Group has accelerated the development of the pre-welding and precision-welding technology in order to become a leader in pre-welding and precision-welding technology in the PRC. Secondly, it continues to carry out trial production and research and development of SSAW pipes with high quality and improved specifications using traditional technique while modernising the production technology thereof. Thirdly, the Group strives to master the technology for the LSAW pipe production lines.

Shandong Shengli Steel Pipe applied for five utility model patents. Such patents have already been granted by the State Intellectual Property Office, and have been applied in and have improved the technology level of production inspection.

With the aim of enriching the product range of LSAW pipes and enhancing its market competitiveness, Hunan Shengli Steel Pipe has actively carried out small-scale modifications to the production line of LSAW pipes to increase the radiation range of products from Φ711~Φ1,422 mm to Φ508~Φ1,422 mm. The technology team has been strengthened during the modifications and the Group will be in the position to take up local pipeline and national branch pipeline projects in the future. The Group also succeeded in the trial production of LSAW pipes of Φ1,219X26.4X80M for China National Petroleum Corporation ("CNPC") in December. Those products will be directly used in the Third West to East Natural Gas Pipeline Project (西氣東輸三線管道工程), which has demonstrated the Group's major stride in the "Technical research on high-strength steel welding process".

FOCUSING ON NATIONAL KEY PROJECTS TO IMPROVE THE RESULTS OF OUR PRINCIPAL BUSINESS

Looking forward to 2015, the economy will gain a stronger momentum toward recovery. The construction of oil and gas pipes in the PRC will still be in a period of stable growth in the coming ten to twenty years. Auxiliary facilities such as pipes and storage facilities for natural gas will be the focus for future development. It

is expected that by 2020, the total mileage of oil and gas pipes in the PRC will reach 160,000 kilometers, 1.6 times the length of the currently completed pipelines.

Since the end of 2014, the PRC has entered into a period of concentrated construction in major natural gas pipelines. Currently, the domestic major gas pipelines under planning or under construction include Xinjiang-Guangdong-Zhejiang Pipeline (新粵浙管線), the Fourth Shaanxi-to-Beijing Gas Pipeline (陝京四線), Sino-Russian Natural Gas Pipeline (中俄天然氣管線) and the Fourth West to East Natural Gas Pipeline (西氣東輸四線). The total length of those four pipelines will amount to approximately 16,000 kilometers. The construction of Tianjin LNG Pipeline (天津LNG管線) and Line D of the Central Asia-China Gas Pipeline (中亞D線) is also under planning. These projects will certainly serve as a significant boost to the Chinese energy sector and hence the economy, and will also provide enormous development opportunity for the Group.

The Group's planning on market penetration in eastern China, central-southern region and northwest region has well-positioned itself in a new round of peak construction period for pipeline projects. To grasp such market opportunities, the Group has established headquarters of sales to head all its sales teams in, amongst others, Zibo and Dezhou in Shandong, and Xinjiang and Hunan, in order to actively follow up on business data, increase sales effort, obtain more orders and thus, secure sustainable and healthy growth for the Group. As at the end of December 2014, product volume under the outstanding contracts amounted to approximately 110,000 tonnes.

Finally, I would like to take this opportunity to express thanks to shareholders and customers, and to extend heartfelt gratitude to the management and staff for their hard work. The Group will vigorously make preparation for capturing future growth opportunities and continue to create long-term value for shareholders.

Zhang Bizhuang
Chairman of the Board & Chief Executive Officer

* *For identification purpose only*

As at the end of December 2014, the annual capacity of the Group's SSAW pipe production line had reached

1,450,000

tonnes

and the annual capacity of the LSAW pipe production line was 200,000 tonnes, making the Group as one of the largest oil and gas pipeline manufacturers in China

MANAGEMENT DISCUSSION AND ANALYSIS

the Group's total revenue for the year was approximately

RMB2 billion

MARKET OVERVIEW

The year 2014 was a year of getting rid of the old and welcoming the new for China's energy sector. The anti-corruption campaign intensified in CNPC as more than 100 senior officers were arrested, while members of the senior management of Aluminum Corporation of China were also removed from their positions and placed under investigation. In the Notice of Energy Development Strategy Action Plan 2014–2020 (能源發展戰略行動計劃 (二零一四年–二零二零年)通知) issued by the General Office of the State Council on 19 November 2014, it was pointed out that the years leading up to 2020 will be a crucial period for the PRC endeavour to attain basic economic affluence in the society, as well as a period of significant strategic opportunities for the transformation of the country's energy development. The said action plan has been formulated with a view to enhancing overall planning to provide an outline of the general directions, strategies and actions for China's energy development in the stated future period that will drive the innovative, safe and scientific development of the energy sector, in a bid to upgrade the country's energy sector by driving revolutionary changes in energy production and consumption in implementation of the principles laid down by the 18th CPC National Congress. The construction of natural gas pipelines and gas storage facilities has been expedited in tandem with the gas supply regime comprising West to East, North to South and offshore to onshore gas supply, and a nationwide natural gas backbone pipeline network connecting import passages, major production areas and regions of consumption has been formed.

Currently, Russia and a number of oil and gas producing nations in Central Asia, the Middle East, Africa and Latin America are expediting production capacity construction and construction of export pipelines. Countries claiming the highest levels of energy consumption, such as China and India, are also advancing the construction of oil and gas backbone pipeline networks and ancillary Liquefied Natural Gas ("LNG") and oil and gas storage facilities, and the global oil and gas storage and oil and gas field surface work construction sector is currently growing. By 2020, the total length of China's long-distance oil and gas pipelines is expected to reach 160,000 kilometres.

In 2014, a close balance in supply and demand was maintained in China's natural gas market, as apparent consumption of natural gas recorded a 7.4% year-on-year increase to 180 billion cubic metres, including imports of 58 billion cubic metres which represented an import dependency ratio of 32.2%. Meanwhile, state-owned pipelines with a total length of 83,000 kilometres came into operation in 2014, while new pipelines with a total length of 5,013 kilometres were built. Major pipelines commissioned during the year included the west section of the Third West to East Natural Gas Pipeline (西氣東輸三線西段), the Longnan Branch of Zhongwei-Guiyang Connecting Line (中貴聯絡線隴南支線) and the branch line of China-Myanmar Natural Gas Pipeline (中緬天然氣管道支線).

In 2014, CNPC and Gazprom entered into a USD400 billion worth "Sino-Russian Purchase and Sales Contract for East Line Gas Supply", pursuant to which Russia would supply 38 billion cubic metres of gas to China each year for a period of 30 years starting from 2018. The agreement has, to a certain extent, lifted Russia from the predicament of Western sanctions as a result of the Ukrainian crisis, whilst providing China with a much needed alternate source of natural gas supply for its economic development. As such, the Sino-Russian gas supply project will be a key project in the pipeline construction programme of the PRC for 2015.

BUSINESS REVIEW

In view of the promising prospects of the oil and gas pipeline industry, the Group, being one of the largest oil and gas pipeline manufacturers in China with leading product quality, has been expanding its SSAW pipes production capacity in recent years, and has completed the preparation and reconstruction works for the LSAW pipe production line. As at the end of December 2014, the Group's SSAW pipe production capacity reached 1.45 million tonnes per annum, and the production capacity of LSAW pipes was 200,000 tonnes per annum, which has placed the Group as one of the largest suppliers of oil and gas pipelines in China.

In addition to reinforcing its principal business, the Group has continued to work on optimisation of its business structure. First of all, the Group expects to maintain and consolidate its steady cooperation with its pipeline business-related customers and financial institutions through the Group's metal commodity trading business, so as to achieve an optimum balance for the overall businesses of the Group and to achieve the goal of steady development. Secondly, during the year, the joint venture has completed the preliminary establishment of a team for assembling and selling of integrated housing products.

Analysis of the operation performance by segments is as follows:

Pipes business

The Group is a leading manufacturer of pipes designed with large diameter, maximised wall thickness which can sustain the high pressure in long-distance oil and natural gas transportation. With top facilities, advanced craftsmanship and a comprehensive quality check and assurance system, the Group is the one and only privately owned enterprise among a handful of suppliers in the PRC who were qualified to supply to major oil and natural gas pipelines projects.

The pipes business mainly consisted of production, processing of and provision of relevant anti-corrosion services for pipes used in transmission of oil and natural gas. Major customers include large state-owned oil and gas companies such as CNPC and Sinopec and their subsidiaries. To accommodate the "12th Five-Year" Plan on pipeline construction, efforts have been made by the

Group in progressively expanding its production capacity since 2010. By the end of 2014, it had attained an SSAW pipes production capacity of 1.45 million tonnes per annum and an LSAW pipes production capacity of 200,000 tonnes per annum.

Through a reasonable distribution of operational presence, the Group's pipes production plants have now been established in some of the key transportation hubs in China, including Zibo and Dezhou in Shandong, Urumqi in Xinjiang, and Xiangtan in Hunan. Among these operation units, Shandong Shengli Steel Pipe at the Zibo headquarters has five SSAW production lines with total production capacity of 520,000 tonnes per annum and a pre-welding and precision-welding production line (which stood at forefront of international standard in SSAW pipes technology) with production capacity of 360,000 tonnes per annum, as well as two external anti-corrosion production lines and two internal coating production lines with total production capacity of 4.80 million square meters per annum. Shengli Steel Pipe (Dezhou) Co., Ltd. has four SSAW production lines with total capacity of 120,000 tonnes per annum and an external anti-corrosion production line with production capacity of 1.20 million square meters per annum. Xinjiang Shengli Steel Pipe in Urumqi, Xinjiang has a SSAW production line with production capacity of 150,000 tonnes per annum, and also an external anti-corrosion production line and an internal coating production line with total production capacity of 2.40 million square meters per annum. Hunan Shengli Steel Pipe in Xiangtan, Hunan has two SSAW production lines with total production capacity of 300,000 tonnes per annum, an LSAW production line with total production capacity of 200,000 tonnes per annum, and also an external anti-corrosion production line and an internal coating production line with total production capacity of 2.40 million square meters per annum.

As at 31 December 2014, pipes produced by the Group comprised approximately 24,700 kilometers of the accumulated total length of the world's major oil and gas pipelines, of which 94.2% have been installed domestically in the PRC and the remaining 5.8% have been installed overseas.

During the year 2014, the Group took part in the production of a number of major national SSAW pipeline projects, including, amongst others, the Jinan-to-Qingdao Gas Dual Pipeline (濟南 — 青島輸氣復線管道工程), the Guangxi LNG Project Pipeline (廣西液化天然氣(LNG)項目輸氣管道工程), the Shandong LNG Project Main Pipeline (山東液化天然氣(LNG)項目輸氣幹線工程), the Zhongtianhechuang External Water Pipeline Project (中天合創廠外輸水管線項目), the Western Guangdong Branch of the Guangxi LNG Project Pipeline (廣西液化天然氣（LNG）項目輸氣管道工程粵西支線), the rectification of potential risk issues of the Donghuang Oil Dual Pipeline and the Donglin Oil Pipeline (東黃(復)線和東臨線安全隱患整治工程), the Western Dual Main Pipeline in the Daniudi gas field (大牛地氣田西幹線復線工程). The major regional pipeline projects that it participated in were, amongst others, the Lanxian-to-

Taiyuan Gas Pipeline (嵐縣 — 太原輸氣管道工程), the Huairen-to-Zuoyun-to-Youyu Gas Pipeline Construction Project (懷仁 — 左雲 — 右玉輸氣管道建設項目), the Licheng-to-Dongyangguan Gas Pipeline (黎城 — 東陽關輸氣管道工程), the Towngas China's project in Jinan (濟南港華燃氣), the Jinan Shengyang Pipeline (濟南盛陽管道), the South-to-North Water Diversion Project of the Bureau of Hydraulic Engineering of Shandong Province (山東省水利工程局南水北調工程). The major anti-corrosion projects it undertook were, amongst others, the Jinan-to-Qingdao Gas Dual Pipeline (濟南 — 青島輸氣復線管道工程), the Huangdao-to-Dongjiakou-to-Lanshan Crude Oil Pipeline (黃島 — 董家口 — 嵐山原油管道工程), the Huairen-to-Zuoyun-to-Youyu Gas Pipeline Construction Project (懷仁 — 左雲 — 右玉輸氣管道建設項目), the Licheng-to-Dongyangguan Gas Pipeline (黎城 — 東陽關輸氣管道工程), the Towngas China's project in Jinan (濟南港華燃氣) and the construction project in Changji, Xinjiang (新疆昌吉建設).

For the year ended 31 December 2014, the total revenue of the pipes business was approximately RMB359,368,000 (for the year ended 31 December 2013: approximately RMB856,367,000), accounting for approximately 17.9% of the Group's total revenue (2013: approximately 33.5%). Revenue in the pipes business decreased substantially because the construction of long-distance oil and gas pipelines has been postponed by the oil sector for some reasons. This revenue comprised of the following: (1) sales of SSAW pipes of approximately RMB319,562,000 (2013: approximately RMB732,649,000), representing a decrease of approximately 56.4% as compared with last year; (2) the production of LSAW pipes has been organized upon the completion of the construction of production line, but no revenue has been generated before delivery of LSAW pipes to the customers; (3) anti-corrosion processing service income of approximately RMB39,545,000 (2013: approximately RMB119,661,000), representing a decrease of approximately 67% as compared with last year.

Metal commodity trading business

In order to fully utilise the business chain capacity of our existing customers and other storage resources available, the Group set up a wholly-owned subsidiary in July 2012 to engage in the metal commodity trading business. For the year ended 31 December 2014, the revenue of the business was approximately RMB1,649,694,000 (2013: approximately RMB1,700,350,000) and the gross profit was approximately RMB38,308,000 (2013: approximately RMB57,116,000). The Group expects to maintain and consolidate its steady cooperation with its pipeline business-related customers and financial institutions through the Group's metal commodity trading business, so as to achieve an optimum balance for the overall businesses of the Group and to achieve the goal of steady development.

Major acquisition and disposal of a subsidiary and an associated corporation

Besides focusing on enhancing the quality and production capacity of its oil and gas pipes, the Group has also been diversifying its product, service and market mix in relation to its principal pipe business. In May 2014, the Group entered into a purchase agreement and an operating agreement through Shengli Investment Company (a wholly-owned subsidiary) to invest in Ever Growing Energy Service, LLC (a company incorporated pursuant to the laws of Texas, the United States with limited liability and mainly engaged in the exploitation of oil and gas resources with lower investment risk exposures in the United States) for a total consideration of US$6.73 million, as further disclosed in the announcement dated 28 May 2014 of the Company and note 5(b) to the consolidated financial statements in this annual report. The Group aimed to invest in the development, exploration and commercialisation of the oil field development project located in Grayson County, Texas, the United States, thus enabling the Group to expand into overseas upstream oil and gas resources market.

On the other hand, having analysed the historical operation and future development of Golden Fortune, in which the Group has shares, and taken into consideration the current industry trend in China and the uncertainties about the future of the natural gas distribution sector, Shandong Shengli Steel Pipe, an indirect wholly-owned subsidiary of the Company, entered into an agreement and a supplemental agreement with Mr. Li Zifeng and Golden Fortune on 28 April 2014 and 13 February 2015, respectively, pursuant to which Shandong Shengli Steel Pipe has conditionally agreed to sell and Mr. Li Zifeng has conditionally agreed to purchase 25% of the equity interest in Golden Fortune held by Shandong Shengli Steel Pipe for a consideration of RMB350 million and damages of RMB15,083,835, as further disclosed in the announcements dated 28 April 2014, 29 August 2014 and 13 February 2015 and the circular dated 20 May 2014 of the Company.

FUTURE PROSPECT

Looking ahead, the Group will continue to seize proactively business opportunities from the rapid future growth of the industry by leveraging its superior production capacity, the geographic advantage of its subsidiaries as well as its strengths in new pre-welding and precision-welding technologies, in order to ensure stable income in the future. Latest statistics indicate that the PRC will become the world's second largest nation of natural gas consumption in 2015, with an estimated natural gas consumption of more than 230 billion cubic metres through pipelines covering 31 provinces in the PRC and an LNG intake capacity of over 40 million tonnes, which will increase the proportion of LNG in total natural gas supply to 23%. A period of massive development has started for natural gas as a form of clean energy, which will be playing an increasingly important role in the global energy market.

In 2015, the Group is expected to participate in large-scale domestic pipeline construction projects such as the Tianjin LNG (天津LNG), the middle section of the Third West to East Natural Gas Pipeline (西氣東輸三線中段) and the Xinjiang-Guangdong-Zhejiang Pipeline (新粵浙管道), all of which are pipeline construction projects with larger scale of capital investment. The Group will provide domestic and international customers with pipeline products adaptable to different environments to meet the requirements of existing and potential customers, in close tandem with the developments of the national pipeline industry and relevant government policies. The Group will continue to be a standout industry leader in SSAW pipes business on the back of its competitive edge in terms of capacity and technology. Meanwhile, with the completion of the LSAW pipes production line with production capacity of 200,000 tonnes per annum at Hunan Shengli Steel Pipe, the Group has achieved product diversification to meet the varied requirements of existing customers, while creating favourable conditions to tap into the international market. In 2015, the Group will expedite its international business development and strive for

significant breakthroughs in the international market.

