



Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

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

RISE TO THE CHALLENGES
POISE FOR FUTURE GROWTH



Annual Report **2015**



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CORPORATE PROFILE

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the “Company”, together with its subsidiaries hereinafter referred to as the “Group”) is the largest manufacturer and exporter of longitudinal welded steel pipes in China. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock Code: 1938) since February 2010. The Group’s steel pipes are mainly used for energy transmission including oil and gas transmission pipelines, deep sea pipelines, city gas networks, and petrochemicals, mining, infrastructure construction, offshore engineering, steel structures and water utilities industries.

The Group’s production bases and offices are located in Panyu, Zhuhai, Lianyungang, Jiangyin, Nanjing, Ningbo of China, Singapore, Indonesia, Saudi Arabia, Dubai of the United Arab Emirates and Hong Kong, with 9 longitudinal submerged arc-welded (“LSAW”), 4 spiral submerged arc-welded (“SSAW”) and 1 electric resistance welded (“ERW”) production lines and other lines

with a combined annual production capacity of 3,380,000 tonnes as at 31 December 2015.

The Group is an industry pioneer, particularly strong in research and development, holding 112 patents (including 8 invention patents) and 11 international certificates and having a long standing international and nationwide track record. Furthermore, the Group is the first and only steel pipe manufacturer in China to manufacture deep sea welded steel pipes for the use at a water depth of 1,500m and a qualified supplier of Petrobras. The Group is the only welded steel pipe manufacturer in China that has received five national honours and awards, including “Gold Cup Prize for Actual Quality of Metallurgical Products”, “Superior Quality Award for Actual Quality of Metallurgical Products”, “National Key New Products”, “National-recognised Enterprise Technology Centre” and “High and New Technology Enterprise”, and host a “Academician Workstation” and is the main drafter of the national standard for longitudinal welded steel pipes in China.



CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr CHEN Ping
Mr SEE Tak Wah
Mr TIAN Xiao Ren

REGISTERED OFFICE

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

COMPANY SECRETARY

Ms WONG Pui Shan *FCCA, CPA, ACIS, ACS, MSc (Fin)*

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr CHEN Chang
Ms CHEN Zhao Nian

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Ernst & Young

STOCK CODE

1938

COMPANY'S WEBSITE

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

LEGAL ADVISERS AS TO HONG KONG LAW

Locke Lord

PRINCIPAL BANKERS

In Hong Kong:

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

In the PRC:

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CHAIRMAN'S STATEMENT

RISE TO THE CHALLENGES POISE FOR FUTURE GROWTH

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I would like to present to you the audited consolidated annual results of the Group for the year ended 31 December 2015. In the difficult and challenging year of 2015, the Group recorded a turnover of approximately RMB2,539.2 million, down by approximately 5.2% as compared with that of 2014 (2014: RMB2,679.2 million). Profit for the year was approximately RMB25.5 million (2014: loss RMB358.7 million). Earnings per share attributable to ordinary equity holders of the parent was approximately RMB0.02 (2014: loss per share RMB0.36). The Board did not recommend the payment of final dividend for the year ended 31 December 2015.

The year 2015 was full of challenges in light of the record low in oil price in twelve years, depreciation of RMB, political issues in the Middle East, etc. Those are the factors making substantial impacts on the oil and gas industry as well as the global economy. However, the Group has taken various internal measures to combat against the bad economic environment, the effect is expected to be reflected in the coming year. For example, expanding our overseas network for global businesses, adopting the HSE policy and the MES system are measures we have taken to promote our global position in the long run, as well as improving our production process and lifting the safety standard. While the poor results of 2015 was partly attributable to the lack of new and sizable orders from China, we expect the worst has already come to an end in view of the green light for upcoming major gas projects.

Despite the fact that the year 2015 was another setback for the industry, we still put tremendous efforts in marketing development, particularly towards the overseas markets. As a recognition of our high quality products and advanced technology, our client list has now reached over 80 countries and regions, including China, the Middle East, South America, Europe, Africa, South East Asia, etc. During the year under review, we recorded a relatively strong overseas sales, including one significant order for the supply of pipes for a gas project in Peru, which ranks as one of our record high so far. We also continue receiving orders from Thailand, Malaysia, and Mexico, our brand of PCK has been well-recognized in the global markets.