In order to generate a stable source of income and to circumvent the risk of fluctuations in the pipes industry, the Group has, in addition to developing oil and gas pipeline products, been actively exploring opportunities to form new partnership with players from the upstream resources industry. This will realize the Group's strategy for sustainable, stable and healthy development. In light of the current price trough of mineral resources, after a series of investigations and negotiations with different parties, the Company (through Gold Apple Holdings Limited, a wholly owned subsidiary of the Company), entered into an agreement on 29 March 2015 to acquire 56% of the allotted and issued share capital of Blossom Time Group Limited ("Blossom Time"), which indirectly holds a titanium — zirconium ore mine in Vietnam (the "Acquisition"). The capital commitments to the aforesaid Acquisition will be funded by the Group's internal resources and/or external banking facilities (as applicable). The Group believes that the Acquisition will bring additional economic growth to the Company's business, which will enable the Group to diversify its revenue streams and to greater the return for its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2014 was approximately RMB2,009,062,000, representing a decrease of approximately 21.4% when compared to RMB2,556,717,000 in 2013. In 2014, the sales volume of SSAW pipes and anti-corrosion service of the Group dropped significantly as a result of the oil sector's postponement in the construction of long-distance oil and gas pipelines, and the proportion of the pipe processing business, which contributed a smaller share to the revenue of SSAW pipes business, increased substantially in the year. In light of the above two reasons, there was a significant drop in revenue of our pipes business as compared with last year. For the year ended 31 December 2014, amongst the Group's two core business segments, (1) pipes business reported revenue of approximately RMB359,368,000 (2013: approximately RMB856,367,000); and (2) metal commodity trading business recorded a revenue of approximately RMB1,649,694,000 (2013: approximately RMB1,700,350,000).

Cost of sales

The Group's cost of sales decreased by approximately 19.8% from approximately RMB2,470,787,000 for the year ended 31 December 2013 to approximately RMB1,982,006,000 for the year ended 31 December 2014. Substantial decrease in cost of sales was mainly due to significant drop in production and sales volume of the Group's pipes business in 2014 as a result of the oil sector's postponement in the construction of long-distance oil and gas pipelines, and the substantial increase in the proportion of the pipe processing business, which has lower cost of sales per unit, in our SSAW pipes business. During the year ended 31 December 2014, amongst the Group's principal business segments, (1) cost of sales for pipes business was approximately RMB370,619,000 (2013: approximately RMB827,554,000); and (2) cost of sales for metal commodity trading business was approximately RMB1,611,387,000 (2013: approximately RMB1,643,233,000).

Gross profit

The gross profit of the Group decreased from approximately RMB85,930,000 for the year ended 31 December 2013 to approximately RMB27,056,000 for the year ended 31 December 2014. The gross profit margin dropped to approximately 1.4% for the year ended 31 December 2014 from approximately 3.4% for the year ended 31 December 2013, principally due to significant drop in production volume as well as increase in unit processing cost of the Group's pipes business in 2014 as a result of the oil sector's postponement in the construction work for long-distance oil and gas pipelines; substantial drop in steel price at the end of the year as compared with the beginning of the year; and prudent provision for certain inventories of the Company at impairment risk. The metal commodity trading segment also suffered a slight drop in gross profit due to fluctuating market conditions.

Other income and gains

Other income and gains of the Group decreased from approximately RMB135,433,000 for the year ended 31 December 2013 to approximately RMB26,732,000 for the year ended 31 December 2014. Such decrease was mainly due to the disposal of Golden Fortune in 2014, after which the appraisal increment revenue of derivative financial instrument related to Golden Fortune recorded in 2013 was no longer accounted for in the current year.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased from approximately RMB31,075,000 for the year ended 31 December 2013 to approximately RMB23,681,000 for the year ended 31 December 2014. Such decrease was principally due to decrease in selling expenses as a result of a decrease in sales volume of pipes business, decrease in transportation cost as a result of a drop in local pipes, as well as decrease in certain expenses for trading segment as a result of a fall in business volume.

Administrative expenses

The Group's administrative expenses increased by 71.6% from approximately RMB96,625,000 for the year ended 31 December 2013 to approximately RMB165,836,000 for the year ended 31 December 2014. The main reasons for the increase were: shutdown expenses incurred as production capacity of our pipes business had not been fully utilised; increase in administrative expenses in the high-grade petroleum and gas transmission project of Hunan Shengli Steel Pipe; and prudent provision for bad debts being made for overdue trade receivables.

Finance costs

The Group incurred finance costs of approximately RMB53,643,000 for the year ended 31 December 2014 (2013: approximately RMB58,367,000). The finance costs comprised exclusively of interest incurred by bank and other loans of the Group.

Income tax expenses

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. The income tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, is 17% (2013: 17%) for the year. Under the EIT Law and Implementation Regulation of the EIT Law, the income tax rate of the Company's subsidiaries in the PRC for the year is 25% (2013: 25%). Income tax expenses for the year ended 31 December 2014 was approximately RMB7,548,000, representing a decrease of approximately 35.4% from the previous year (2013: approximately RMB11,699,000). The decrease was mainly attributable to decline in profit.

Total comprehensive (loss)/income for the year

Due to the combined effect of the above factors, the audited total comprehensive loss of the Group for the year ended 31 December 2014 was approximately RMB238,878,000, compared to the audited total comprehensive income of the Group of approximately RMB11,688,000 for the year ended 31 December 2013.

CAPITAL EXPENDITURE

The Group incurred capital expenditure for the acquisition of property, plant and equipment, expansion of production facilities and purchase of machinery for the manufacture of steel pipe products. Capital expenditure during each of the two years ended 31 December 2013 and 2014 were primarily related to the purchase of property, plant and equipment.

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

	2014 RMB'000	2013 RMB'000
Purchase of property, plant and equipment	95,930	210,757
Prepaid land lease payments	—	14,886
	95,930	225,643

INDEBTEDNESS

Borrowings

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

	2014 RMB'000	2013 RMB'000
Borrowings:		
Bank loans — Unsecured	68,000	635,000
Bank loans — Secured	751,789	542,240
Current portion of long-term bank loans — Unsecured	—	98,378
Other loans — Unsecured	—	200,000
Bank loans — Guaranteed	245,000	84,000
	1,064,789	1,559,618

Included in the borrowings is approximately RMB982,289,000 repayable within one year. The following table sets forth the annual interest rates of the Group's bank borrowings:

	2014 %	2013 %
Effective interest rate per annum	2.77–6.80	2.27–6.88

As at 31 December 2014, the borrowings of the Group amounted to approximately RMB1,064,789,000 (2013: RMB1,559,618,000).

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

Financial management and fiscal policy

During the year ended 31 December 2014, the Group's turnover, expenses, assets and liabilities were primarily denominated in Renminbi. The Directors consider that the Group currently has limited foreign exchange exposure and has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

Utilisation of IPO proceeds

The net proceeds obtained by the Group from the IPO were approximately RMB1,098,500,000. After the exercise of the over-allotment option on 13 January 2011, the net proceeds of the IPO increased to approximately RMB1,269,900,000. As at 31 December 2014, approximately RMB787,844,000 out of total net proceeds from the IPO has been utilised in the manner specified in the Company's prospectus dated 9 December 2009 (the "Prospectus") and the balance of approximately RMB482,056,000 remains unutilised. The Group intends to continue to apply the proceeds in the same manner as disclosed in the Prospectus except for upgrading a cold-formed section steel production line as this project has been suspended.

As at 31 December 2014, the accumulated use of the capital raised is set out below:

	Amount allocated RMB'000	**Actual expenditure as at 31 December 2014** RMB'000
Projects		
construction of one set of SSAW pre-welding and precision-welding production lines with total production capacity of 360,000 tonnes per annum and two anti-corrosion coating production lines	440,000	514,570
construction of one LSAW pipe production line with production capacity of 200,000 tonnes per annum and one anti-corrosion coating production line	650,000	255,000
upgrade of one cold-formed section steel production line to an ERW pipe production line with production capacity of 100,000 tonnes per annum	50,000	the project has been suspended
working capital and other general corporate purposes	129,900	18,274
Total	1,269,900	787,844

The Group will continue to pursue a prudent treasury management policy and is in a strong liquidity position with sufficient cash to cope with daily operation and capital requirement for future development. With the strong cash and bank balances, the Group has not entered into any hedging arrangement.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Bizhuang, aged 47, has been our executive Director and chief executive officer since July 2009, and has been the chairman of the Board since August 2012, responsible for the overall management of our Group's business operations. Mr. Zhang joined Shengli Steel Pipe Co., Ltd., (勝利鋼管有限公司) ("Shengli Steel Pipe", known as Shengli Factory and Shengli Administration of Petroleum Steel Pipe Factory (勝利石油管理局鋼管廠) and Shengli Oilfield Zibo Pipe Co., Ltd. (勝利油田淄博制管有限公司) before reconstruction of state-owned enterprises) in July 1990, and served as the department head of technical supervision department and quality control inspection department, deputy general manger, general manager and chairman of the company. He has been the chairman of Shandong Shengli Steel Pipe since July 2007. From December 2007 to June 2013, Mr. Zhang was appointed as the general manager of Shandong Shengli Steel Pipe. He has been the general manager of Shengguan Group since July 2013.

Mr. Zhang graduated from Chongqing University with a bachelor's degree in engineering in July 1990, and obtained his master's degree in business administration from the Open University of Hong Kong in June 2004. He was certified as a senior engineer in November 2000, and obtained the Chinese Career Manager qualification in July 2005.

Mr. Jiang Yong, aged 47, has been our executive Director and vice president since August 2012, responsible for the Group's finance management and trading business. Prior to 2012, he was a director and chief executive of the China region of Times Fashion Technology Company Limited (天時服飾科技有限公司) for over three years. From January to June 2012, he served as a director of Shandong Demian Incorporated Company (山東德棉股份有限公司), a company listed on the Shenzhen Stock Exchange.

Mr. Jiang Yong graduated from Jinan University (暨南大學) in June 1989 with a bachelor's degree in economics. He also received a master's degree in banking from Massey University in New Zealand in November 2003.

Mr. Wang Kunxian, aged 46, has been our vice president since October 2010, and has been our executive Director and vice president since August 2014, responsible for the technology development, quality control and production management of the Group. Mr. Wang joined Shengli Steel Pipe in July 1990, and served as factory officer, deputy chief engineer and deputy general manager of the company. He has been a director of Shandong Shengli Steel Pipe since December 2007. From December 2007 to June 2013, he served as deputy general manager of Shandong Shengli Steel Pipe, responsible for technology development, quality control and production management. He has been a deputy general manager of Shengguan Group since July 2013.

Mr. Wang graduated from Chongqing University with a bachelor's degree in engineering in July 1990, and obtained his master's degree in business administration from the Open University of Hong Kong in June 2004. He was certified as a senior engineer in December 2001.

Ms. Han Aizhi, aged 47, has been our executive Director since July 2009, and has been serving as vice president from March 2011, responsible for the Group's external investment business and operational supervision, listing compliance, investor and public relation matters. Ms. Han joined Shengli Steel Pipe in July 1988, and had held various positions in the company such as head of the technology supervision division, officer of corporate management department, officer of the general manager's office, assistant to general manager, deputy general manager and management representative. She has been a director of Shandong Shengli Steel Pipe since December 2007. From December 2007 to June 2013, Ms. Han served as a deputy general manager of Shandong Shengli Steel Pipe, responsible for overseeing quality management, environment, occupational health and safety system management, investor relations, listing compliance, public relations, external investment business and operational supervision. She has been a deputy general manager of Shengguan Group since July 2013.

Ms. Han graduated from Chengde Petroleum College in July 1988 with a major in welding technology and graduated from the Party School of the Shandong Province Committee of CPC in December 2002 with a major in economic management. Ms. Han had obtained a master's degree in business administration from the Open University of Hong Kong in June 2004. She was certified as an engineer in September 2000, and obtained the PRC Registered Quality Professional Technician Qualification (middle tier) Certificate in December 2001.

Mr. Song Xichen, aged 50, has been our executive Director since April 2012, and has been serving as vice president since August 2012. He is responsible for the finance management of the Group's members in the PRC. Mr. Song joined Shengli Steel Pipe in July 1988, and served as deputy head of quality inspection department, deputy supervisor and supervisor of corporate management department, deputy general manager and general manager of the company until March 2012. He has been a director of Shandong Shengli Steel Pipe since July 2013. From March 2012 to June 2013, Mr. Song served as a deputy general manager of Shandong Shengli Steel Pipe, responsible for corporate management, finance management, infrastructure and management of the back office. He has been a deputy general manager of Shengguan Group since July 2013.

Mr. Song graduated from China University of Petroleum (East China) in July 1988 with a bachelor's degree in applied physics. He obtained a master's degree in business administration from the Open University of Hong Kong in June 2004. He was certified as a senior economist in September 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Changyu, aged 65, is our independent non-executive Director and joined our Group in July 2009. Prior to 2000, Mr. Guo had served various positions under Shengli Petroleum Administrative Bureau and its subordinate units, including the director of the material supply department and secretary of the Party Committee of Shengli Petroleum Administrative Bureau, and deputy chief economist of Shengli Petroleum Administrative Bureau. From February 2000 to November 2004, Mr. Guo was a member of the standing committee to the Party Committee and deputy head of Shengli Petroleum Administrative Bureau, and vice mayor and deputy secretary of Municipal Government of Dong Ying City of Shandong Province. From November 2004 to March 2007, he was the deputy secretary of the Party Committee and deputy head of Shengli Petroleum Administrative Bureau as well as the deputy municipal secretary of Dong Ying City. From March 2007 to April 2009, Mr. Guo served as various posts, including the deputy head of Shengli Petroleum Administrative Bureau and secretary of its Party Committee as well as the deputy municipal secretary of Dong Ying City. From January 2008 to October 2013, he was a member of the Standing Committee of Shandong Political Consultative Conference.

Mr. Guo graduated from Dalian University of Technology in 2005 with a master's degree in business administration and he possesses the qualification of professor-grade senior economist. In 2005, he was awarded the title of "Outstanding expert in technology and management in China Petrochemical industry 2004". In April 2008, he was awarded the national "First of May" labor medal.

Mr. Wang Xueyou, aged 55, is our independent non-executive Director and joined our Group in October 2012. He has served as consultant for Fujian Pingtan Jimei Shipping Co., Ltd. (福建平潭集美船務有限公司) since January 2015. From 1990 to 2001, Mr. Wang held various positions at COSCO Tianjin, including the head of the transportation division and a deputy general manager of the storage and transportation department of COSCO Tianjin. From 2001 to 2003, Mr. Wang served as the general manager of COSCO Xi'an International Freight Forwarding Co., Ltd. From 2003 to 2010, Mr. Wang served as the general manager of the Customs Broker Co., Ltd. of COSCO Tianjin. From 2010 to May 2014, Mr. Wang served as the general manager of Tianjin Economic Development Zone Branch of COSCO Tianjin International Freight Forwarding Co., Ltd. ("COSCO Tianjin").

Mr. Wang received a diploma in law from Tianjin Open University in 1988, an Assistant Engineer Certificate in 1989 and an Advanced Professional Executive Certificate in 2007.

Mr. Chen Junzhu, aged 39, is our independent non-executive Director and joined our Group in May 2013. He currently serves as a partner of the Guangdong Zheng Yuan Public Accountants. Mr. Chen served as a certified public accountant and senior accountant for Deloitte Touche Tohmatsu CPA Ltd from August 2001 to August 2004. He was an audit manager of the internal audit department in Wal-Mart (China) Investment Co., Ltd. from September 2004 to June 2006. From July 2006 to June 2007, Mr. Chen was a certified public accountant and a manager of transaction advisory service department in Ernst & Young Certified Public Accountants. He has been a partner of the Guangdong Zheng Yuan Public Accountants since July 2007. He served as a director and the chief financial officer of Huakang Insurance Agency Co., Ltd. from September 2011 to September 2014. He has also been an independent director and the chairman of audit committee of Guangdong Tapai Group Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002233.SZ), since May 2013.

Mr. Chen graduated from China Foreign Affairs University with a bachelor's degree in arts in June 1998, and graduated from Southwest University of Political Science & Law with a master's degree in law in January 2003. Mr. Chen is a member of the Chinese Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

Mr. Wu Geng, aged 43, is our independent non-executive Director and joined our Group in March 2015. He currently serves as the associate director of Drew & Napier LLC in Singapore, and an independent non-executive director, the chairman of the nomination committee and the remuneration committee and a member of the audit committee of Foreland Fabrictech Holdings Limited, the securities of which are listed on the mainboard of the Singapore Exchange Securities Trading Limited. From July 1999 to December 1999, Mr. Wu was a legal adviser and foreign trade assistant at Pan-Commercial Pte Ltd. in Singapore. Since January 2000, Mr. Wu had been a graduate assistant at the department of political science and international relations of University of Delaware for two years. Mr. Wu served as a Chinese law adviser both at Hoh & Partners and Colin Ng & Partners in Singapore, from January 2002 to May 2003 and from June 2003 to October 2003, respectively. From November 2003 to March 2008, Mr. Wu served as a Chinese law adviser and legal executive at Hoh Law Corporation in Singapore.

In July 1995, Mr. Wu graduated from Peking University with a bachelor's degree in law, majoring in economic law and international economic law. He graduated from National University of Singapore with a master's degree in comparative law in June 1999, and graduated from University of Delaware with a master's degree in political science and international relations in December 2001. Mr. Wu is a practicing advocate and solicitor in Singapore.

SENIOR MANAGEMENT

Mr. Hong Kam Le, aged 35, is our company secretary and authorized representative and joined our Group in December 2013. He is currently an assistant solicitor in Li & Partners.

Mr. Hong holds a bachelor's degree in commerce and a bachelor's degree in law from University of Sydney and a postgraduate certificate in laws from University of Hong Kong. Mr. Hong has been a practising solicitor in Hong Kong since 2007.

REPORT OF THE DIRECTORS

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 21 to the consolidated financial statements.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: approximately RMB0.125 cent per share (equivalent to HK$0.158 cent per share)).

CLOSURE OF REGISTER OF MEMBERS

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

From Wednesday, 24 June 2015 to Thursday, 25 June 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting (the "AGM"). In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 June 2015.

During the period mentioned above, no transfers of shares will be registered.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for 57.5% (2013: 88.7%) of the Group's total sales and the top five suppliers accounted for 86.5% (2013: 71.1%) of the total purchases for the year. In addition, the Group's largest customer accounted for 13.1% (2013: 30.6%) of the total sales and the Group's largest supplier accounted for 59.4% (2013: 20.2%) of the total purchases for the year.