During the year under review, the Group has accomplished four major milestones as follows:

1. Phase one of Golden Dragon City Fortune Plaza has been successfully launched
2. We are in the final stage of research and development for deep sea welded steel pipes for use of a water depth of 3,500m
3. The COE production line has gained accreditation by reputable industry experts and authority
4. Our production plant in Saudi Arabia has commenced trial operation



In 2013, the Group grasped the opportunity to timely appreciate the value of its assets by converting the land use right of the Panyu production plant from industrial use to commercial use. The property project, named Golden Dragon City Fortune Plaza (金龍城財富廣場) ("GDC"), is a large scale integrated commercial complex, the first phase was publicly launched in late 2015. The land area of the converted land is accounted for approximately 25% of the total land area of Panyu's factory site. The first phase of the development has a permitted construction area (including the underground construction area) of approximately 135,000 square metres. The total permitted construction area of GDC (including underground construction area) is approximately 550,000 square metres. We believe GDC will become one of our stable income sources and provide a solid financial support to our steel pipe business in the long run. It will also help improving our financial position with its steady cash flow.

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

We have a strong research and development team with extensive experience. The research and development of deep sea welded steel pipes for use at water depth of 3,500m has entered into the final stage and this line of deep sea welded steel pipes is expected to be launched soon. This new product of deep sea pipes will further enhance our product range and strengthen our reputation in the offshore equipment manufacturing market. We have 112 registered utility patents, including 8 registered invention patents, and have a long standing international and nationwide track record. The Group is also the only welded pipe manufacturer in China that has achieved five national honours and awards, including "Gold Cup Prize for Actual Quality of Metallurgical Products", "National Key New Products", "National-recognized Enterprise Technology Centre" and "High and New Technology Enterprise". We host an "Academician Workstation" and we are also the main drafter of the national standard for longitudinal welded steel pipes for transmission in China.

The development of our Lianyungang's production base is on track and smooth. We have established a joint venture company with Lianyungang Xuwei Port to engage in the operation of port facilities and logistics services, and obtained the priority for the usage of the port, which the Directors believe will provide the Group with an edge in time efficiency and cost effectiveness in the long run. Meanwhile, our self-developed and patented longitudinal submerged arc welded LSAW-COE production line had experienced another breakthrough during the year in gaining accreditation by reputable industry experts and authority. Our COE production line has been classified as the first innovation in the country with a world class standard. Furthermore, the Group's subsidiary, Lianyungang Steel Pipe Company, has gained the provincial merits of "an Enterprise with Good Credit and Loyalty", the "Well-established Brand in Lianyungang" and the "Top 10 Enterprise for the Industrial Reformation".

Our Zhuhai plant has continuously built its reputation in the region and received supports from the local government and is positioned to seize the opportunity in the offshore equipment and manufacturing industry. It has earned recognition and established relationships with industry partners for business development. Our self-operated wharf has played a major role in our overseas business by providing the Group with easy access to transportation and effective cost management. During the year under review, the Zhuhai Steel Pipe Company has gained the merits of "High Technology Enterprise" of the nation, and "Gold Cup Prize for Actual Quality of Metallurgical Products" as recognition of its outstanding products.

As a leader and pioneer of the industry, we are always able to seize opportunities in the industry. Recently, strong and tight relationship between China and the Middle East countries has been fostered after the visit of President Xi in early 2016. We have established our business relationships with major oil and gas industry players in the Middle East and started pacing our overseas footprints long ago. Our first overseas production line in Saudi Arabia commenced trial production in the second half of the year. It has been accredited with the ISO9001 certificate and we expect other certificates will follow. The plant is designed to house a LSAW production line with a capacity of 300,000 tonnes for the demand in the Middle East. We believe following the establishment of the new plant in the Middle East, our PCK brand will obtain more recognition in the region, hence be ready more business opportunities.

PROSPECT AND GOING FORWARD

Owing to delays of bidding activities over the past two years, we anticipate the demand of steel pipes will rebound at a strong pace, and in light of the upcoming "13th Five-Year Plan" more projects will be launched. In fact, the "New Gas Pipeline" (formerly "Xinjiang-Guangdong-Zhejiang" pipeline) has already obtained an approval for its pre-construction phase and the bidding process is expected to commence soon. The Group has a long history of business relationship with Sinopec, hence, we are hopeful in participation in the further developments, especially on the southern sections of the pipelines.

Given that the Chinese government intends to promote clean energy as the major sources of energy in the future, the gas consumption in China is expected to increase and the demand of steel pipes will be strong. It is expected that the projects in relation to the Sino-Russian pipeline and Central Asia – China Gas Pipeline Line D will be launched in line with the national policy.