To the best knowledge of the Directors, at no time during the year, have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CHARITABLE DONATION

For the year ended 31 December 2014, the Company and its subsidiaries' donation amounted to RMB100,000 in aggregate, all of which has been applied towards poverty, elderly, education, disability and medical assistance, disaster relief and other charitable activities.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014 and the financial positions of the Company and the Group as at 31 December 2014 are set out in the consolidated financial statements on pages 51 to 135.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to RMB1,059 million as at 31 December 2014 (2013: RMB1,004 million). Details of the reserves of the Company as at 31 December 2014 are set out in note 37 to the consolidated financial statements.

FIXED ASSETS

Details of movements in fixed assets during this financial year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

DIRECTORS

The Directors during this financial year and up to the date of this report were:

Executive Directors

Mr. Zhang Bizhuang *(Chairman and Chief Executive Officer)*
Mr. Jiang Yong *(Vice President)*
Mr. Wang Kunxian *(Vice President)* (appointed on 14 August 2014)
Ms. Han Aizhi *(Vice President)*
Mr. Song Xichen *(Vice President)*
Mr. Liu Yaohua *(Vice President)* (resigned on 14 August 2014)

Non-executive Director

Mr. Yan Tangfeng (resigned on 16 October 2014)

Independent Non-executive Directors

Mr. Guo Changyu
Mr. Wang Xueyou
Mr. Chen Junzhu, *ACCA, CICPA*
Mr. Wu Geng (appointed on 19 March 2015)

Pursuant to Article 84(1) of the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. Each of the Directors has entered into a service contract or an appointment letter with the Company for a term of three years. Pursuant to the Articles of Association, Mr. Jiang Yong, Mr. Song Xichen and Mr. Wang Xueyou shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

According to Article 83(3) of the Articles of Association of the Company, Mr. Wang Kunxian and Mr. Wu Geng were appointed by the Board as an executive Director and an independent non-executive Director on 14 August 2014 and 19 March 2015, respectively. They shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company still considers that all of the independent non-executive Directors are independent. No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Number of shares subject to options granted under the Share Option Scheme	Total percentage of the issued share capital of the Company as at 31 December 2014
Jiang Yong	Interest in controlled corporation(1)	620,000,000	—	22.722%
Yan Tangfeng(9)	Interest in controlled corporation(2)	135,902,200	—	4.98%
Zhang Bizhuang	Interest in controlled corporation(3)	153,130,224		5.612%
	Beneficial owner		14,100,000(8)	0.517%
Wang Kunxian	Interest in controlled corporation(4)	26,708,760		0.979%
	Beneficial owner		6,960,000(8)	0.255%
Liu Yaohua	Interest in controlled corporation(5)	26,708,760		0.979%
	Beneficial owner		7,200,000(8)	0.264%
Han Aizhi	Interest in controlled corporation(6)	26,708,760		0.979%
	Beneficial owner		8,700,000(8)	0.319%
Song Xichen	Interest in controlled corporation(7)	26,708,760		0.979%
	Beneficial owner		6,960,000(8)	0.255%

Notes:

(1) Valuable Tactics Development Limited ("Valuable Tactics") holds 620,000,000 shares of the Company, representing 22.722% of the issued shares of the Company. Mr. Jiang Yong owns the entire issued share capital of Valuable Tactics and is therefore deemed to be interested in the shares of the Company held by Valuable Tactics by virtue of the SFO.

(2) Aceplus Investments Limited ("Aceplus Investments") holds 135,902,200 shares of the Company, representing 4.98% of the issued shares of the Company. Mr. Yan Tangfeng, a former non-executive Director of the Company, owns the entire issued share capital of Aceplus Investments and is therefore deemed to be interested in the shares of the Company held by Aceplus Investments by virtue of the SFO.

(3) Goldmics Investments Limited ("Goldmics Investments") holds 153,130,224 shares of the Company, representing 5.612% of the issued shares of the Company. Mr. Zhang Bizhuang holds 40% interest of the issued share capital of Goldmics Investments, and his spouse Ms. Du Jichun holds the remaining 60% interest. Therefore, Mr. Zhang Bizhuang is deemed to be interested in the shares of the Company held by Goldmics Investments by virtue of the SFO.

(4) Glad Sharp Limited ("Glad Sharp") holds 26,708,760 shares of the Company, representing 0.979% of the issued shares of the Company. Mr. Wang Kunxian owns the entire issued share capital of Glad Sharp and is therefore deemed to be interested in the shares of the Company held by Glad Sharp by virtue of the SFO.

(5) Ocean Prosperity Limited ("Ocean Prosperity") holds 26,708,760 shares of the Company, representing 0.979% of the issued shares of the Company. Mr. Liu Yaohua owns the entire issued share capital of Ocean Prosperity and is therefore deemed to be interested in the shares of the Company held by Ocean Prosperity by virtue of the SFO.

(6) Crownova Limited ("Crownova") holds 26,708,760 shares of the Company, representing 0.979% of the issued shares of the Company. Ms. Han Aizhi owns the entire issued share capital of Crownova and is therefore deemed to be interested in the shares of the Company held by Crownova by virtue of the SFO.

(7) Winfun Investments Limited ("Winfun") holds 26,708,760 shares of the Company, representing 0.979% of the issued shares of the Company. Mr. Song Xichen holds 50% interest of the issued share capital of Winfun, and his spouse Ms. Xu Li holds the remaining 50% interest. Therefore, Mr. Song Xichen is deemed to be interested in the shares of the Company held by Winfun by virtue of the SFO.

(8) Underlying shares subject to the share options issued pursuant to the Share Option Scheme (as defined below).

(9) Resigned on 16 October 2014.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and minor children) to hold any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 21 November 2009. The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in Share Option Scheme) an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Participants referred below are the "Eligible Persons" under the Share Option Scheme include:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("Executive"), any full-time or part-time employee, or any person for the time being seconded to work full-time or part-time for any member of the Group;

(b) a director or proposed director (including an independent non-executive director) of any member of the Group;

(c) a direct or indirect shareholder of any member of the Group;

(d) a supplier of goods or services to any member of the Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(g) an associate (as defined under the Listing Rules) of any of the persons referred to in paragraphs (a) to (c) above.

The principal terms of the Share Option Scheme are summarized as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 21 November 2009 and will remain in force until 20 November 2019. The Company may at any time terminate the operation of the Share Option Scheme by resolution in general meeting. Upon termination of the Share Option Scheme as aforesaid, no further options shall be granted but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Directors of the Company, and commences after a certain vesting period and ends on the date which is not later than 10 years from the date of offer of the share options. The subscription price in respect of any particular share option shall be such price as the Board may in its discretion determine at the time of grant of the relevant share option (and shall be stated in the letter containing the offer of the grant of the share option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option, i.e. 240,000,000 Shares (the "Scheme Mandate Limit"), provided that:

(a) The Company may at any time as the Board may think fit seek approval from the Shareholders of the Company to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

(b) The Company may seek separate approval from its Shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Person(s) specified by the Company before such approval is obtained. The Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

(c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders of the Company in general meeting with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the options to be granted (and options previously granted) to such Eligible Person, and containing the details and information required under the Hong Kong Listing Rules. The number and terms (including the subscription price) of the options to be granted to such Eligible Person must be fixed before the approval of the Shareholders of the Company and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those options.

On 10 February 2010, the Board granted 24,000,000 share options to 19 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including five Directors of the Company, at an exercise price of HK$2.03 per Share under the Share Option Scheme. 1,500,000 share options held by a member of the senior management were lapsed following his departure in 2011.

On 3 January 2012, the Board granted 24,000,000 share options to 81 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including five Directors of the Company, at an exercise price of HK$0.80 per Share under the Share Option Scheme. 1,260,000 share options held by three members of the management were lapsed following their departure in 2013.

On 23 September 2014, the Board granted 74,400,000 share options to 57 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including four Directors of the Company, at an exercise price of HK$0.50 per Share under the Share Option Scheme.

On 28 January 2015, the Board granted 60,000,000 share options to 24 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including four Directors of the Company, at an exercise price of HK$0.40 per Share under the Share Option Scheme.

For the year ended 31 December 2014, movements of options granted under the Share Option Scheme are set out below:

Name	Capacity	Exercise Price	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2014	Approximate percentage of the issued share capital of the Company as at 31 December 2014	Notes
Directors									
Zhang Bizhuang	Beneficial owner	HK$2.03	7,200,000	0	0	0	7,200,000	0.264%	(1)
Zhang Bizhuang	Beneficial owner	HK$0.80	1,200,000	0	0	0	1,200,000	0.044%	(2)
Zhang Bizhuang	Beneficial owner	HK0.50	0	5,700,000	0	0	5,700,000	0.209%	(3)
Wang Kunxian	Beneficial owner	HK$2.03	1,500,000	0	0	0	1,500,000	0.055%	(1)
Wang Kunxian	Beneficial owner	HK$0.80	960,000	0	0	0	960,000	0.035%	(2)
Wang Kunxian	Beneficial owner	HK$0.50	0	4,500,000	0	0	4,500,000	0.165%	(3)
Han Aizhi	Beneficial owner	HK$2.03	3,000,000	0	0	0	3,000,000	0.110%	(1)
Han Aizhi	Beneficial owner	HK$0.80	1,200,000	0	0	0	1,200,000	0.044%	(2)
Han Aizhi	Beneficial owner	HK$0.50	0	4,500,000	0	0	4,500,000	0.165%	(3)
Song Xichen	Beneficial owner	HK$2.03	1,500,000	0	0	0	1,500,000	0.055%	(1)
Song Xichen	Beneficial owner	HK$0.80	960,000	0	0	0	960,000	0.035%	(2)
Song Xichen	Beneficial owner	HK$0.50	0	4,500,000	0	0	4,500,000	0.165%	(3)
Liu Yaohua	Beneficial owner	HK$2.03	1,500,000	0	0	0	1,500,000	0.055%	(1)
Liu Yaohua	Beneficial owner	HK$0.80	1,200,000	0	0	0	1,200,000	0.044%	(2)
Liu Yaohua	Beneficial owner	HK$0.50	0	4,500,000	0	0	4,500,000	0.165%	(3)
Employees									
Employees	Beneficial owner	HK$2.03	7,800,000	0	0	0	7,800,000	0.286%	(1)
Employees	Beneficial owner	HK$0.80	17,220,000	0	0	0	17,220,000	0.631%	(2)
Employees	Beneficial owner	HK$0.50	0	50,700,000	0	0	50,700,000	1.858%	(3)
Total			45,240,000	74,400,000	0	0	119,640,000	4.385%	

Notes:

(1) The share options granted by the Company are exercisable for 10 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 10 February 2010), respectively. These share options are exercisable at HK$2.03 each according to the rules of the Share Option Scheme during the period from 10 February 2010 to 9 February 2020.

(2) The share options granted by the Company are exercisable for 10 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 3 January 2012), respectively. These share options are exercisable at HK$0.80 each according to the rules of the Share Option Scheme during the period from 3 January 2012 to 3 January 2022.

(3) The share options granted by the Company are exercisable for 6 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 23 September 2014), respectively. These share options are exercisable at HK$0.50 each according to the rules of the Share Option Scheme during the period from 23 September 2014 to 23 September 2020.

Further details in respect of the Share Option Scheme are disclosed in note 38 to the consolidated financial statements.

ISSUE OF SHARES UNDER GENERAL MANDATE

During the year ended 31 December 2014, the Company has issued shares under the general mandate with an aim to broaden the Shareholders' base of the Company and to raise additional funds at a reasonable cost. On 3 November 2014, the Company and the subscriber, Waynew Investments Limited (a company incorporated in the British Virgin Islands with limited liability, which is an independent third party to the Company and its connected persons), entered into a subscription agreement in relation to the allotment and issue of 248,058,000 ordinary shares (fully paid subscription shares) in aggregate to the subscriber at a subscription price of HK$0.45 per subscription share. The gross proceeds of the subscription would be HK$111,626,100, with an aggregate nominal value of HK$24,805,800. The subscription shares represent 9.091% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. The closing price of the Company's shares as quoted on the Stock Exchange on 3 November 2014, being the date of the subscription agreement, was HK$0.465 per share .

The net proceeds of the subscription, after deducting the relevant expenses, were approximately HK$111,280,000 and the net price per subscription was approximately HK$0.449. The Company intends to use the net proceeds for the operating expenses for dome integration housing projects operated by Dome Integration Housing Industrial Holding Co. Ltd, a joint venture of the Group (as disclosed in the announcement of the Company dated 17 September 2012), the operating expenses for oil field development projects operated by Ever Growing Energy Service, LLC, a non-wholly owned subsidiary of the Company (as disclosed in the announcement of the Company dated 28 May 2014) and the general working capital of the Group. (Please refer to the announcements of the Company dated 3 November 2014 and 14 November 2014 for further disclosure of the subscription.)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

Name of shareholder	Capacity	Number of issued ordinary shares/underlying shares held	Percentage of the issued share capital of the Company
Valuable Tactics	Beneficial owner	620,000,000	22.722%
Waynew Investments Limited	Beneficial owner	248,058,000	9.091%
Goldmics Investments	Beneficial owner	153,130,224	5.612%
Du Jichun	Interest in controlled corporation(1)	153,130,224	5.612%
	Spouse's interest(2)	14,100,000	0.517%

Notes:

(1) Goldmics Investments holds 153,130,224 shares of the Company. Ms. Du Jichun holds 60% interest of the issued shares of Goldmics Investments and her spouse, Mr. Zhang Bizhuang, holds the remaining 40% interest. Ms. Du Jichun is therefore deemed to be interested in the shares of the Company held by Goldmics Investments by virtue of the SFO.

(2) Mr. Zhang Bizhuang, the spouse of Ms. Du Jichun, has been granted options to subscribe for 14,100,000 shares of the Company under the Share Option Scheme. Ms. Du Jichun is therefore deemed to be interested in the options granted to Mr. Zhang Bizhuang.

Save as disclosed above, as at 31 December 2014, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of their subsidiaries during the year ended 31 December 2014.

COMPETING BUSINESS

During the year and up to the date of this annual report, none of the Directors and controlling shareholders of the Company has any interest in business which competes, either directly or indirectly, with business of the Group under the Listing Rules.

PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the Directors, as at 31 December 2014, the Company has maintained a public float of not less than 25% as required under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, cash and cash equivalents of the Group amounted to approximately RMB216,007,000 (2013: approximately RMB202,720,000). As at 31 December 2014, the Group had interest-bearing bank borrowings of approximately RMB1,064,789,000 (2013: approximately RMB1,559,618,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables and other payables and accruals, net of cash and cash equivalents and pledged deposits) divided by total equity plus net debt. As at 31 December 2014, the gearing ratio of the Group was 33.1% (2013: 31.9%).

CHARGES AND CONTINGENT LIABILITIES

Save for the aforesaid secured bank borrowings, as at 31 December 2014, the Group did not have other charges on its assets or any material contingent liabilities.

FOREIGN EXCHANGE RISK

In 2014, none of the Group's sales was denominated in USD or other foreign currencies. The Group did not utilise any forward contracts or other means to hedge its foreign exchange exposure; however, the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts are in place.

HUMAN RESOURCES AND EMOLUMENT POLICY

The Group reviews its human resources and emolument policy periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2014, the Group employed 1,362 employees (including Directors) and the total salaries and related costs (including Directors' fees) were approximately RMB71,879,000. The Group's emolument policy in respect of its employees is determined on the basis of their merit, qualifications and competence. The Company has adopted the Share Option Scheme to provide incentive to its senior management and employees. Please refer to the paragraph headed "Share Option Scheme" in this annual report for details of such scheme.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last five financial years is set out on page 136. This summary does not form part of the audited consolidated financial statements.

RETIREMENT SCHEMES

Particulars of employee retirement schemes of the Group are set out in note 4 to the consolidated financial statements.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 40 to the consolidated financial statements constituted connected transactions under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to such transactions. Details of the transactions are set out below.

Lease of land and buildings from Shengli Steel Pipe Co., Ltd. ("Shengli Steel Pipe")

The Company's indirect wholly owned subsidiary, Shandong Shengli Steel Pipe, entered into a lease agreement with Shengli Steel Pipe on 26 July 2009, pursuant to which, Shengli Steel Pipe agreed to lease to Shandong Shengli Steel Pipe certain land and buildings in Zibo, Shandong Province where the Group's SSAW production facilities are located. Pursuant to the lease agreement, the term of the lease is 20 years commencing from 1 January 2009 to 31 December 2028, renewable at the option of Shandong Shengli Steel Pipe. Shandong Shengli Steel Pipe and Shengli Steel Pipe entered into supplemental lease agreements on 28 September 2010, 29 April 2011, 20 December 2011 and 24 December 2014, respectively, pursuant to which the parties adjusted the scope of properties to be leased and the rental payable under the lease agreement. The rent is adjustable every three years with reference to the then market value which shall be confirmed by an independent property valuer jointly appointed by the parties. The annual cap for the transactions under the lease agreement as amended by the supplemental lease agreements for each of the three years from 1 January 2015 to 31 December 2017 is RMB7,670,000.

The registered capital of Shengli Steel Pipe is held as to 49.87% by Mr. Zhang Bizhuang, an executive Director and the chief executive officer of the Company (for himself as to 1.19% and the remaining on behalf of 315 employees of Shengli Steel Pipe). By reason of him being entitled to control the exercise of more than 30% voting power in Shengli Steel Pipe's general meeting, Shengli Steel Pipe is an associate of Mr. Zhang Bizhuang pursuant to the Listing Rules. As Mr. Zhang Bizhuang, being an executive Director and the chief executive officer of the Company, is a connected person of the Company pursuant to the Listing Rules, Shengli Steel Pipe, being his associate, is also a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions under the lease agreement as amended by the supplemental lease agreements constitute continuing connected transactions of the Company, and are subject to reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have reviewed and confirmed the above continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms;

(3) in accordance with the relevant agreements governing them; and

(4) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Board has received a letter from the auditor of the Company confirming that during the reporting period, the above continuing connected transactions:

(1) have received the approval of the Board of the Company;

(2) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and

(3) have not exceeded the cap disclosed in previous announcements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2014.