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

APPRECIATION

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

Chen Chang

Chairman

Panyu, Guangdong Province, China

31 March 2016

AWARDS AND RECOGNITIONS

The Group is strong in research & development and has numerous awards and recognitions:



1996
Guangdong Province Outstanding New Product*
(The Economic Commission of Guangdong Province*)
GPEC



2005/2011/2012
Renewed in 2015
Gold Cup Prize for Actual Quality of Metallurgical Products*
– LSAW
(China Iron & Steel Association*)



1997
Gold Cup Prize for Actual Quality of Metallurgical Products*
(Ministry of Metallurgical Industries of the PRC*)



2005/2011/2012
Renewed in 2015
Gold Cup Prize for Actual Quality of Metallurgical Products*
– ERW
(China Iron & Steel Association*)



2001
Certificate for the Recognition of High and New Technology Enterprises*
(Guangzhou City Science and Technology Committee*)



2014
Prime Quality Award
– LSAW
(China Iron & Steel Association*)



2004
China Reserved Petroleum Pipeline Manufacturing Industry – Top Ten Enterprises in 2004*
(China Petroleum and Petro-chemical Equipment Industry Association*)



2006
Leader in Quality Management in Guangdong Province in 2005*
(Guangdong Provincial Bureau of Quality and Technical Supervision*)

* Unofficial transliteration from Chinese name for identification purposes only.



**2007
China Torch Item***
(Science and Technology
Department of the PRC*)



**2007
First Prize for Sci-
Tech Achievement in
Guangzhou City***
(The People's Government of
Guangzhou City*)



**2007/2010/
Renewed in 2013
Guangdong Province Top
Brand Product***
(Guangdong Provincial Bureau
of Quality and Technical
Supervision*)



**2002/2010
Renewed in 2014
Guangdong Province
Famous Trademark***
(Guangdong Province Bureau
for Administration of Industry
and Commerce*)



**2007
Best Original Product of
Innovative Record for
Guangdong Enterprise in
2007***
(Association of Enterprise
in Guangdong Province &
The Innovative Record of
Guangdong Enterprise Approval
Commission*)



**2008
International Exhibition of
Inventions Golden Award***
(Three-roller forming
technology and
equipment*)
(China Inventions Association*)



**2016
First Prize for Sci-Tech
Achievement
(Deep Sea Pipe for
Natural Gas)**
(The People's Government of
Guangdong Province)



**2008/2011
Renewed in 2014
High and New Technology
Enterprise***
(Department of Science and
Technology of Guangdong
Province*),
(Guangdong Province
Department of Finance*),
(Guangdong Municipal Office
of the State Administration of
Taxation*) and (Guangdong
Provincial Local Taxation
Bureau*)

* Unofficial transliteration from Chinese name for identification only.



**2009
Guangdong Province
Patent Excellence Award*
(Three-roller forming
technology and
equipment*)**

(Guangdong Provincial Bureau of Personnel & Intellectual Property Office of Guangdong Province*)



**2010
Indigenous Innovation
Product of Guangdong
Province***

(Department of Science and Technology of Guangdong Province*, Development and Reform Commission of Guangdong Province*, Economic and Information Commission of Guangdong Province*, Finance Department of Guangdong Province*, Intellectual Property Department of Guangdong Province*, Administration of Quality and Technology Supervision of Guangdong Province*)



**2009/Renewed in 2013
High-tech Product of
Guangdong Province***

(Department of Science and Technology of Guangdong Province*)



**2010
First Prize for Sci-tech of
Guangdong Province***

(The People's Government of Guangdong Province*)



**2010/Renewed in 2013
Key High and New
Technology Enterprise of
China Torch Item***

(Torch High-tech Industry Development Centre of Science and Technology Department of the PRC*)



**2010
Technology Research and
Development Centre of
Guangdong Province***

(Department of Science and Technology of Guangdong Province*, Development and Reform Commission of Guangdong Province*, Economic and Trade Commission of Guangdong Province*)



**2010
National-recognised
Enterprise Technology
Centre***

(National Development and Reform Commission*, Science and Technology Department*, Finance Department*, General Administration of Customs*, State Administration of Taxation*)



**2010
1st Runner-up of The
19th National Invention
Exhibition*
Dual-drive push-press
type steel pipe expanding
device***

(Invention Association of China*)

* Unofficial transliteration from Chinese name for identification purposes only.



2011
1st Runner-up of The 20th National Invention Exhibition*
Five-electrode submerged arc welding equipment
 (Invention Association of China*)



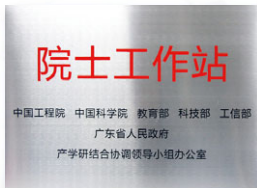
2010
Innovative Enterprise of Guangzhou*
 (Technology and City Enhancement Steering Committee of Guangzhou*)



2011
Governmental Quality Award of The Guangzhou Government*
 (The People's Government of Guangzhou Province*)



2011
Intellectual Property Demonstration Enterprise of Guangdong Province*
 (Intellectual Property Department of Guangdong Province*)



2011
Academician Workstation
 (The People's Government of Guangdong Province*)



2011
Top 10 Original Brands of Guangdong Province*
 (Association of Enterprises of Guangdong Province*, Association of Entrepreneurs of Guangdong Province*)



2012
Government Quality Award of Guangdong Province*
 (The People's Government of Guangdong Province*)



2013
Science Technological Award of Guangdong Province*
 (The People's Government of Guangdong Province*)



2013-2016
Guangdong Province Innovative Enterprise Award*
 (The Guangdong Provincial Department of Science and Technology, the Guangdong Development and Reform Commission, the Economic & Information Commission of Guangdong Province, the State-owned Assets Supervision and Administration Commission of the Guangdong Province, the Guangdong Intellectual Property Office and the Guangdong Provincial Federation of Trade Unions*)



2014
Model Experimenting Enterprise for Credit Management of Guangdong Province 2014
 (Guangdong Credit Association)



2014
Superior Quality Award for Actual Quality of Metallurgical Products*
 (China Iron & Steel Association*)

* Unofficial transliteration from Chinese name for identification only.

QUALITY CERTIFICATIONS

The Group has received numerous international quality certifications.



**1996/2010/
Renewed in 2013
ISO9001**

(Hong Kong Quality Assurance Agency)



**1999/2010/
Renewed in 2013
CE**

(Lloyd's Register of Shipping)



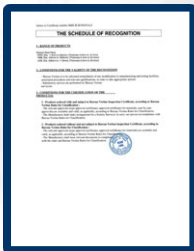
**2006/2010/2011/
Renewed in 2015
DNV**

(Det Norske Veritas)



**2002/2009/2010/
Renewed in 2014
BV**

(Bureau Veritas)



**1996/2011/
Renewed in 2014
API**

(American Petroleum Institute)



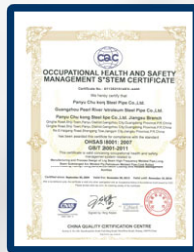
**2012/
Renewed in 2015
CMS**

(China Conformity for Measurement Management Systems)



**2004/2010/Renewed in 2013
ISO9001 14001
OHSAS18001**

(China Quality Certification Centre)



**2012
CCS**

(China Classification Society)



**2011/
Renewed in 2014
ASME**

(American Society of Mechanical Engineers)



**2015
Petrobras**

(Petrobras)



**2011/
Renewed in 2014
CNAS**

(China National Accreditation Service for Conformity Assessment)



**2014
ABS**

(美國船級社)



TRACK RECORD

The Group has a long track record of involvement in onshore and offshore projects domestically and internationally.

SELECTED ONSHORE PROJECTS FOR LSAW PIPE

Projects	Quantity (MT)	Year
Anhui Natural Gas – Ningguo-Huangshan Branch, Jixi-Huangshan Section, Jiangbei Industrial Concentrated Area Project, China	5,100	2016
Petroleum Nasional Bhd – RAPID Project, Malaysia	1,080	2016
Corpac Ore Slurry Project, USA	1,176	2016
GC-31 Process Piping Project, Middle East	1,790	2016
Suqian City Gas Pipeline Project, China	1,030	2016
Gas Project in Guoyou Economic Development Zone	413	2015-2016
PetroChina Power Plant and Oilfield Project, Middle East	1,455	2016
L&T GC30 Project, Middle East	1,036	2016
Heavy Oil Development Program, Middle East	1,970	2016
Abu Dhabi Gas Project	352	2016
Canada Oil Sands Project	2,690	2015
Offshore Riser Pipe Project	104	2015
Zhuhai City West Water Plant-Quanwu Water Plant Expansion Project, China	1,366	2015
Dubai Oil Project, Petro Energy Dorsa	783	2015
Phase II, Crude Oil Pipeline Project, Sinopec	3,353	2015
High-pressure Gas Transmission Pipeline Project, Chengdu City Gas Co, China	6,230	2015
USA Project	3,696	2015
L&T GC30 Project, Middle East	2,148	2015
Tangyan-Gu'an Complex Modificate Pipeline Project, Sinopec	1,562	2015
Tianwan nuclear power project of 4# unit high pressure steam and low pressure steam pipeline project	149	2015
Sub-transmission Station in Gujiao – Taiyuan Section, Taiyuan Gas Pipeline Project	1,949	2015
ZCINA Algeria Project	30,490	2015
Project, Middle East	121	2015
Oman Project	500	2015
Yuncheng-Hejin Gas Pipeline Project, Shanxi Natural Gas, China	2,072	2015
Sour Gas Pipeline Project, Middle East	1,000	2015
Reggane Nord Development Project, Sonatrach, Algeria	576	2015
Scenic Hill-HKBCF-Airport Line Project, China	2,929	2015
Luomahu-No.2 Waterworks Construction Water Pipeline Project, China	5,584	2015
Taizhou Gas Pipeline Project, China Chemical Engineering Construction Co	2,883	2015
Macao Taipa MGM Hotel Cooling water Project	323	2015
PetroChina, Mozambique Oil Project	381	2015