TAX CONCESSIONS

The Directors are not aware of any shareholders' entitlement to tax concessions as a result of holding securities of the Company.

AUDITORS

The consolidated financial statements of the Group for the financial year ended 31 December 2010 were audited by Deloitte Touche Tohmatsu. On 29 June 2011, Ernst & Young ("EY") was appointed as the auditors of the Company, in place of Deloitte Touche Tohmatsu, as the latter failed to reach consensus with the Company over the audit fee for the financial year ended 31 December 2011.

At the annual general meeting held on 15 June 2012, the Company re-appointed EY as auditors of the Company for the year ended 31 December 2012.

At the extraordinary general meeting held on 6 June 2013, a special resolution was passed for the removal of EY as auditors of the Company. The reason for the proposed removal of EY as auditors of the Company was disclosed in the announcement on 14 May 2013.

At the extraordinary general meeting held on 6 June 2013, an ordinary resolution was passed for the appointment of ANDA CPA Limited (currently known as ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA")) as auditors of the Company.

At the annual general meeting held on 11 August 2013, the Company re-appointed ANDA CPA Limited (currently known as ZHONGHUI ANDA) as auditors of the Company for the year ended 31 December 2013.

At the annual general meeting held on 20 June 2014, the Company re-appointed ZHONGHUI ANDA as auditors of the Company for the year ended 31 December 2014.

By order of the Board
Zhang Bizhuang
Chairman of the Board & Chief Executive Officer

30 March 2015

CORPORATE GOVERNANCE REPORT

OVERVIEW

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Board strives to uphold good corporate governance and adopts sound corporate governance practices. Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (the "Code") during the period from 1 January 2014 to 31 December 2014 as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that for the year ended 31 December 2014, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

Composition of the Board of Directors

The Board comprises five executive Directors and four independent non-executive Directors. The Board members of the Company currently are:

Executive Directors

Mr. Zhang Bizhuang *(Chairman and Chief Executive Officer)*
Mr. Jiang Yong *(Vice President)*
Mr. Wang Kunxian *(Vice President)* (appointed on 14 August 2014)
Ms. Han Aizhi *(Vice President)*
Mr. Song Xichen *(Vice President)*
Mr. Liu Yaohua *(Vice President)* (resigned on 14 August 2014)

Non-executive Director

Mr. Yan Tangfeng (resigned on 16 October 2014)

Independent non-executive Directors

Mr. Guo Changyu
Mr. Wang Xueyou
Mr. Chen Junzhu, *ACCA, CICPA*
Mr. Wu Geng (appointed on 19 March 2015)

The biographical details of all Directors are set out in pages 20 to 23 of this annual report. Save as those disclosed in this annual report, there are not any other financial, business, family or other material or relevant relationships among members of the Board.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Board brings a variety of experience and expertise to the Company.

Functions of the Board

The principal functions of the Board are to consider and approve strategies, financial objectives, annual budget and investment proposals of the Group, and assume the responsibilities of corporate governance of the Group. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors and senior management, and certain specific responsibilities to the Board committees.

Board Meetings and Board Practices

During the year ended 31 December 2014, the Board held 16 meetings, 4 of which were regular meetings.

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's Articles of Association. The company secretary of the Company (the "Company Secretary") assists the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. Generally, notice would be given for a regular meeting of the Company at least 14 days in advance. The Directors will receive details of agenda items for decision at least 3 days before each Board meeting. The Company Secretary is responsible for distributing detailed documents to each of the Directors prior to the meetings of the Board to ensure that the Directors may receive accurate, timely and clear information to make informed decisions regarding the matters to be discussed in the meetings. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of Board meetings. All minutes of Board meetings will be recorded in sufficient details, including the matters considered by the Board and decisions reached.

Throughout the year, 16 Board meetings were held. Details of the attendance of each Director are as follows:

Name of Director	**Attendance**
Executive Directors	
Mr. Zhang Bizhuang *(Chairman and Chief Executive Officer)*	16/16
Mr. Jiang Yong *(Vice President)*	16/16
Mr. Wang Kunxian *(Vice President)* (appointed on 14 August 2014)	7/7
Ms. Han Aizhi *(Vice President)*	16/16
Mr. Song Xichen (*Vice President)*	16/16
Mr. Liu Yaohua (Vice President) (resigned on 14 August 2014)	8/9
Non-executive Director	
Mr. Yan Tangfeng (resigned on 16 October 2014)	12/13
Independent non-executive Directors	
Mr. Guo Changyu	15/16
Mr. Wang Xueyou	15/16
Mr. Chen Junzhu, *ACCA, CICPA*	15/16
Mr. Wu Geng (appointed on 19 March 2015)	0/0

Appointment, Re-election and Removal of Directors

Each of the Directors has entered into a service contract or an appointment letter with the Company for a term of three years. The service contracts and appointment letters are subject to termination in accordance with the provisions contained therein by one party giving the other not less than 3-month prior written notice for executive Directors or 1-month prior written notice for non-executive and independent non-executive Directors.

In accordance with the Company's Articles of Association, one-third of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall retire from office by rotation. Pursuant to code provision A.4.2, all Directors are subject to retirement by rotation at least once every three years.

Independent non-executive Directors

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has four independent non-executive Directors, representing one-third of the members of the Board. Out of the four independent non-executive Directors, one of them is required to possess appropriate professional qualification in accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Company has received a written confirmation from each of the independent non-executive Directors in respect of his independence pursuant to Rule 3.13 of the Listing Rules. Based on the relevant confirmation, the Company considers Mr. Guo Changyu, Mr. Wang Xueyou, Mr. Chen Junzhu and Mr. Wu Geng to be independent from the Company.

Continuous Professional Development

Each of the newly appointed Directors, namely Mr. Wang Kunxian and Mr. Wu Geng, has been given an induction training so as to ensure that he has appropriate understanding of the Group's business and his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organized by professional bodies or chambers in Hong Kong. All Directors are requested to provide the Company with their respective training records pursuant to the Code.

During the year, all Directors, namely Mr. Zhang Bizhuang, Mr. Jiang Yong, Mr. Wang Kunxian, Ms. Han Aizhi, Mr. Song Xichen, Mr. Guo Changyu, Mr. Wang Xueyou and Mr. Chen Junzhu*, have participated in appropriate continuous professional development and refreshed their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. Such professional development was completed by way of attending briefings, conferences, courses, forums, seminars and lectures which are relevant to the business or Directors' duties, as well as self-reading and participating in business-related research.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are performed by Mr. Zhang Bizhuang, as the Board considers this arrangement is beneficial to the Company's daily operations, while splitting the two roles will involve a separation of power and authority under the existing structure. The Board will review the existing structure from time to time and make necessary arrangements as and when it deems necessary.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving strategic decisions on certain key matters for its approval. When the Board delegates aspects of its management and administration functions to the management, it gives clear directions as to the powers of the management, in particular, with respect to the circumstances where the management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

* Mr. Wu Geng was appointed as a Director on 19 March 2015 and was therefore not required to participate in continuous professional development for the year 2014.

BOARD COMMITTEES

The Board has established (i) an audit committee, (ii) a remuneration committee, and (iii) a nomination committee, with defined terms of reference which are in line with the code provisions of the Code. For the purpose of complying with the Code adopted by the Company on 10 March 2012, the Board has adopted revised terms of reference for the (i) audit committee, (ii) remuneration committee, and (iii) nomination committee on 10 March 2012. The terms of reference of the Board Committees which explain their respective roles and the authority delegated to them by the Board will be made available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

Composition

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

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2014.

During the year ended 31 December 2014, the Audit Committee held two meetings. Details of the attendance of each member are as follows:

Name of Audit Committee Member	Attendance
Mr. Chen Junzhu *(Chairman)*	2/2
Mr. Guo Changyu (appointed on 16 October 2014)	0/0
Mr. Wang Xueyou (resigned on 23 March 2015)	2/2
Mr. Yan Tangfeng (resigned on 16 October 2014)	2/2
Mr. Wu Geng (appointed on 23 March 2015)	0/0

During the year ended 31 December 2014, the Audit Committee had performed the following functions: reviewing the half-year and full year results, approving of the audit proposal of the auditors, reviewing the report of the auditors, formulating the plan of internal audit for 2014, reviewing the internal audit report summary for 2013 and the internal audit report for the first half of 2014, as well as reviewing the internal control system.

Remuneration Committee

Composition

The remuneration committee of the Company (the "Remuneration Committee") was established on 21 November 2009 in compliance with the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, review and approve proposals for the management's remuneration, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Wang Xueyou and Mr. Chen Junzhu, and one executive Director, namely Mr. Zhang Bizhuang (appointed on 16 October 2014). Mr. Wang Xueyou currently serves as the chairman.

During the year ended 31 December 2014, the Remuneration Committee held three meetings. Details of the attendance of each member are as follows:

Name of Remuneration Committee Member	**Attendance**
Mr. Wang Xueyou *(Chairman)*	3/3
Mr. Zhang Bizhuang (appointed on 16 October 2014)	0/0
Mr. Chen Junzhu	3/3
Mr. Yan Tangfeng (resigned on 16 October 2014)	3/3

During the year ended 31 December 2014, the Remuneration Committee had reviewed the remuneration policy and structure, and determined, amongst others, the annual remuneration packages for executive Directors and senior management.

Remuneration Policy for Directors and Senior Management

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, subject to the approval by the Remuneration Committee.

The Company has adopted the Share Option Scheme on 21 November 2009. The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned on pages 29 to 33 of this report) an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Pursuant to code provision B.1.5 of the Code, the remuneration paid by the Group to members of senior management by band for the year ended 31 December 2014 is set out below:

Remuneration band	**Number of individuals**
Nil–HK$600,000	1
HK$600,001–HK$700,000	5
HK$700,001–HK$800,000	2

Nomination Committee

Composition

The nomination committee of the Company (the "Nomination Committee") was established on 21 November 2009. The revised terms of reference and procedures of the Nomination Committee were approved by the Board and came into effect on 11 November 2013 to ensure they continue to meet the needs of the Company and to ensure compliance with the Code. The principal duties of the Nomination Committee of the Company include: (a) reviewing the structure, size and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of independent non-executive Directors of the Company; (d) making recommendations to the Board on the appointment or re-appointment of Directors of the Company and reviewing the succession planning for the chairman, the chief executive officer as well as the senior management, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate; (e) reviewing the Board Diversity Policy as appropriate, and reviewing the measurable objectives that the Board has set for implementing the Board Diversity policy and the progress on achieving the objectives; (f) attending annual general meetings of the Company and answering questions raised in the annual general meetings. The Nomination Committee consists of two independent non-executive Directors, namely Mr. Guo Changyu and Mr. Wu Geng (appointed on 23 March 2015), and one executive Director, namely Mr. Zhang Bizhuang. Mr. Guo Changyu currently serves as the chairman.

During the year ended 31 December 2014, the Nomination Committee held three meetings. Details of the attendance of each member are as follows:

Name of Nomination Committee Member	**Attendance**
Mr. Guo Changyu *(Chairman)*	3/3
Mr. Zhang Bizhuang	3/3
Mr. Wang Xueyou (resigned on 23 March 2015)	3/3
Mr. Wu Geng (appointed on 23 March 2015)	0/0

During the year ended 31 December 2014, the Nomination Committee had advised the Board on the selection of candidates to fill the vacancy of the Board, reviewed the structure, size and composition of the Board, and gave full review on the professional qualifications and career background of all candidates to directorships and members of each Board committee as well as the independence of the independent non-executive Directors.

In addition, the Nomination Committee has adopted the Board Diversity Policy in compliance with the Code in 2014. The Company recognizes and embraces the benefits of diversity in the Board to the performance of the Company. To achieve a sustainable and balanced development, the Company sees increasing diversity in the composition of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Therefore, the Board has set measurable objectives for the implementation of the Board Diversity Policy. Selection of candidates to directorships will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board. For the purpose of implementing the Board Diversity Policy, the Company has adopted measurable objectives as follows:

1. at least one-third of the Board members shall be independent non-executive Directors;

2. at least one of the Board members shall have obtained accounting or other professional qualifications;

3. at least one of the Board members shall be female if conditions allow;

4. at least 75% of the Board members shall have more than ten years of experience in the industry he/she specializes in; and

5. at least 50% of the Board members shall have more than five years of working experience in the industry the Company is engaged in.

With reference to the above measurable objectives, the Nomination Committee is satisfied with the successful implementation of the Board Diversity Policy. As at 31 December 2014, the Company had achieved all of the five measurable objectives of the Board Diversity Policy listed above. The Nomination Committee will continue to monitor the implementation of the Board Diversity Policy and review the policy as appropriate to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the Code, which includes (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Code and make disclosure in the corporate governance report.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' Responsibilities for the Consolidated Financial Statements

The Board of Directors acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the financial position, results and cash flows of the Group for the period. In preparing the consolidated financial statements for the year ended 31 December 2014, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The reporting responsibilities of the external auditors of the Company, ZHONGHUI ANDA CPA Limited, on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on page 49 of this report.

There was no disagreement between the Board and the Audit Committee on the re-appointment of the external auditors of the Company.

AUDITORS' REMUNERATION

During the year ended 31 December 2014, the remuneration paid or payable to ZHONGHUI ANDA CPA Limited, in respect of their audit and non-audit services were as follows:

Type of Services	**Total** HK$000
Audit Services	1,680
Non-audit Services	
— Review on interim report	500
— Report on continuing connected transactions	15
— Review on preliminary results announcement	13
— Circular on major transactions	300
Total	2,508

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Board and the Audit Committee have reviewed the effectiveness of the Group's internal control systems on all major operations of the Group during the year under review. The Board and the Audit Committee consider that the key areas of the Group's internal control systems, including financial and operational aspects, are reasonably implemented and the Group has fully complied with provisions regarding internal control systems in general for the year ended 31 December 2014.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board is well aware of the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognises that an effective communication with investors is the key to establish investors' confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency, in order to ensure that the investors and the shareholders of the Company can receive accurate, clear, comprehensive and timely information of the Group via the issue of annual reports, interim reports, announcements and circulars. The Company also publishes all documents on the Company's website at www.slogp.com.

We promptly respond to investors' enquiries. We also organise and plan exchange activities on a regular basis, such as investor conferences, seminars and presentations. These initiatives can help us extend an in-depth reach of our strengths and competitive advantages into the market, which is ultimately reflected in the market value of the Company.

The investor relations team regularly informs the Board of the latest market perceptions and developments of the Company, for the Board to immediately keep abreast of the concerns of investors, to get deeper understanding of the prevailing policies, and to make better efforts in the Company's own investor relations with reference to the best international standards. The Directors and members of the Board Committees will attend annual general meetings and extraordinary general meetings to answer questions. Separate resolutions on each distinct issue would be proposed at the general meetings.

Throughout the year, two general meetings were held. Details of the attendance of each Director are as follows:

Name of Director	**Attendance**
Executive Directors	
Mr. Zhang Bizhuang *(Chairman and Chief Executive Officer)*	2/2
Mr. Jiang Yong *(Vice President)*	2/2
Mr. Wang Kunxian *(Vice President)* (appointed on 14 August 2014)	2/2
Ms. Han Aizhi *(Vice President)*	2/2
Mr. Song Xichen *(Vice President)*	2/2
Mr. Liu Yaohua *(Vice President)* (resigned on 14 August 2014)	2/2
Non-executive Director	
Mr. Yan Tangfeng (resigned on 16 October 2014)	2/2
Independent non-executive Directors	
Mr. Guo Changyu	2/2
Mr. Wang Xueyou	2/2
Mr. Chen Junzhu, *ACCA, CICPA*	2/2
Mr. Wu Geng (appointed on 19 March 2015)	0/0

Shareholders' Rights

Procedures by which Shareholders may convene extraordinary general meetings and putting forward proposals at general meetings

Pursuant to the Articles of Association of the Company, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company shall at all times have the right, by written requisition to the Board (by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If, within 21 days after such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

If Shareholders wish to put forward proposal(s) at a general meeting and request the Company to give notice to its Shareholders on the resolution(s) intended to be moved at the general meeting, they shall send a signed written notice with their contact information by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by mail to the Company at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email to ir@slogp.com. The Company will forward communications relating to matters within the Board's direct responsibilities to the Directors and communications relating to ordinary business matters, such as suggestions, enquiries and customer complaints, to the Chief Executive Officer of the Company.