SELECTED ONSHORE PROJECTS FOR LSAW PIPE (continued)

Projects	Quantity (MT)	Year
Oiltanking Beaumont New Finger Pier Marine Construction Project, Texas, USA	2,377	2015
Gas Project, Middle East	1,977	2015
Hangzhou Natural Gas Project, China	2,370	2015
Reggane Nord Development Project, Algeria	7,103	2014–2015
Gasoducto Andino del Sur Project, Peru	57,700	2015
Shenhua Coal Carbon Indirect Liquefaction Project, China	3,848	2015
Gas/Oil Pipeline Project, Canada	3,198	2014
Phase II, Weizhou Oilfield Jacket Project, Shenzhen Chiwan, China	2,151	2014
High-rise Building Project, Foshan, China	1,565	2014
Gas Gathering Project, Chengdu, China	200	2014
Dongshan Double Gas Pipeline Project, Shanxi, China	5,305	2014
Jiajie Power Plant Gas Pipeline Project, China	4,072	2014
Hong Kong — Zhuhai — Macau Bridge Project, Guangdong-Scenic Hill Project, Hong Kong	560	2014
Yibal 3RD Stage Depletion Compression Project, Oman	512	2014
Gas Pipeline Project, Pakistan	844	2014
Sek Areas Flowlines Project, Sweden	2,715	2014
Southeast Asia Pipeline Project, Southeast Asia	2,600	2014
Gas/Oil Pipeline Project, Canada	7,355	2014
CNRL Slurry Pipeline Project, Canada	7,616	2014–2015
SSUT Gas Project, PTT, Thailand	1,488	2014
Indorama Eleme Fertilizer & Chemical Limited, Nigeria	1,670	2014
Changqing Oil Field Project, SINOPEC, China	268	2014
Gas Pipeline Project, Shaanxi, China	6,537	2014
Uzbekistan Gas Project, Lukoil	20,521	2014
Tuen Mun-Chek Lap Kok Link-southern Connection Viaduct Section Project, Hong Kong	2,000	2014
“Hope” Flume Dam Project, Ecuador	31,949	2014
USA Project	4,788	2014
Water Project for Erdos Deep Coal factory, China	10,680	2014
Highway Road High-pressure Gas Transmission Pipeline, Chengdu, China	1,677	2014
Southern Section of Jingzhou-Gongan-Shishou Natural Gas Pipeline Project, Hubei, China	1,652	2014
Phase II, Uzbekistan Project, Uzbekistan	26,076	2014
Yong-Tai-Wen Natural Gas Pipeline Project, Zhejiang, China	27,997	2014
Changzhou Wujin Gas Storage Project, Suzhou, China	6,035	2013–2014
Middle East Projects, Beijing, China	2,450	2013–2014
Hangzhou Natural Gas Project, China	4,500	2013–2014

SELECTED ONSHORE PROJECTS FOR LSAW PIPE (continued)

Projects	Quantity (MT)	Year
Yizheng — Changling Crude Oil Pipeline, Yizheng – Jiujiang section, SINOPEC, China	6,013	2013–2014
LNG Pipeline Project, Phase II, SINOPEC, China	8,348	2013–2014
LNG Pipeline Project, Phase II, Guangxi Natural Gas Pipeline Project, China	1,078	2013–2014
ADCO, Abu Dhabi, United Arab Emirates	2,135	2013–2014
Suzhou Baorun Gas Project, China	6,033	2013–2014
Jiangyin City Heat Supply Network Southeast Pipeline Project, China	5,200	2013
Gathering Pipeline, CNPC, China	3,300	2013
X90M Small Batch Trial Project, CNPC, China	400	2013
Siping – Baishan Gas Pipeline Project, CNPC, China	12,600	2013
Sichuan — East Gas Pipeline, Jiangsu Yutai Section, Jiangsu Natural Gas Project, China	4,200	2013
Zhoushan Fishing Island Oil Depot Project, CNPC, China	10,600	2013
Shanxi Zhongli Flange Project, China	500	2013
Jincheng – Houma pipeline project, Qinshui – Duanshi section, Shanxi Qinshui Guoxin Coalbed Gas Project, China	2,800	2013
The Hong Kong — Zhuhai — Macau Bridge Project, Hong Kong	3,600	2013
Provincial Gas Transmission Pipeline Project to Nakhon Ratchasima, PTT, Thailand	28,825	2013
Shell, Canada	1,000	2013
Indonesia Project, Indonesia	380	2013
Chemical Industry Project, China	4,800	2013
Uzbekistan Gas Project, Uzbekistan	16,100	2012
Haerbin Nuclear power Transmission Project, China	180	2012
TieLing — JinXi Crude Oil Double Pipeline Project, CNPC, China	13,600	2012–2013
West-to-East Phase III Ji An — Fu Zhou Section, CNPC, China	13,400	2012–2013
Cheng Du Citygas Project, China	2,100	2012
Zhejiang Gas Project, China	27,000	2012–2013
Zhejiang Province Gas Project, China	3,300	2012–2013
An Hui Province Natural Gas Project, China	5,100	2012–2013
Syncrude, Canada	4,225	2012
Canada Shell Oil Sand Project, Canada	11,028	2012
NIMR-G Development and Karim West Water Flood Project, Oman	700	2012–2013
West-East Gas Pipeline Project (Nanning — Baise Section), Phase II CNPC, China	13,273	2012
Shenwei Coal Slurry Pipeline Project, Shaanxi Coal Industry Co., Ltd., China	71,729	2012
ShanXi Gas Industry Group Co., Ltd. (Taiyuan Section), China	7,282	2012
Huainan — Shanghai Ultra High Voltage Power Grids, State Grid Corporation of China (SGCC), China	42,610	2012
Yunnan China Resources Gas Co., Limited, China	8,565	2012
Guangdong Natural Gas Pipe Network, CNOOC, China	48,274	2010–2011
Gas Pipeline Project, Southeast Asia	49,928	2010–2011

SELECTED ONSHORE PROJECTS FOR LSAW PIPE (continued)

Projects	Quantity (MT)	Year
Syncrude, Canada	24,352	2010–2011
Zhejiang Gas Company, China	6,904	2011
Shell Nigeria	9,304	2011
Jingbian — XiAn Gas Pipeline Project, Phase III, CNPC, China	4,575	2011
ShangXi Guolin Coal Seam Gas Development Company Limited, China	7,957	2011
Turkmengas, Turkmenistan	12,048	2011
KOC/Petrofac, Kuwait	1,250	2011
Halfaya Project, CNPC, China	3,237	2011
KOC/ABB, Kuwait	3,650	2011
West — East Gas Pipeline Project, Phase II, CNPC, Hong Kong	55,946	2011
Crude Oil Pipeline SINOPEC, China	10,523	2010–2011
Inner Mongolia Gas, China	14,412	2010–2011
Columbia Gas Pipeline Project, Ecopetrol, Columbia	144,669	2010–2011
Shell Canada, Canada	27,000	2008–2011
China-Russia Oil Pipeline Project Phase II, CNPC, China	12,182	2010
Hangzhou Gas, China	7,000	2010
Anglo American, Brazil	4,017	2010
Guangdong Gas, China	55,000	2010
Foshang City Natural High Pressure Pipe Network Company, China	6,272	2010
Guangzhou Natural Gas Project Phase III, China	5,387	2010
East Siberia — Pacific Ocean, Russia	10,078	2010
Ampliacion Red Principal de Distribucion de Gas en Lima y Callao Project, Peru	11,350	2010
Kinteroni MIPAYA Pipeline Project, Repsol, Peru	17,831	2010
Syncrude, Canada	13,968	2010
West — East Gas Pipeline Project, Phase II, CNPC, China	47,282	2010
Guangdong Natural Gas Pipe Network, CNOOC, China	61,855	2009–2010
Guangdong LNG Company, CNOOC, China	18,234	2009
Guangdong Gas, China	12,076	2009
Guangdong LNG Company, CNOOC, China	16,925	2009
Shenzhen Gas Group Corporation Limited, China	13,750	2009
Yulin-Jinan Gas Pipeline, SINOPEC, China	14,006	2009
GTCL, Bangladesh	35,000	2009
Shell Canada, Canada	20,000	2009
Kazakhstan-China Pipeline, CNPC, China	77,400	2009
ESPERANZA Project, CNPC, Chile	36,000	2008
Yulin-Jinan Gas Pipeline, SINOPEC, China	14,000	2008