Significant Change in Constitutional Documents

During the year ended 31 December 2014, there has been no significant change in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

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ZHONGHUI

TO THE SHAREHOLDERS OF SHENGLI OIL & GAS PIPE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shengli Oil & Gas Pipe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 135, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	10	2,009,062	2,556,717
Cost of sales and services		(1,982,006)	(2,470,787)
Gross profit		27,056	85,930
Other income and gains	10	26,732	135,433
Selling and distribution costs		(23,681)	(31,075)
Administrative expenses		(165,836)	(96,625)
Other expenses		(3,894)	(1,326)
Share of results of:			
Joint ventures		(12,422)	(3,104)
Associates		3,618	(6,786)
Gain on acquisition of an associate		3,421	—
Impairment loss recognized on investment in an associate	31	(33,548)	—
Finance costs	11	(53,643)	(58,367)
(LOSS)/PROFIT BEFORE TAX	12	(232,197)	24,080
Income tax expense	14	(7,548)	(11,699)
(LOSS)/PROFIT FOR THE YEAR		(239,745)	12,381
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		867	(693)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(238,878)	11,688
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	15	(219,176)	17,826
Non-controlling interests		(20,569)	(5,445)
		(239,745)	12,381
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(218,309)	17,133
Non-controlling interests		(20,569)	(5,445)
		(238,878)	11,688
(LOSS)/EARNINGS PER SHARE (RMB cents)	16		
— Basic		(8.72)	0.72
— Diluted		(8.72)	0.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	1,107,277	1,100,509
Prepaid land lease payments	19	171,408	175,212
Goodwill	20	9,910	9,910
Deposits paid for acquisition of investments	22	—	33,928
Investment in joint ventures	23	29,530	50,952
Investment in associates	24	48,761	230,270
Available-for-sale investment	25	11,428	15,000
Derivative financial instrument	24	—	183,000
Other assets		3,248	941
Deferred tax assets	26	26,522	31,046
		1,408,084	1,830,768
CURRENT ASSETS			
Inventories	27	176,808	195,374
Trade and bills receivables	28	1,018,694	1,111,883
Prepayments, deposits and other receivables	29	459,435	435,831
Prepaid land lease payments	19	3,777	3,749
Pledged deposits	30	206,446	591,744
Cash and cash equivalents	30	216,007	202,720
		2,081,167	2,541,301
Non-current assets held for sale	31	350,000	—
		2,431,167	2,541,301
CURRENT LIABILITIES			
Trade and bills payables	32	339,891	338,487
Other payables and accruals	33	186,780	78,362
Borrowings	34	982,289	1,475,618
Tax payable		14,218	10,511
Deferred income	35	854	1,058
		1,524,032	1,904,036
NET CURRENT ASSETS		907,135	637,265
TOTAL ASSETS LESS CURRENT LIABILITIES		2,315,219	2,468,033
NON-CURRENT LIABILITIES			
Deferred income	35	8,171	9,026
Borrowings	34	82,500	84,000
Deferred tax liabilities	26	32,892	32,909
		123,563	125,935
NET ASSETS		2,191,656	2,342,098

	Notes	2014 RMB'000	2013 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	36	**238,438**	218,786
Reserves	37	**1,708,540**	1,858,065
		1,946,978	2,076,851
Non-controlling interests		**244,678**	265,247
Total equity		**2,191,656**	2,342,098

The consolidated financial statements on pages 51 to 135 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Zhang Bizhuang	**Han Aizhi**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Issued capital	Share premium*	Statutory surplus reserve*	Share option reserve*	Other reserve*	Foreign currency translation reserve*	Retained profits*	Proposed final dividend*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	218,786	1,082,569	62,484	25,814	(9)	—	668,049	16,676	2,074,369	190,692	2,265,061
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	80,000	80,000
Share-based payment	—	—	—	2,025	—	—	—	—	2,025	—	2,025
Final 2012 dividend paid	—	—	—	—	—	—	—	(16,676)	(16,676)	—	(16,676)
Proposed final 2013 dividend	—	(3,095)	—	—	—	—	—	3,095	—	—	—
Total comprehensive (loss)/ income for the year	—	—	—	—	—	(693)	17,826	—	17,133	(5,445)	11,688
At 31 December 2013	218,786	1,079,474	62,484	27,839	(9)	(693)	685,875	3,095	2,076,851	265,247	2,342,098
At 1 January 2014	218,786	1,079,474	62,484	27,839	(9)	(693)	685,875	3,095	2,076,851	265,247	2,342,098
Issue of shares	19,652	68,781	—	—	—	—	—	—	88,433	—	88,433
Final 2013 dividend paid	—	—	—	—	—	—	—	(3,095)	(3,095)	—	(3,095)
Share-based payment	—	—	—	3,098	—	—	—	—	3,098	—	3,098
Total comprehensive income/ (loss) for the year	—	—	—	—	—	867	(219,176)	—	(218,309)	(20,569)	(238,878)
At 31 December 2014	238,438	1,148,255	62,484	30,937	(9)	174	466,699	—	1,946,978	244,678	2,191,656

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(232,197)**	24,080
Adjustments for:		
Finance costs	**53,643**	58,367
Interest income	**(14,203)**	(20,229)
Share of results of joint ventures	**12,422**	3,104
Share of results of associates	**(3,618)**	6,786
Depreciation	**88,176**	80,194
Amortization of prepaid land lease payments	**3,776**	3,788
Gain on acquisition of an associate	**(3,421)**	—
Gain on disposal of property, plant and equipment, net	**(195)**	(671)
Allowance for trade receivables	**50,430**	—
Impairment loss recognized on investment in an associate	**33,548**	—
Write down/(reversal of write down) of inventories	**30,447**	(727)
Share option expenses	**3,098**	2,025
Change in fair value of a derivative financial instrument	**—**	(89,000)
Recognise of deferred income	**(1,059)**	(1,650)
Operating profit before working capital changes	**20,847**	66,067
Change in inventories	**(11,881)**	81,437
Change in trade and bills receivables	**42,758**	(362,725)
Change in prepayments, deposits and other receivables and other assets	**11,926**	13,648
Change in trade and bills payables	**8,704**	210,175
Change in other payables and accruals	**8,698**	(91,127)
Change in deferred income	**—**	1,000
Cash generated from/(used in) operations	**81,052**	(81,525)
Income tax refunded/(paid)	**305**	(11,257)
Net cash generated from/(used in) operating activities	**81,357**	(92,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(95,930)**	(210,757)
Additions of prepaid land lease payments	**—**	(14,886)
Investment in a joint venture	**—**	(8,656)
Investment in an associate	**(7,500)**	—
Deposits received from disposal of an associate	**100,000**	—
Refund of deposits paid for acquisition of investments	**7,500**	—
Proceeds from disposal of items of property, plant and equipment	**1,181**	15,047
Dividends received from an associate	**33,000**	—
Change in pledged deposits	**377,998**	(218,242)
Interest received	**14,203**	20,229
Reduction in investment in joint ventures	**9,000**	—
Advance to a joint venture	**(45,338)**	(28,765)
Net cash generated from/(used in) investing activities	**394,114**	(446,030)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings	1,135,066	1,303,668
Repayment of loans	(1,629,895)	(732,511)
Interest paid	(53,643)	(58,367)
Capital contribution from non-controlling interests	—	80,000
Dividends paid	(3,095)	(16,676)
Proceeds from issue of shares	88,433	—
Net cash (used in)/generated from financing activities	(463,134)	576,114
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,337	37,302
Cash and cash equivalents at beginning of year	202,720	166,056
Effect of foreign exchange	950	(638)
Cash and cash equivalents at end of year	216,007	202,720

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 3 July 2009. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1–1111, Cayman Islands. The principal places of business of the Company in Hong Kong and the People's Republic of China (the "PRC") are located at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong and Zhongbu Town, Zhangdian District, Zibo City, Shandong Province 255082, the PRC, respectively.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 21 to the consolidated financial statements.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 December 2009.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS") and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20–30 years
Plant and machinery	10 years
Motor vehicles	6 years
Electronic equipment and others	4–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

Leases

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

The Group's financial assets include cash and bank balances, trade and other receivables, bills receivable and financial instruments.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial instruments (continued)

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair values cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted instruments are not reversed.

Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value. Changes in the fair value of derivatives are recognised in profit or loss as they arise.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables (continued)

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Service income is recognised when the services are provided.

(c) Rental income is recognised on a straight-line basis over the lease term.

(d) Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Dividend income is recognised when the shareholders' right to receive payment has been established.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$25,000 (increased to HK$30,000 starting from 1 June 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Non-current assets held for sale

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES (continued)

Critical judgements in applying accounting policies (continued)

(a) Legal titles of certain lands and buildings

As stated in notes 18 and 19 to the consolidated financial statements, the legal titles of certain lands and buildings have not been transferred to the Group as at 31 December 2014. Despite the fact that the Group has not obtained the relevant certificates of legal titles, the Directors determine to recognise those lands and buildings under property, plant and equipment and prepaid land lease payments, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those lands and buildings.

(b) Available-for-sale investment

Although the Group owns more than 50% of the equity interest in Ever Growing Energy Service, LLC ("Ever Growing"), Ever Growing is treated as an available-for-sale investment because the Group is neither able to control the relevant activities, nor exercise significant influence over Ever Growing.

(c) Non-current assets held for sale

During the year ended 31 December 2014, the Company reclassified its investment in an associate and derivative financial instrument to non-current assets held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. In making this judgement, impairment loss of approximately RMB33,548,000 is recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014. Details of the losses are disclosed in note 31.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(a) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2014 was approximately RMB26,522,000 (2013: approximately RMB31,046,000).

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. The net carrying amounts of trade receivables, and prepayments, deposits and other receivables at 31 December 2014 were approximately RMB1,006,562,000 (2013: RMB1,099,300,000) and RMB459,435,000 (2013: RMB435,831,000), respectively.

(c) Write-down of inventories

The Group determines the write-down for obsolescence of inventories with reference to aged inventory analyses and projections of expected future saleability of goods. Based on this review, write-down of inventories will be made when the carrying amounts of inventories are lower than their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. The net carrying amount of inventories at 31 December 2014 was approximately RMB176,808,000 (2013: approximately RMB195,374,000).

(d) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was approximately RMB9,910,000 (2013: approximately RMB9,910,000). More details are given in note 20.

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(e) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation/amortization charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation/amortization charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(f) Impairment loss recognised in respect of interests in associates and joint ventures

Interests in associates and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Value-in-use calculations are used for assessing the recoverable amount of these interests. These calculations require use of judgments and estimates.

Management judgment is required for assessing impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related carrying value of interests may not be recoverable; and (ii) whether the carrying value of the interests can be supported by the recoverable amount. Changing the estimations used by management in assessing impairment could materially affect the recoverable amount used in the impairment test and as a result affect the Group's consolidated financial position and results of operations. At the end of the reporting period, the carrying value of interests in associates and joint ventures were approximately RMB48,761,000 (2013: approximately RMB230,270,000) and RMB29,530,000 (2013: approximately RMB50,952,000); respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes interest-bearing bank loans and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise derivative financial instrument, borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, price risk, liquidity risk, interest rate risk and foreign currency risk. The board reviews and agrees on policies for managing each of these risks and they are summarised below:

(a) Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates.

The Group's businesses are mainly located in the Mainland China and are mainly transacted and settled in Renminbi, so the Group has minimal exposure to foreign currency risk.

(b) Interest rate risk

Interest rate risk means the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group did not have any long-term bank loans with a floating interest rate during the years ended 31 December 2014 and 2013, so the Group was not exposed to the risk of changes in market interest rates.

(c) Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

In addition, the Group continuously monitors its trade receivable balance, and insists that salespersons are responsible for cash collection, and the persons who approve sales contracts are accountable for the collection of receivables.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The Group's other financial assets include cash and cash equivalents, and other receivables. Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in the PRC and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 18% (2013: 16%) and 61% (2013: 66%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

(d) Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payment, is as follows:

2014

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Borrowings	**1,009,729**	**29,260**	**58,269**	**—**	**1,097,258**
Trade and bills payables	**339,891**	**—**	**—**	**—**	**339,891**
Financial liabilities included in other payables and accruals	**172,113**	**—**	**—**	**—**	**172,113**
	1,521,733	**29,260**	**58,269**	**—**	**1,609,262**

2013

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Borrowings	1,499,765	29,260	63,474	—	1,592,499
Trade and bills payables	338,487	—	—	—	338,487
Financial liabilities included in other payables and accruals	50,091	—	—	—	50,091
	1,888,343	29,260	63,474	—	1,981,077

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets:		
Financial assets at fair value through profit or loss		
Derivative financial instrument	—	183,000
Available-for-sale financial assets	11,428	15,000
Loans and receivables		
Trade and bills receivables	1,018,694	1,111,883
Financial assets included in prepayments, deposits and other receivables	110,017	78,896
Pledged deposits	206,446	591,744
Cash and cash equivalents	216,007	202,720
	1,551,164	1,985,243
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and bills payables	339,891	338,487
Financial liabilities included in other payables and accruals	172,113	50,091
Borrowings	1,064,789	1,559,618
	1,576,793	1,948,196

(f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values, except for its available-for-sale investment, which is measured at cost less impairment losses.

(a) Disclosures of level in fair value hierarchy

The Group's financial asset involving recurring fair value measurements represents its derivative financial instrument for the Guaranteed Return and Right to Sell of Golden Fortune, details of which are set out in note 24. The fair value of the derivative financial instrument is measured using Level 3 inputs and there was no transfer in or transfer out of the measurement level. The fair values of the derivative financial instrument as at the end of the reporting periods are as follows:

	2014 **RMB'000**	2013 RMB'000
Fair value of the derivative financial instrument	—	183,000

8. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of assets measured at fair value based on level 3

	RMB'000
At 1 January 2013	94,000
Total gain recognised in profit or loss for the year (included in assets held at end of the reporting period)	89,000
At 31 December 2013 and 1 January 2014	183,000
Reclassified to non-current assets held for sale	(183,000)
At 31 December 2014	—

The total gains recognised in profit or loss were presented in other income and gains in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's financial controller is responsible for the fair value measurements of assets required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements were mainly:

— weighted average cost of capital (estimated based on Capital Asset Pricing Model of 15.25%)

— long-term revenue growth rate (estimated based on management's experience and knowledge of market conditions of the specific industry of 2.86%)

— discount for lack of marketability (estimated based on reference to the share price of listed entities in similar industry of 21%)

8. FAIR VALUE MEASUREMENTS (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements (continued)

Level 3 fair value measurements

Description	Valuation Technique	Unobservable inputs	Effect on fair value for increase of input	Fair value as at 31 Dec 2013 of input RMB'000
Derivative financial instrument in respect of Guaranteed Return and Right to Sell of Golden	Monte Carlo Simulation	Long-term revenue growth rate 2.86%	Decrease	183,000
		Weighted average cost of capital 15.25%	Decrease	
		Discount of lack of marketability 21%	Increase	

9. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2014, the Group has combined spiral submerged arc welded pipe operation, longitudinal submerged arc welded pipe operation and cold-formed section steel operation (collectively referred to as "Pipes Business") as one reportable segment. The Group now has two (2013: three) reportable segments which comprise of Pipes Business and trading of metal commodity. The trading of metal commodity business mainly involve trading of electrolytic copper, aluminum ingot and aluminum oxide. The Pipes Business segment produces spiral submerged arc welded pipes and longitudinal submerged arc welded pipe which are mainly used for the oil industry. The Cold-formed Section Steel Business produces cold-formed section steel which is mainly used for the infrastructure industry. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

The inter-segment sales were based on agreed selling prices between the parties involved.

Segment results represent the profit earned by each segment without allocation of interest income, finance costs, fair value gains of derivative financial instrument, gain on acquisition of an associate, impairment loss recognised on investment in an associate and central administration costs including Directors' fees, share-based payments, foreign currency exchange gains/losses, share of results of joint ventures and associates and items not directly related to the core business of the segments.

9. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results

For the year ended 31 December 2014

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:				
Sales to external customers	359,368	1,649,694	—	2,009,062
Intersegment sales	20,702	—	(20,702)	—
Total revenue	380,070	1,649,694	(20,702)	2,009,062
Segment results	(113,016)	(22,000)		(135,016)
Interest income				14,203
Gain on acquisition of an associate				3,421
Impairment loss recognized on investment in an associate				(33,548)
Unallocated expenses				(27,614)
Finance costs				(53,643)
Loss before tax				(232,197)

9. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2013

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:				
Sales to external customers	856,367	1,700,350	—	2,556,717
Intersegment sales	24,294	87,079	(111,373)	—
Total revenue	880,661	1,787,429	(111,373)	2,556,717
Segment results	(16,926)	32,685		15,759
Interest income				20,229
Fair value gains of derivative financial instrument				89,000
Unallocated expenses (note)				(42,541)
Finance costs				(58,367)
Profit before tax				24,080

Note:

In 2013, included in unallocated expenses of approximately to RMB7,115,000 which were related to the longitudinal submerged arc welded ("LSAW") pipes business (included in Pipe Business) and the related operation has not yet commenced for the year ended 31 December 2013.

9. OPERATING SEGMENT INFORMATION (continued)

Segment assets

As at 31 December 2014

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment assets	2,291,828	657,640	—	2,949,468
Unallocated assets				889,783
Total consolidated assets				3,839,251

As at 31 December 2013

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment assets	1,611,306	878,535	—	2,489,841
Unallocated assets (note)				1,882,228
Total consolidated assets				4,372,069

9. OPERATING SEGMENT INFORMATION (continued)

Segment liabilities

As at 31 December 2014

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment liabilities	**310,583**	**222,031**	**—**	**532,614**
Unallocated liabilities				**1,114,981**
Total consolidated liabilities				**1,647,595**

As at 31 December 2013

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment liabilities	148,244	252,806	—	401,050
Unallocated liabilities (note)				1,628,921
Total consolidated liabilities				2,029,971

Note:

In 2013, included in unallocated assets and liabilities were assets amounted approximately to RMB567,518,000 and liabilities amounted approximately to RMB102,825,000 which were related to LSAW pipes business (included in Pipe Business) and the related operation has not yet commenced as at 31 December 2013.