SELECTED ONSHORE PROJECTS FOR LSAW PIPE (continued)

Projects	Quantity (MT)	Year
Southwest Oil and Gas Pipeline, CNPC, China	40,398	2007–2008
Kurdistan Gas Pipeline Network, The Middle East	23,000	2007
NGC, Nigeria	16,000	2007
Guangzhou Gas Company, China	15,603	2007
Sichuan-East Gas Pipeline Project, SINOPEC, China	200,000	2007
GNL Quintero Project, Chile	11,000	2007
Shagyrly-Shomyshty Gas Pipeline, Kazakhstan	11,000	2006
Sonatrach, Algeria	7,500	2006
Changbei Gas Field Project, Shell, China	3,600	2005
Beijing Gas Group Co., Ltd., China	13,000	2005
Guangzhou Gas Company, China	14,270	2005
Shenzhen Gas Group Corporation Limited, China	7,000	2005
Pipe and Piling, Canada	2,250	2005
Western Crude Oil and Product Oil Pipeline, CNPC, China	33,000	2004–2005
Zhuhai-Zhongshan Natural Gas Pipeline, CNOOC, China	11,000	2004
Guangdong Dapeng LNG Company, CNOOC & BP, China	14,523	2004
Zhongxian-Wuhan Natural Gas Pipeline, CNPC, China	1,200	2004
GTCL, Bangladesh	7,400	2004
Shanghai SECCO, SINOPEC BP, China	3,000	2003
Chang-Hu Natural Gas Pipeline (cross Yellow River), China	450	2002
Wuxi Natural Gas Co.,Ltd CNPC (cross river), China	500	2002
Shanghai Network Pipeline, China	6,300	2002
Hainan Island-Loop Pipeline, CNOOC, China	5,000	2002
Yangzi Petro-Chemical Project, SINOPEC & BASF, China	4,400	2002
State Central Theater, China	500	2002
NOCO, The Middle East	4,000	2002
Yong-Hu-Ning Pipeline, SINOPEC (cross Changjiang River), China	5,000	2002
Jinan-Qingdao Gas Pipeline, SINOPEC (cross Yellow River), China	3,500	2002
KURT Urban Partners, USA	3,000	2001
Stemcor, England	1,367	2001
Vietnam Stadium, Vietnam	900	2001
S.C.CONPET.S.A, Romania	2,893	2001
Sawah Trading Company Limited, UAE	2,000	2001
China North Industry Co., China	1,400	2000
Ferrostal Aktiengesellschaft (Germany) Shanghai Office, USA	1,478	1999
Yajisha Bridge, Guangzhou, China	2,208	1999

SELECTED OFFSHORE PROJECTS FOR LSAW PIPE

Projects	Quantity (MT)	Year
Gazprom EPC Gas Pipeline Project	9,424	2015
Yacheng Oil Pipeline Maintenance Project, CNOOC	180	2015
Dubai Petroleum Pipeline installation	3,448	2015
Waidiao Island-Cezi Island-Zhenhai, Sinopec Offshore Project	30	2015
Dubai pipeline installation works, Dubai	7,092	2014–2015
Gas Pipeline Project, Panama	2,332	2014–2015
Zhuhai Guishan Offshore Windmill Jacket Project, China	2,405	2014
Huangyan and The Surrounding Gas Rolling Development Project, Phase I, North of Huangyan Oil and Gas Field Group, CNOOC, China	11,620	2013–2014
Zhanjiang South Sea Oil Offshore Construction Project, China	800	2013
Yong-Tai-Wen Gas Project, Longwan Branch Pipeline, Zhejiang Natural Gas Project, China	850	2013
Shell, Nigeria	1,800	2013
Mexico Pemex Platform Project, Mexico	4,640	2012–2013
South China Sea Deep Water Gas Development PMT, CNOOC, China	66,238	2011
Liwan Deep Water Gas Development Project, Saipem/Husky/CNOOC, China	51,000	2011
West-East Gas Pipeline Project, Phase II, Hong Kong Branch, CNPC, China	14,665	2011
West Kowloon to Sai Ying Pun, WSD, Hong Kong	1,057	2010
Offshore & Onshore Pipeline Project-Feed, Total, Southeast Asia	15,500	2009
SBM Project, Pakistan	5,000	2008
SEPC-BOS C2 Jetty & Interconnecting Project, Shell Singapore	1,600	2008
Shuqaiq II Independent Water and Power Project, Saudi Arabia	3,100	2008
Pekerjaan Pembangunan TTU Dan Pipanisasi Jawa Project, Indonesia	1,700	2008
Manifa Field Causeway Project, Saudi Arabia	10,113	2007
Terminal Transit Utama Tuban & Pipanisasi Jawa Timur, Indonesia	2,050	2007
Permanent Aviation Fuel Facility, Hong Kong International Airport, Hong Kong	1,700	2007
Malaysia Angsi-TCOT Crude Oil Offshore Pipeline Project, PETRONAS, Malaysia	43,000	2007
Ledong Gas Fields Engineering PMT, CNOOC, China	27,000	2007
Jamnagar Refinery Complex/Bechtel, India	36,000	2006
Panyu/Huizhou Natural Gas Development Project, CNOOC, China	58,881	2005
CNOOC & Shell Petro Chemicals Company Ltd., China	12,149	2004
Chunxiao Gas Complex Development Project, CNOOC, China	68,645	2003
Shengli Oil Field, SINOPEC, China	1,552	2000