9. OPERATING SEGMENT INFORMATION (continued)

Other segment information

2014

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Unallocated RMB'000	Consolidated RMB'000
Share of results of:				
Joint ventures	—	—	(12,422)	(12,422)
Associates	3,618	—	—	3,618
Write down of inventories	30,447	—	—	30,447
Allowance for trade receivables	—	50,430	—	50,430
Depreciation and amortisation	91,418	290	244	91,952
Investment in joint ventures	—	—	29,530	29,530
Investment in associates	48,761	—	—	48,761
Capital expenditure	95,024	387	519	95,930

2013

	Pipes Business RMB'000	Trading of metal commodity RMB'000	Unallocated RMB'000	Consolidated RMB'000
Share of results of:				
Joint ventures	—	—	(3,104)	(3,104)
Associates	(6,786)	—	—	(6,786)
Reversal of write down of inventories	(727)	—	—	(727)
Depreciation and amortisation	82,203	241	1,538	83,982
Investment in joint ventures	—	—	50,952	50,952
Investment in associates	230,270	—	—	230,270
Capital expenditure (note)	25,584	132	199,927	225,643

Note:

Capital expenditure consists of additions of property, plant and equipment and prepaid land lease payments. In 2013, the Group incurred capital expenditure approximately of RMB199,927,000 for the LSAW pipes business (included in Pipe Business) which operation has not yet commenced as at 31 December 2013. Such amount was included in unallocated capital expenditure.

9. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Mainland China	**2,009,062**	2,282,749
Other countries	**—**	273,968
	2,009,062	2,556,717

(b) Non-current assets

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Mainland China	**1,369,646**	1,601,593
Hong Kong	**488**	129
	1,370,134	1,601,722

The non-current asset information above is based on the location of assets and excludes financial instruments, available-for-sale investment and deferred tax assets.

9. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

	Segment	2014 RMB'000	2013 RMB'000
Customer A	Trading of metal commodity	156,979	625,060
Customer B	Trading of metal commodity	263,327	546,753
Customer C (note)	Pipes Business	9,280[1]	349,527
Customer D (note)	Pipes Business	116,320	23,487[1]

Note: Revenue of approximately RMB9,280,000 (2013: approximately RMB349,527,000) and approximately RMB116,320,000 (2013: approximately RMB23,487,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

1 Revenue from these customers did not exceed 10% of total revenue in the respective years. These amounts were shown for comparative purpose.

10. REVENUE, OTHER INCOME AND GAINS

	2014 RMB'000	2013 RMB'000
Revenue		
Sales of steel pipes	325,425	826,531
Trading of metal commodity	1,649,694	1,700,350
Rendering of services related to Pipe Business	33,943	29,836
	2,009,062	2,556,717
Other income		
Interest income	14,203	20,229
Dividend income received from available-for-sale investment	—	509
Rental income	6,620	8,208
Others	4,072	2,292
	24,895	31,238
Other gains		
Gain on sales of materials	—	12,942
Fair value gains of derivative financial instrument	—	89,000
Exchange gains, net	1,438	1,485
Gain on disposal of property, plant and equipment, net	195	671
Others	204	97
	1,837	104,195
	26,732	135,433

11. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest of borrowings wholly repayable within five years		
— Borrowings	69,549	58,872
— Other loans from a financial institution in the PRC	—	11,173
Less: interests capitalised	(15,906)	(11,678)
	53,643	58,367

12. (LOSS)/PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
Cost of inventories sold*	1,953,485	2,458,740
Cost of services	28,521	12,047
Employees benefits expenses		
(including directors' remuneration (note 13))		
Wages, salaries and bonus	56,053	59,264
Performance related bonus	—	64
Pension scheme contributions	5,808	6,348
Welfare and other expenses	6,920	6,086
Equity-settled share option expense	3,098	2,025
	71,879	73,787
Depreciation of property, plant and equipment	88,176	80,194
Amortisation of prepaid land lease payments	3,776	3,788
Allowance for trade receivables	50,430	—
Gain on disposal of property, plant and equipment, net	(195)	(671)
Operating lease payments	15,085	15,665
Exchange gains, net	(1,438)	(1,485)
Auditors' remuneration	1,325	1,183

* Included in the cost of inventories sold is an amount of approximately RMB30,447,000 (2013: reversal of write down of approximately RMB727,000) related to the write down of inventories for the year ended 31 December 2014.

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(a) Directors' remuneration for the year, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, is as follows:

		For the year ended 31 December 2014					
	Notes	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Performance related bonus RMB'000	Social security contribution RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Executive Directors:							
Zhang Bizhuang	(i)	79	688	—	14	219	1,000
Jiang Yong		79	594	—	—	—	673
Liu Yaohua	(ii)	49	534	—	14	182	779
Han Aizhi		79	534	—	14	182	809
Song Xichen		79	534	—	14	173	800
Wang Kunxian	(iii)	30	509	—	14	138	691
Non-executive Directors:							
Yan Tangfeng	(iv)	188	—	—	—	—	188
Independent non-executive Directors:							
Guo Changyu		—	—	—	—	—	—
Wang Xueyou		238	—	—	—	—	238
Chen Junzhu		238	—	—	—	—	238
		1,059	3,393	—	70	894	5,416

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (continued)

(a) (continued)

		For the year ended 31 December 2013					
	Notes	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Performance related bonus RMB'000	Social security contribution RMB'000	Equity settled share option expense RMB'000	Total remuneration RMB'000
Executive Directors:							
Zhang Bizhuang	(i)	80	904	—	24	172	1,180
Jiang Yong		80	797	—	—	—	877
Liu Yaohua		80	667	—	24	106	877
Han Aizhi		80	665	—	24	123	892
Song Xichen		80	667	—	24	88	859
Non-executive Directors:							
Yan Tangfeng		239	—	—	—	—	239
Independent non-executive Directors:							
Guo Changyu		239	—	—	—	—	239
Wang Xueyou		239	—	—	—	—	239
Chen Junzhu	(v)	140	—	—	—	—	140
Leung Ming Shu	(vi)	66	—	—	—	—	66
		1,323	3,700	—	96	489	5,608

Notes:

(i) Mr. Zhang Bizhuang was also the chairman and chief executive officer of the Company during the year. His emoluments disclosed above included those for services rendered by him as the chairman and chief executive officer.

(ii) Resigned on 14 August 2014 but remain as a member of the senior management team of the Company.

(iii) Appointed on 14 August 2014.

(iv) Resigned on 16 October 2014.

(v) Appointed on 30 May 2013.

(vi) Resigned on 9 April 2013.

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (continued)

(b) Five Highest Paid Individuals' emoluments

All (2013: Four) of the five highest paid individuals of the Group were the Directors whose emolument is set out in the above. The details of the remaining employees' emoluments of the Company for the year ended 31 December 2013 were as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and other benefits in kind	—	828
Performance related bonus	—	64
Social security contributions	—	12
	—	904

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employee	
	2014	2013
Emolument band:		
HK$0–HK$1,000,000	—	1

(c) No emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 December 2014 and 2013.

14. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current — PRC Enterprise Income Tax ("EIT")		
— Charge for the year	**27**	3,399
— Under-provision in prior years	**—**	431
Current — Hong Kong		
— Charge for the year	**3,014**	3,186
Deferred tax (note 26)	**4,507**	4,683
	7,548	11,699

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

The statutory tax rate of China Petro Equipment Holdings Pte Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, was 17% for both years.

Under the laws of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

14. INCOME TAX EXPENSE (continued)

A reconciliation of the income tax expenses applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Group's principal operations are domiciled to the income tax expenses at the Group's effective income tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2014 RMB'000	2013 RMB'000
(Loss)/profit before tax	**(232,197)**	24,080
Tax at the applicable tax rate of companies within the Group of 25% (2013: 25%)	**(58,049)**	6,020
Expenses not deductible for tax	**38,951**	5,410
Income not taxable for tax	**(6,056)**	(397)
Tax loss not recognised	**32,019**	92
Effect of different tax rates of subsidiaries	**(1,558)**	(1,273)
Profits and losses attributable to joint ventures and associates	**2,201**	2,473
Others	**40**	(626)
Tax at the Group's effective rate	**7,548**	11,699

Notes:

At the end of the reporting period, the Group has unused tax losses of approximately RMB198,301,000 (2013: approximately RMB68,918,000) available for offset against future profits. No deferred tax assets have been recognised for tax losses for the year ended 31 December 2014, due to the management of the Group is of the view that it is not probable that taxable profits of these subsidiaries will be available against which tax losses can be utilised.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The applicable tax rate for the Group is 10% and therefore the Group is liable to 10% withholding tax on dividends distributed by subsidiaries in the Mainland China in respect of earnings generated from 1 January 2008 and afterwards.

As at 31 December 2014 and 2013, the aggregate amounts of temporary differences associated with undistributed earnings of the subsidiaries in the Mainland China for which deferred tax liabilities have not been recognised were approximately RMB765,000,000 and RMB848,000,000, respectively.

15. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The (loss)/profit for the year attributable to owners of the Company for the year ended 31 December 2014 includes a loss of approximately RMB14,034,000 (2013: approximately RMB13,591,000), which has been dealt with in the financial statements of the Company.

16. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB219,176,000 (2013: profit for the year attributable to owners of the Company of approximately RMB17,826,000) and the weighted average number of 2,513,201,000 (2013: 2,480,580,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as there was no dilutive potential ordinary shares for the Company's outstanding options.

17. DIVIDEND

The dividends for the years ended 31 December 2014 and 2013 are set out below:

	2014 **RMB'000**	2013 RMB'000
Proposed final 2014: **nil** (2013: RMB0.125 cent) per ordinary share	—	3,095

The Board of Directors has resolved not to declare a final dividend for the year ended 31 December 2014 (2013: RMB0.125 cent per share (equivalent to approximately HK0.158 cent per share)).

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014						
COST:						
At 1 January 2014	232,582	617,542	16,314	7,771	457,173	1,331,382
Additions	560	14,497	423	2,159	78,291	95,930
Transfers	55,548	322,661	—	203	(378,412)	—
Disposals	—	(2,745)	(1,325)	(114)	—	(4,184)
At 31 December 2014	288,690	951,955	15,412	10,019	157,052	1,423,128
ACCUMULATED DEPRECIATION:						
At 1 January 2014	26,171	191,046	9,424	4,232	—	230,873
Provided during the year	9,662	74,938	2,173	1,403	—	88,176
Disposals	—	(1,864)	(1,226)	(108)	—	(3,198)
At 31 December 2014	35,833	264,120	10,371	5,527	—	315,851
CARRYING AMOUNTS:						
At 31 December 2014	252,857	687,835	5,041	4,492	157,052	1,107,277

18. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013						
COST:						
At 1 January 2013	228,175	595,531	15,625	6,089	290,451	1,135,871
Additions	782	6,883	917	1,699	200,476	210,757
Transfers	3,625	30,129	—	—	(33,754)	—
Disposals	—	(15,001)	(228)	(17)	—	(15,246)
At 31 December 2013	232,582	617,542	16,314	7,771	457,173	1,331,382
ACCUMULATED DEPRECIATION:						
At 1 January 2013	14,058	127,371	7,059	3,061	—	151,549
Provided during the year	12,113	64,310	2,584	1,187	—	80,194
Disposals	—	(635)	(219)	(16)	—	(870)
At 31 December 2013	26,171	191,046	9,424	4,232	—	230,873
CARRYING AMOUNTS:						
At 31 December 2013	206,411	426,496	6,890	3,539	457,173	1,100,509

As at 31 December 2014, the Group was in the process of applying for the title certificates of buildings with an aggregate net book value of approximately RMB161,986,000 (2013: approximately RMB133,186,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned buildings in due course, and therefore the aforesaid matter did not have any significant impact on the Group's consolidated financial position as at 31 December 2014.

19. PREPAID LAND LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	178,961	167,863
Additions	—	14,886
Amortisation for the year	(3,776)	(3,788)
Carrying amount at 31 December	175,185	178,961
Current portion	(3,777)	(3,749)
Non-current portion	171,408	175,212

The Group's prepaid land lease payments related to land use rights held under long term leases and located in Mainland China.

As at 31 December 2014, the Group was in the process of applying for the title certificates of certain land acquired by the Group with an aggregate carrying amount of approximately RMB99,545,000 (2013: approximately RMB99,545,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2014.

20. GOODWILL

	2014 RMB'000	2013 RMB'000
Carrying amount at 31 December	9,910	9,910

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

— Pipes business cash-generating unit

— Xinjiang business cash-generating unit

20. GOODWILL (continued)

Pipes business cash-generating unit

The recoverable amount of the Pipes business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14% (2013: 14%) and cash flows beyond the five-year-period were extrapolated using a growth rate of 3% by reference to the long-term average growth rate.

Xinjiang business cash-generating unit

The recoverable amount of the Xinjiang business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2013: 16%) and cash flows beyond the five-year-period were not extrapolated using a growth rate under the management's conservative estimation.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2014 RMB'000	2013 RMB'000
Pipes business	**2,525**	2,525
Xinjiang business	**7,385**	7,385
	9,910	9,910

Key assumptions were used in the value in use calculation of the Pipes business and Xinjiang business cash-generating units for 31 December 2014 and 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted for expected product mix, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to key assumptions are consistent with external information sources.

21. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Company name	Place of incorporation/ registration	Nominal value of issued and paid-up share/registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
Shengli (BVI) Ltd. ("Shengli BVI")	BVI	USD1	100%	Investment holding
Siu Thai Holdings Limited ("Siu Thai")	BVI	USD1	100%	Investment holding
Indirectly held:				
China Petro Equipment Holdings Pte. Ltd.	Republic of Singapore	SGD2	100%	Investment holding
Shandong Shengli Steel Pipe Co., Ltd.# ("Shandong Shengli Steel Pipe") (山東勝利鋼管有限公司) (note i)	PRC	RMB1,153,790,300	100%	Manufacturing, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications
Shengli Steel Pipe (Dezhou) Co., Ltd.# ("Shengli Steel Pipe Dezhou") (勝利鋼管（德州）有限公司) (note ii)	PRC	RMB80,000,000	100%	Manufacturing, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications
Shandong Muxin Investment Co., Ltd.# ("Shandong Muxin") (山東沐鑫投資有限公司) (note ii)	PRC	RMB20,000,000	100%	Equity investment, investment management, and investment consultation
Guangdong Shengli Trading Co., Ltd.# ("Guangdong Shengli") (廣東勝利貿易有限公司) (note i)	PRC	RMB100,000,000	100%	Trading of metal commodity
Xinjiang Shengli Steel Pipe Co., Ltd.# ("Xinjiang Shengli Steel Pipe") (新疆勝利鋼管有限公司) (note iii)	PRC	RMB180,000,000	56.43%	Manufacturing and selling of pipes for oil and gas, pipe components and anti-corrosion steel pipes
Hunan Shengli Xianggang Steel Pipe Co., Ltd.# ("Hunan Shengli Steel Pipe") (湖南勝利湘鋼鋼管有限公司) (note iv)	PRC	RMB464,000,000	54.96%	Manufacturing, processing and sale of LSAW and SSAW pipelines and provision of anti-corrosion service
Shengli Investment Company	Texas, United States of America	USD100,000	100%	Investment holding
Shengli Enterprise Holdings Limited ("Shengli Enterprise")	Hong Kong	HK$10,000	100%	Trading of metal commodity

\# The English names are for identification only

21. SUBSIDIARIES (continued)

Notes:

(i) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC

(ii) The subsidiary is a wholly owned domestic limited company incorporated in the PRC

(iii) The subsidiary is a non-wholly owned domestic limited company incorporated in the PRC

(iv) The subsidiary is a non-wholly foreign-owned enterprise incorporated in the PRC

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Xinjiang Shengli Steel Pipe		Hunan Shengli Steel Pipe	
	2014	2013	**2014**	2013
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC	**PRC/PRC**	PRC/PRC
% of ownership interests/voting rights held by NCI	**43.57%**	43.57%	**45.04%**	45.04%
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December:				
Non-current assets	**124,379**	122,276	**549,593**	508,538
Current assets	**27,866**	56,159	**149,280**	58,980
Non-current liabilities	**(8,171)**	(5,616)	**(82,500)**	(84,000)
Current liabilities	**(19,138)**	(34,991)	**(193,986)**	(27,327)
Net assets	**124,936**	137,828	**422,387**	456,191
Accumulated NCI	**54,435**	60,055	**190,243**	205,192
Year ended 31 December:				
Revenue	**33,770**	22,084	**12,846**	—
Loss for the year	**(12,892)**	(10,182)	**(33,194)**	(2,239)
Total comprehensive loss	**(12,892)**	(10,182)	**(33,194)**	(2,239)
Loss allocated to NCI	**(5,618)**	(4,436)	**(14,951)**	(1,009)
Dividends paid to NCI	**—**	—	**—**	—
Net cash used in operating activities	**(11,160)**	(1,926)	**(33,053)**	(5,750)
Net cash used in investing activities	**(467)**	(3,094)	**(55,492)**	(199,485)
Net cash (used in)/generated from financing activities	**—**	(1,586)	**106,000**	170,422
Net (decrease)/increase in cash and cash equivalents	**(11,627)**	(6,606)	**17,455**	(34,813)

21. SUBSIDIARIES (continued)

As at 31 December 2014, the bank and cash balances of the these subsidiaries in the PRC denominated in RMB amounted to approximately RMB39,257,000 (2013: approximately RMB33,429,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

22. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

	2014 **RMB'000**	2013 RMB'000
Deposit paid for acquisition of the equity interest of:		
— EVER Growing Energy Service LLC ("Ever Growing")	—	11,428
— Gaoqing Xian Minfu Microfinance Co., Ltd.# ("Minfu Microfinance") (高青縣民福小額貸款有限公司) (note)	—	30,000
	—	41,428
Less: Current portion (note 29)	—	(7,500)
Non-current portion	—	33,928

Note:

At 31 December 2013, the amount represented deposits paid for acquisition of additional 20% equity interest in Minfu Microfinance, an available-for-sale investment of the Group as stated in note 25 to the consolidated financial statement. An amount of RMB7,500,000 is subsequently refunded to the Group on 21 February 2014 and disclosed as prepayments, deposits and other receivables under current assets.

During the year ended 31 December 2014, the share transfer is completed and the amount is reclassified to interest in associates.

The English name is for identification only

23. INVESTMENT IN JOINT VENTURES

	2014 RMB'000	2013 RMB'000
Unlisted investments in the PRC:		
Share of net assets	**29,530**	50,952

Details of the Group's joint ventures at 31 December 2014 are as follows:

Company name	Place of incorporation/ operations	Registered paid-up capital	Percentage of equity interests attributable to the Group
Shenzhen Taihe Tiandi Investment Partnership# ("Shenzhen Taihe") (深圳市泰和天地投資合夥企業)	PRC	RMB10,000,000	90%
Dome Integration Housing Industrial Holding Co. Ltd.* ("Dome (BVI)") (哆咪集成房屋工業控股有限公司)	BVI	USD200	40%

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* It held 100% equity instrument in a company established in the PRC

(a) Shenzhen Taihe

On 27 January 2011, Shandong Muxin, a indirect wholly-owned subsidiary of the Company established in the PRC, entered into an partnership agreement with an individual (the "Individual"), pursuant to which Shandong Muxin and the Individual contributed RMB18,000,000 and RMB2,000,000, respectively, to set up Shenzhen Taihe, a partnership in the PRC.

Pursuant to the partnership agreement, Shandong Muxin acts as a partner with limited liability and the Individual acts as an executive partner with unlimited liability. Each of Shandong Muxin and the Individual are entitled to one vote in the partnership meeting. Therefore, Shenzhen Taihe is accounted for as a jointly controlled entity of the Group. The audited return on investment of Shenzhen Taihe will be distributed to the partners in the following order:

(i) Appropriation of 10% of the annual profit to all partners according to the percentage of capital contribution and the time of contribution.

23. INVESTMENT IN JOINT VENTURES (continued)

(a) Shenzhen Taihe (continued)

(ii) Provision of any short-term management fee.

(iii) Appropriation of 80% of the residual profit to all partners based on their shares of the equity interests after appropriation of 20% of the residual profit to the executive partner.

The operating loss of Shenzhen Taihe will be shared by all partners based on their shares of the equity interests.

On 30 October 2014, Shandong Muxin entered into a revised partnership agreement with the Individual which agreed to reduced the paid-up capital of Shenzhen Taihe from RMB20,000,000 to RMB10,000,000 (the "Capital Reduction"), the ownership of interests attributable to both parties remain unchanged. The Capital Reduction was completed on 14 November 2014. The audited return on investment of Shenzhen Taihe will be distributed to the partners in the following revised terms and orders:

(i) Appropriation of 10% of the annual profit to all partners according to the percentage of capital contribution and the time of contribution.

(ii) Provision of any short-term management fee, this provision shall be ceased only when this provision exceeded 5% of paid-in capital injected by all partners.

(iii) Appropriation of 80% of the residual profit to all partners based on their shares of the equity interests after appropriation of 20% of the residual profit to the executive partner.

The operating loss of Shenzhen Taihe will be shared by all partners based on their shares of the equity interests.

For the year ended 31 December 2014 and 2013, the Group's share of loss of Shenzhen Taihe were approximately RMB643,000 and approximately RMB153,000, respectively.

23. INVESTMENT IN JOINT VENTURES (continued)

(b) Dome (BVI)

On 17 September 2012, Siu Thai, a direct wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Dome (BVI) and four other parties, according to which Siu Thai and each of the four other parties (collectively referred to as the "JV Shareholders") subscribed for, and Dome(BVI) allotted and issued shares to the JV Shareholders, such that Dome (BVI) has become a joint venture company between the JV Shareholders.

Pursuant to the shareholders' agreement, Siu Thai subscribed for 40% and the other four parties subscribed for 35%, 7.75%, 4.75% and 12.5% of the share capital of Dome (BVI) for a consideration of RMB100,000,000, RMB87,500,000, RMB19,375,000, RMB11,875,000 and RMB31,250,000, respectively, payable by way of cash within one year from the date of the shareholders' agreement. Upon completion of the issuance of shares by Dome (BVI) to the JV Shareholders, Siu Thai has 40% interest in Dome (BVI) and Dome (BVI) becomes a joint venture company of the Group.

According to the shareholders' agreement, Dome (BVI) established a limited liability company incorporated under the laws of Hong Kong, Dome Integration Housing Industrial Group Company Limited ("Dome (HK)") and the Dome (HK) established a limited liability company, Prodigy Dome Integration Housing Production (Shandong) Co., Ltd. ("Dome (Shandong)"), and a limited liability company, Prodigy Dome Integration Housing Sales (Chongqing) Co., Ltd. ("Dome (Chongqing)"), under the laws of the PRC. Dome (Shandong) is primarily engaged in the business of the processing, manufacturing and distribution of dome integration housing, and Dome (Chongqing) is primarily engaged in the wholesale, retail and assembly of dome integration housing. Dome (BVI), Dome (HK), Dome (Shandong) and Dome (Chongqing) are collectively referred to as the "JV Group".

The return on investment of the JV Group will be distributed to the JV Shareholders by way of dividends. The JV Shareholders will take all steps to ensure that each company of the JV Group will distribute by way of dividends in each of its financial year its profit available for distribution, provided that its cash requirements for its daily operation are well satisfied. The amount of the dividend to be distributed shall be determined by the JV Shareholders by written resolutions from time to time, which shall be no less than 30% of the profits available for distribution of each company of the JV Group for the financial year.

Up to the end of the reporting period, the Group has invested approximately RMB37,599,000 (2013: approximately RMB37,599,000) to the JV Group. For the year ended 31 December 2014, the Group's share of loss of JV Group approximately of RMB11,779,000 (2013: approximately RMB2,951,000).

23. INVESTMENT IN JOINT VENTURES (continued)

(b) Dome (BVI) (continued)

The following tables show information of joint ventures that are material to the Group. These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the IFRS financial statements of the joint ventures.

Name	Shenzhen Taihe		Dome (BVI)	
	2014	2013	**2014**	2013
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC	**PRC/BVI**	PRC/BVI
Principal activities	**Equity investment, investment management, and investment consultation**		**Processing, manufacturing and distribution of dome integration houses**	
% of ownership interests/voting rights held by the Group	**90%/50%**	90%/50%	**40%/40%**	40%/40%
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December:				
Non-current assets	**1,533**	5,024	**37,094**	22,252
Current assets	**6,214**	13,434	**200,101**	188,944
Current liabilities	**(3)**	—	**(180,795)**	(125,349)
Net assets	**7,744**	18,458	**56,400**	85,847
Group's share of carrying amount of interests	**6,970**	16,613	**22,560**	34,339
Cash and cash equivalents included in current assets	**1,441**	8,310	**1,681**	11,768
Current financial liabilities (excluding trade and other payables and provision) included in current liabilities	**—**	—	**—**	—
Year ended 31 December:				
Revenue	**—**	53	**1,939**	24,210
Depreciation and amortisation	**129**	118	**7,296**	7,315
Interest income	**383**	—	**—**	5
Interest expense	**—**	1	**—**	554
Income tax expense	**—**	—	**—**	1
Loss from continuing operation	**(715)**	(170)	**(29,447)**	(7,377)
Profit after tax from discontinued operations	**—**	—	**—**	—
Other comprehensive income	**—**	—	**—**	—
Total comprehensive loss	**(715)**	(170)	**(29,447)**	(7,377)
Dividends received from joint ventures	**—**	—	**—**	—

23. INVESTMENT IN JOINT VENTURES (continued)

As at 31 December 2014, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to approximately RMB3,122,000 (2013: approximately RMB20,078,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

24. INVESTMENT IN ASSOCIATES AND DERIVATIVE FINANCIAL INSTRUMENT

(a) Investment in associates

	2014 RMB'000	2013 RMB'000
Unlisted investments in the PRC:		
Share of net assets	48,761	109,202
Goodwill on acquisition	—	121,068
	48,761	230,270

Details of the Group's associates are as follows:

Company name	Place of incorporation/ operations	Registered paid-up capital	Percentage of equity interests attributable to the Group	Principal activities
2014				
Gaoqing Xian Minfu Microfinance Co., Ltd.# ("Minfu Microfinance") (高青縣民福小額貸款有限公司)	PRC	RMB150,000,000	30%	Micro-financing and other financial advisory services
2013				
Beijing Golden Fortune Investment Co., Ltd.# ("Golden Fortune") (北京慧基泰展投資有限公司)	PRC	RMB222,910,000	25%	Natural gas distribution and gas pipeline construction

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24. INVESTMENT IN ASSOCIATES AND DERIVATIVE FINANCIAL INSTRUMENT (continued)

(a) Investment in associates (continued)

The following table shows information of the associates that is material to the Group. The associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the IFRS financial statements of the associate.

	Minfu Microfinance	Golden Fortune	
	2014	2014	2013
Principal place of business/country of incorporation	PRC/PRC	PRC/PRC	PRC/PRC
Principal activities	Micro-financing and other financial consultation services	Natural gas distribution and gas pipeline construction	
% of ownership interests/voting rights held by the Group	30%/30%	25%/25%	25%/25%
	RMB'000	RMB'000	RMB'000
At 31 December:			
Non-current assets	14,658	—	904,423
Current assets	151,777	—	260,035
Current liabilities	(3,897)	—	(727,650)
Net assets	162,538	—	436,808
Group's share of net assets	48,761	—	109,202
Goodwill	—	—	121,068
Group's share of carrying amount of interests	48,761	—	230,270
Year ended 31 December:			
Revenue	4,185	525,377	879,269
Profit/(loss) from continuing operations	1,156	13,085	(27,143)
Profit/(loss) after tax from discontinued operations	—	—	—
Other comprehensive income	—	—	—
Total comprehensive income/(loss)	1,156	13,085	(27,143)
Dividends received from the associate	—	33,000	—

24. INVESTMENT IN ASSOCIATES AND DERIVATIVE FINANCIAL INSTRUMENT (continued)

(a) Investment in associates (continued)

As at 31 December 2014, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to approximately RMB3,877,000 (2013: approximately RMB171,566,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

On 28 April 2014, Shandong Shengli Steel Pipe entered into the sale and purchase agreement (the "Agreement") with Mr. Li Zifeng and Golden Fortune, pursuant to which the Group has conditionally agreed to sell and Mr. Li Zifeng has conditionally agreed to purchase the equity interest for the consideration of RMB350 million (the "Disposal"). The Disposal had been approved at the extraordinary general meeting held on 5 June 2014. Please refer to the announcements dated 28 April and 5 June 2014 and the circular dated 20 May 2014 issued by the Company for details of the Disposal. The investment in an associate and derivative financial instrument, which are expected to be sold within twelve months, have been classified as non-current assets held for sale and are presented separately in the consolidated statement of financial position at 31 December 2014. An impairment loss of approximately RMB33,548,000 has been recognized during the year ended 31 December 2014 as the carrying amount is higher than the fair value less costs to sell (the purchase consideration). Subsequent to the end of the reporting period, the whole amount of RMB350 million is settled and the Disposal is completed.

(b) Derivative financial instrument

	2013 RMB'000
Guaranteed return and right to sell of Golden Fortune	183,000

24. INVESTMENT IN ASSOCIATES AND DERIVATIVE FINANCIAL INSTRUMENT (continued)

(b) Derivative financial instrument (continued)

Pursuant to the investment agreement in relation to Golden Fortune, Shandong Shengli Steel Pipe is entitled to a guaranteed return on its initial investment of RMB300,000,000 at a rate of not less than 5%, 10%, 15%, 20% and 25% for the years ended/ending 31 December 2011, 2012, 2013, 2014 and 2015, respectively, and an average return of not less than 15% over the five years ending 31 December 2015 (the "Guarantee Return"). The return on Shandong Shengli Steel Pipe's investment for a given year is equal to its pro rata share of Golden Fortune's net profit as shown in its consolidated statement of profit or loss and other comprehensive income for that year divided by the amount of the investment. If the average return on investment to Shandong Shengli Steel Pipe falls short of the Guaranteed Return of 15% over the five years ending 31 December 2015, Shandong Shengli Steel Pipe will be compensated by certain shareholders of Golden Fortune. Shandong Shengli Steel Pipe may choose to be compensated for the shortfall in the Guaranteed Return in one of the following ways:

(i) transfer of cash dividend from certain shareholders of Golden Fortune; or

(ii) to require certain shareholders of Golden Fortune to purchase all or part of Shandong Shengli Steel Pipe equity interest in Golden Fortune (the "Right to Sell"), in the event that: (1) average return on Shandong Shengli Steel Pipe's investment over the years 2011 to 2015 falls below the Guaranteed Return of 15%; or (2) Golden Fortune experiences any material adverse change after 2015, at the request of Shandong Shengli Steel Pipe, at a price equal to the sum of the cumulative amount of investment made by Shandong Shengli Steel Pipe, any undistributed profit of Golden Fortune and interest on the relevant amount of cumulative investment calculated based on the prevailing bank lending rate.

During the year ended 31 December 2013, the Group obtained further undertaking from the controlling shareholder of Golden Fortune, guaranteeing the shortfall from the above-mentioned compensation (if any) to meet the Guaranteed Return.

The above-mentioned arrangements are collectively referred to as the "Guaranteed Return and Right to Sell of Golden Fortune".

The fair value of investment return arrangement was determined by the Directors with reference to the valuation performed by Roma Appraisals Limited, an independent professional valuer to the Group. The valuation was performed based on a 3 years' financial projection provided by the management, using the Monte Carlo simulation method, under which the possible outcomes of the value of Guaranteed Return and the Right to Sell were simulated.

24. INVESTMENT IN ASSOCIATES AND DERIVATIVE FINANCIAL INSTRUMENT (continued)

(b) Derivative financial instrument (continued)

The following assumptions were used to calculate the fair value of the Guaranteed Return and Right to Sell of Golden Fortune:

Time to expire	2 years
Discount rate	15%
Expected volatility	38%
Marketability discount	21%

The changes in fair value of the derivative financial instrument were recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2013.

The derivative financial instrument is measured at fair value based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable, either directly or indirectly (level 3).

25. AVAILABLE-FOR-SALE INVESTMENT

	2014 RMB'000	2013 RMB'000
An unlisted equity investment, at cost	11,428	15,000

As at 31 December 2013, the equity investment in Minfu Microfinance which was held on behalf by Minan had a carrying amount of RMB15,000,000 and was stated at cost less impairment because the Directors are of the opinion that its fair value cannot be measured reliably. During the year, the deposit paid for acquisition of Minfu Microfinance and available-for-sale investment had been reclassified to investment in an associate (note 24).

During the year ended 31 December 2014, the deposit paid for acquisition of Ever Growing had been reclassified to available-for-sale investment as the share transfer of Ever Growing was completed. It stated at cost less impairment because the Directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose the equity investment in the near future.

26. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

	2014 RMB'000	2013 RMB'000
Deferred tax assets		
As at 1 January	**31,046**	13,495
Deferred tax (charged)/credited to the profit or loss during the year (note 14)	**(4,524)**	17,551
Gross deferred tax assets as at 31 December	**26,522**	31,046
Deferred tax liabilities		
As at 1 January	**32,909**	10,675
Deferred tax (credited)/charged to the consolidated profit or loss during the year (note 14)	**(17)**	22,234
Gross deferred tax liabilities as at 31 December	**32,892**	32,909
Net deferred tax liabilities as at 31 December	**(6,370)**	(1,863)

26. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

The components of the Group's deferred tax assets and liabilities are as follows:

	2014 RMB'000	2013 RMB'000
Deferred tax assets		
Accrued interest on borrowings	1,299	4,111
Government grants received but not yet recognised as income	2,043	2,470
Excess of carrying value over fair value of identifiable assets and liabilities in acquisition of subsidiaries	1,494	1,681
Tax losses	21,686	22,784
Gross deferred tax assets	26,522	31,046
Deferred tax liabilities		
Excess of fair value of identifiable assets and liabilities over carrying value in acquisition of subsidiaries	392	409
Fair value gains of a derivative financial instrument	32,500	32,500
Gross deferred tax liabilities	32,892	32,909
Net deferred tax liabilities	(6,370)	(1,863)

27. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	104,503	79,699
Work in progress	1,358	3,405
Finished and semi-finished goods	70,947	112,270
	176,808	195,374

28. TRADE AND BILLS RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**1,056,992**	1,099,300
Less: allowance for impairment of trade receivables	**(50,430)**	—
	1,006,562	1,099,300
Bills receivables	**12,132**	12,583
	1,018,694	1,111,883

The Group's trading terms with its customers are mainly on credit generally ranging from 90 to 180 days. All of the bills receivables are due within 90 to 180 days.

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

	2014 RMB'000	2013 RMB'000
Within 3 months	**773,899**	848,028
3 to 6 months	**48,804**	126,395
6 months to 1 year	**85,520**	65,545
1 to 2 years	**62,991**	54,233
2 to 3 years	**35,348**	5,099
	1,006,562	1,099,300

Included in the trade receivables of approximately RMB143,723,000 (2013: approximately RMB72,506,000) ranging from 6 months to 3 years are quality guarantee deposits receivable from customers.

28. TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	875,240	963,529
1 to 3 months past due	10,486	15,597
3 to 6 months past due	10,080	35,213
6 months to 1 year past due	30,443	75,209
1 year to 2 years past due	74,005	9,752
2 years to 3 years past due	6,308	—
	1,006,562	1,099,300

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Reconciliation of allowance for trade receivables:

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	—	—
Allowance for the year	50,430	—
Balance at end of year	50,430	—

The carrying amounts of the Group's trade receivables are denominated in the following foreign currencies:

	2014 RMB'000	2013 RMB'000
Hong Kong Dollar ("HK$")	547,629	535,021

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Details of the prepayments, deposits and other receivables are as follows:

	2014 RMB'000	2013 RMB'000
Advance to suppliers (note a)	**55,276**	56,805
Trade deposits paid to metal commodity suppliers (note b)	**219,366**	251,366
Advance to a joint venture (note c)	**80,854**	35,516
Loan to employees (note d)	**690**	1,730
Deposit paid for acquisition of investment (note 22)	**—**	7,500
Tender deposits to customers	**3,657**	3,444
Other tax receivables (note e)	**63,451**	37,210
Rent prepaid to a related company (note 40(d))	**7,668**	8,110
Others	**28,473**	34,150
	459,435	435,831

Notes:

(a) The advance is paid to suppliers to secure the supply of raw materials and sub-contracting services as at the end of the reporting period. The advance is interest-free and refundable within one year.

(b) These trade deposits were paid to metal commodity suppliers to secure trade payables of approximately RMB220,537,000 (2013: approximately RMB249,380,000) as at the end of the reporting period. The deposits are interest-free and refundable within one year. These metal commodity suppliers are independent third parties of the Group.

(c) Included in the advance to a joint venture is a loan of approximately RMB26,714,000 (2013: approximately RMB28,848,000) which is unsecured, bears an interest rate of 3% per annum and repayable within one year. The remaining balance is unsecured, non-interest bearing and repayable within one year. An advance of RMB40,000,000 is paid to the joint venture for the supply of raw materials during the year ended 31 December 2014.

(d) Loan to employees are secured by cash guarantee deposits of approximately RMB710,000 (2013: approximately RMB920,000), bearing interests at 5% (2013: 6%) per annum and have no fixed repayment term.

(e) The Group's other tax receivables mainly represent value-added tax receivable.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2014 RMB'000	2013 RMB'000
Cash and bank balances	**422,453**	794,464
Less: Pledged deposits	**(206,446)**	(591,744)
	216,007	202,720

Cash and cash equivalents and pledged deposits denominated in:

	2014 RMB'000	2013 RMB'000
RMB	**324,267**	689,364
USD	**32,992**	94,629
HK$	**64,617**	9,607
SGD	**577**	864
	422,453	794,464

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

31. NON-CURRENT ASSETS HELD FOR SALE

	2014 RMB'000	2013 RMB'000
The major classes of assets classified as held for sale at 31 December 2014 are as follows:		
Investment in an associate		
— Golden Fortune	200,548	—
Derivative financial instrument	183,000	—
	383,548	—
Less: Impairment loss recognized	(33,548)	—
	350,000	—

As disclosed in note 24, the investment in Golden Fortune together with the derivative financial instrument have been classified as non-current assets held for sale during the year.

Subsequent to the end of the reporting period, the whole amount of RMB350 million is settled and the Disposal is completed.

32. TRADE AND BILLS PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	322,543	338,487
Bills payables	17,348	—
	339,891	338,487

32. TRADE AND BILLS PAYABLES (continued)

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

	2014 RMB'000	2013 RMB'000
Within 3 months	268,909	301,424
3 to 6 months	13,889	23,525
6 months to 1 year	29,429	10,493
1 to 2 years	9,130	2,204
2 to 3 years	1,025	390
3 to 4 years	161	451
	322,543	338,487

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

33. OTHER PAYABLES AND ACCRUALS

	2014 RMB'000	2013 RMB'000
Receipt in advances from customers	11,489	25,112
Payable on acquisition of property, plant and equipment	50,541	30,954
Security deposits received from employees (note 29(d))	710	920
Deposits received from disposal of an associate (note 24)	100,000	—
Other tax payables	3,178	3,159
Others	20,862	18,217
	186,780	78,362

34. BORROWINGS

	Notes	2014 Effective interest rate (%)	2014 Maturity (year)	2014 RMB'000	2013 Effective interest rate (%)	2013 Maturity (year)	2013 RMB'000
Bank loans — Unsecured		6.17%–6.49%	2015	68,000	2.27%–6.88%	2014	635,000
Bank loans — Secured	(a)	2.77%–2.97%	2015	751,789	2.76%–6.00%	2014	542,240
Current portion of long-term bank loans — Unsecured		—	—	—	3.20%–3.70%	2014	98,378
Other loans — Unsecured	(b)	—	—	—	5.88%	2014	200,000
Bank loans — Guaranteed	(c)	6.59%–6.80%	2015–2018	245,000	6.40%	2015–2018	84,000
				1,064,789			1,559,618

The borrowings are repayable as follows:

	RMB'000	RMB'000
On demand of within one year	982,289	1,475,618
In the second year	27,500	27,500
In the third to fifth years, inclusive	55,000	56,500
	1,064,789	1,559,618
Less: Amount due for settlement within 12 months (shown under current liabilities)	(982,289)	(1,475,618)
Amount due for settlement after 12 months	82,500	84,000

The carrying amounts of the interest-bearing bank loans were denominated in the following currencies:

	RMB'000	RMB'000
RMB	853,000	1,277,378
USD	211,789	282,240
	1,064,789	1,559,618

34. BORROWINGS (continued)

Notes:

(a) The Group's bank loans were secured by pledge of certain of the Group's trade receivables amounting to nil (2013: approximately RMB105,767,000) and bank deposits of RMB173,900,000 (2013: approximately RMB582,681,000).

(b) The loan was borrowed from a financial institution in the PRC in 2013.

(c) As at 31 December 2014 and 2013, an amount of RMB83,600,000 (2013: RMB48,400,000) out of bank loans of RMB245,000,000 (2013: RMB84,000,000) were guaranteed by a non-controlling interest of a subsidiary.

35. DEFERRED INCOME

	2014 RMB'000	2013 RMB'000
Government grants:		
As at 1 January	10,084	10,734
Received during the year	—	1,000
Recognised as other income during the year	(1,059)	(1,650)
As at 31 December	9,025	10,084
Less: Current portion	(854)	(1,058)
Non-current portion	8,171	9,026

In August 2011, Xinjiang Shengli Steel Pipe received a government grant of RMB12,330,000 in relation to land use right. Such government grant is recognised as income in equal amounts over the expected useful life of the land use right.

36. SHARE CAPITAL

Ordinary shares of HK$0.1 each	Number of shares	HK$'000
Authorised:		
At 31 December 2014 and 2013	5,000,000,000	500,000

Issued and fully paid:	Number of shares	RMB'000
At 31 December 2013 and at 1 January 2014	2,480,580,000	218,786
Issue of shares (note (i))	248,058,000	19,652
At 31 December 2014	2,728,638,000	238,438

	Number of shares in issue	Issued capital HK$'000	Issued capital RMB'000
At 31 December 2013	2,480,580,000	248,058	218,786
At 31 December 2014	2,728,638,000	272,864	238,438

Note:

(i) Issue of shares

Pursuant to the Company's announcement dated 3 November 2014, the Company and the subscriber entered into the a subscription agreement in relation to the issue of 248,058,000 subscription shares to the subscriber at a subscription price of HK$0.45 (RMB0.36) per subscription share. The issue of shares was completed on 14 November 2014 and the premium on the issue of subscription shares, amounting to approximately RMB68,781,000 was credited to the Company's share premium account.

37. RESERVES

(a) Statutory surplus reserve

As stipulated by the relevant law and regulations for foreign investment enterprises in the PRC the Company's PRC subsidiaries are required to maintain a statutory surplus reserve which is non-distributable. Appropriation to such reserve is made out of net profit after tax expenses as shown in the statutory financial statements of the relevant PRC subsidiaries and after making up prior year cumulative losses. The amounts and allocation basis are decided by the Board of Directors of the respective subsidiaries annually. The statutory surplus reserve can be applied in conversion into issued capital by means of capitalisation issue.

(b) Share options reserve

Share option reserve represents the reserve arising from the share option scheme for eligible employees of the Group.

(c) Other reserve

Other reserve represents the reserve arising from Group Reorganisation.

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

37. RESERVES (continued)

Company

The amounts of the Company's reserves and the movements therein for the year ended 31 December 2014 are as follows:

	Share premium	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	1,099,584	25,814	(93,164)	1,032,234
Final 2012 dividend paid	(16,676)	—	—	(16,676)
Share-based payment	—	2,025	—	2,025
Total comprehensive loss for the year	—	—	(13,591)	(13,591)
At 31 December 2013	1,082,908	27,839	(106,755)	1,003,992
Issue of shares	68,781	—	—	68,781
Final 2013 dividend paid	(3,095)	—	—	(3,095)
Share-based payment	—	3,098	—	3,098
Total comprehensive loss for the year	—	—	(14,034)	(14,034)
At 31 December 2014	1,148,594	30,937	(120,789)	1,058,742

38. SHARE-BASED PAYMENTS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Details of the share options outstanding as at the end of the reporting period are as follows:

	Notes	2014	2013
Granted on 10 February 2010	(a)	22,500,000	22,500,000
Granted on 3 January 2012	(b)	22,740,000	22,740,000
Granted on 23 September 2014	(c)	74,400,000	—
		119,640,000	45,240,000

38. SHARE-BASED PAYMENTS (continued)

Notes

(a) Pursuant to the Company's announcement on 10 February 2010, the Company granted to eligible participants a total of 24,000,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company at an exercise price of HK$2.03 per share.

The share options granted has a 10-year exercisable period and are vesting as follows:

Vesting date	Percentage of share options to vest
First anniversary of the date of grant	One-third of the total number of share options granted
Second anniversary of the date of grant	One-third of the total number of share options granted
Third anniversary of the date of grant	One-third of the total number of share options granted

The closing price of the Company's shares immediately before 10 February 2010, being the date of grant, was HK$1.98 per share.

The aggregate fair values of the options determined at the date of grant based on the Binomial model, was HK$29,100,000.

The following assumptions were used to calculate the fair values of share options granted on 10 February 2010:

Grant date share price (per share)	HK$1.98
Exercise price (per share)	HK$2.03
Contractual life	10 years
Expected volatility (%)	67.0%
Dividend yield (%)	0.00%
Risk-free interest rate (%)	2.87%

1,500,000 share options out of the total 24,000,000 share options granted on 10 February 2010 were forfeited already during the year ended 31 December 2011.

(b) Pursuant to the Company's announcement on 3 January 2012, the Company granted to eligible participants a total of 24,000,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company at an exercise price of HK$0.80 per share.

The share options granted has a 10-year exercisable period and are vesting as follows:

Vesting date	Percentage of share options to vest
First anniversary of the date of grant	One-third of the total number of share options granted
Second anniversary of the date of grant	One-third of the total number of share options granted
Third anniversary of the date of grant	One-third of the total number of share options granted

The closing price of the Company's shares immediately before 3 January 2012, being the date of grant, was HK$0.80 per share.

The aggregate fair values of the options determined at the date of grant based on the Binomial model, was HK$8,208,000.

38. SHARE-BASED PAYMENTS (continued)

Notes (continued)

(b) (continued)

The following assumptions were used to calculate the fair values of share options granted on 3 January 2012:

Grant date share price (per share)	HK$0.80
Exercise price (per share)	HK$0.80
Contractual life	10 years
Expected volatility (%)	57.5%
Dividend yield (%)	1.33%
Risk-free interest rate (%)	1.45%

1,260,000 and 300,000 share options out of the total 24,000,000 share options granted on 3 January 2012 were forfeited during the year ended 31 December 2013 and 2014 respectively.

(c) Pursuant to the Company's announcement on 23 September 2014, the Company granted to eligible participants a total of 74,400,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company at an exercise price of HK$0.50 per share.

The share options granted has a 6-year exercisable period and are vesting as follows:

Vesting date	Percentage of share options to vest
First anniversary of the date of grant	One-third of the total number of share options granted
Second anniversary of the date of grant	One-third of the total number of share options granted
Third anniversary of the date of grant	One-third of the total number of share options granted

The closing price of the Company's shares immediately before 23 September 2014, being the date of grant, was HK$0.50 per share.

The aggregate fair values of the options determined at the date of grant based on the Binomial model, was HK$17,741,000.

The following assumptions were used to calculate the fair values of share options granted on 23 September 2014:

Grant date share price (per share)	HK$0.50
Exercise price (per share)	HK$0.50
Contractual life	6 years
Expected volatility (%)	59.9%
Dividend yield (%)	0.83%
Risk-free interest rate (%)	1.58%

38. SHARE-BASED PAYMENTS (continued)

Notes (continued)

(c) (continued)

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of the reporting period, the Group revised its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognized in profit or loss with a corresponding adjustment to the share option reserve.

For the year ended 31 December 2014, the Group recognized share-based payments of RMB3,098,000 (2013: RMB2,025,000), which has been charged to the consolidated statement of profit or loss and other comprehensive income.

The number of share options exercisable at the end of the year is 37,460,000 (2013: 30,080,000).

39. COMMITMENTS

(a) Commitments under operating leases

As lessor

The Group leases its factory properties under an operating lease arrangement for four years.

At 31 December 2014, the Group had future minimum lease receivable under non-cancellable operating leases with its tenant, a related party to the Group, falling due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	6,612	6,732
In the second to fifth years, inclusive	13,224	20,196
	19,836	26,928

Operating lease receivable as at 31 December 2014 mainly represent rental receivable by the Group from a related party for factory premises in Shandong Province, the PRC. Leases are negotiated for a term of four years.

39. COMMITMENTS (continued)

(a) Commitments under operating leases (continued)

As lessee

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	1,813	2,024
In the second to fifth years, inclusive	29,073	38,646
After fifth years	69,016	81,104
	99,902	121,774

Operating lease commitments as at 31 December 2014 mainly represent rental payable by the Group to a related party for factory premises in Shandong Province, the PRC. Dates of this arrangement were disclosed in the announcement of the Company dated 29 April 2011, 20 December 2011 and 24 December 2014.

Leases are negotiated for lease terms of 20 years and the lease payment will be adjusted for every 3 years. The Group has prepaid the lease payments for 1.5 financial years from 1 January 2015 to 30 June 2016 during the year ended 31 December 2014.

(b) Capital commitments

The Group had the following capital commitments for property, plant and equipment and prepaid land lease payments as at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for	49,338	109,205

39. COMMITMENTS (continued)

(c) Investment commitments

The Group had the following amounts of investment commitments as at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for	29,712	—

40. RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The Directors consider that the following entities are related parties of the Group:

Name of related party	Relationship with the Company
Shengli Steel Pipe Co., Ltd. ("Shengli Steel Pipe")	A company jointly controlled by a Director of the Company
Dome (Shandong)	A wholly owned subsidiary of Dome (HK)
Minfu Microfinance	An associate of the Company
Shenzhen Taihe	A joint venture of the Company

40. RELATED PARTY TRANSACTIONS (continued)

(b) Significant related party transactions

During the years ended 31 December 2014 and 2013, the Group had the following material transactions with related parties:

	2014 RMB'000	2013 RMB'000
Rental expense paid to Shengli Steel Pipe	8,110	8,110
Rental income received from Dome (Shandong)	6,015	6,354
Proceeds from disposal of property, plant and equipment to Dome (Shandong)	—	14,636
Interest income from Minfu Microfinance	1,604	—
Interest income from Dome (Shandong)	817	554

The rental expenses paid to Shengli Steel Pipe constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Commitments with related parties

Shandong Shengli Steel Pipe entered into a lease agreement and the supplemental agreements with Shengli Steel Pipe to rent factory premises for production purposes. The annual rental for year 2014 and 2013 is approximately RMB8 million. Details of the operating lease arrangements are disclosed in note 39(a) to the consolidated financial statements.

(d) Balances with related parties

	2014 RMB'000	2013 RMB'000
Shengli Steel Pipe	10,000	8,110
Less: Current portion (note 29)	(7,668)	(8,110)
Non-current portion disclosed as other assets	2,332	—

40. RELATED PARTY TRANSACTIONS (continued)

(e) Key management compensation

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

	2014 RMB'000	2013 RMB'000
Fees	1,059	1,323
Salaries, allowances and other benefits in kind	4,403	5,211
Performance related bonus	—	64
Social security contributions	95	132
Equity-settled share option expense	1,214	612
	6,771	7,342

Further details of Directors' emoluments are included in note 13 to the consolidated financial statements.

41. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has entered into a share transfer agreement to acquire 56% equity interest in a Vietnamese titanium mine project at a consideration of US$32 million. Please refer to the Company's announcement dated 29 March 2015 for details.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	423	112
Investments in subsidiaries	1,258,172	1,563,515
	1,258,595	1,563,627
CURRENT ASSETS		
Prepayments, deposits and other receivables	520	1,200
Cash and cash equivalents	40,655	32,620
	41,175	33,820
CURRENT LIABILITIES		
Other payables and accruals	2,591	3,283
Borrowings	—	371,386
	2,591	374,669
NET CURRENT ASSETS/(LIABILITIES)	38,584	(340,849)
NET ASSETS	1,297,179	1,222,778
EQUITY		
Issued capital	238,438	218,786
Reserves	1,058,741	1,003,992
TOTAL EQUITY	1,297,179	1,222,778

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 HK$'000	2011 HK$'000	2010 RMB'000
Turnover	**2,009,062**	2,556,717	1,920,855	1,821,836	1,126,923
(Loss)/profit before tax	**(232,197)**	24,080	71,959	115,496	108,116
Income tax expenses	**(7,548)**	(11,699)	(16,371)	(23,579)	(18,952)
(Loss)/profit for the year	**(239,745)**	12,381	55,588	91,917	89,164
Attributable to:					
Owners of the Company	**(219,176)**	17,826	62,775	93,780	89,164
Non-controlling interests	**(20,569)**	(5,445)	(7,187)	(1,863)	—
	(239,745)	12,381	55,588	91,917	89,164

ASSETS AND LIABILITIES

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	**3,839,251**	4,372,069	3,587,484	3,042,491	2,086,619
Total liabilities	**(1,647,595)**	(2,029,971)	(1,322,423)	(896,672)	(124,953)
Net assets	**2,191,656**	2,342,098	2,265,061	2,145,819	1,961,666
Attributable to:					
Owners of the Company	**1,946,978**	2,076,851	2,074,369	2,027,940	1,961,666
Non-controlling interests	**244,678**	265,247	190,692	117,879	—
	2,191,656	2,342,098	2,265,061	2,145,819	1,961,666