SELECTED PROJECTS FOR SSAW PIPE

Projects	Quantity (MT)	Year
Lianyungang City Drinking Water Project, China	984	2015-2016
The CWB No. 8 Road Connecting Tunnel Project, Hong Kong	386	2015
The CWB No. 8 Road Connecting Tunnel Project, Hong Kong	2,226	2015
Zhuhai City West Water Plant-Quanwu Water Plant Expansion Project, China	2,610	2015
Luomahu-No. 2 Waterworks Construction Water Pipeline Project, Xuzhou, China	9,074	2015
Scenic Hill-HKBCF-Airport Line Project, Hong Kong	1,441	2015
Crew Construction Project, Phase I, Southwest Hainan Power Plant, China	2,270	2015
The Nigerian National Petroleum OB3 Project, Nigeria	6,000	2015
Water Diversion Project, Nanning, China	2,065	2014
Piling Foundation Pipe Project, Humen Bridge II, Guangdong, China	5,161	2014
Gaolangang Area Container Terminal Project, Phase II, China	4,200	2014
Crew Construction Project, Phase I, Southwest Hainan Power Plant, China	8,994	2014
Hong Kong — Zhuhai — Macau Bridge Project, Guangdong-Scenic Hill Project, Hong Kong	3,000	2014
Pakistan Gas Pipeline Project, Pakistan	7,537	2014
Los Ramones Gas Pipeline Project, Mexico	49,587	2014-2015
Chemical Project, Jiangsu, China	2,071	2014
Yancheng Water Project, Jiangsu, China	5,896	2014
Water Irrigation Project, Venezuela	565	2014
Tuen Mun-Chek Lap Kok Link-southern Connection Viaduct Section Project, Hong Kong	7,950	2014
Zhuhai Port Temporary Construction Bridge Project for Hong Kong — Zhuhai — Macau Bridge Project, China	9,115	2014
Al Hallaniyat Island Project, Oman	330	2014
Hong Kong — Zhuhai — Macau Bridge Project, China	360	2014
Hong Kong — Zhuhai — Macau Bridge Project, China	8,556	2013-2014
Lianyungang City Drinking Water Project, Jiangsu, China	3,700	2013-2014
Tuen Mun-Chek Lap Kok Link-southern Connection Viaduct Section Project, Hong Kong	313	2013-2014
Cross Sea Bridge Project, Lianyungang City, China	1,700	2013
Hong Kong — Zhuhai — Macau Bridge Project, Hong Kong	838	2013
City Heat Supply Network Southeast Pipeline Project, China	7,300	2013
NNPC, Nigeria	9,940	2013
Jiangsu Water Network Project, China	8,000	2013
Hainan LNG Station Transmission Pipeline Project, CNOOC, China	3,000	2012-2013
Lianyugang Water Pipeline Project, Phase I, China	2,200	2012

SELECTED PROJECTS FOR ERW PIPE

Projects	Quantity (Km)	Year
Liuzhou City Natural Gas Project, Guangxi, China	13.7	2016
Beiliu City Natural Gas Project, Guangxi, China	47.46	2016
Yicheng City Change Line Project, Weijing Pipeline, Sinopec, China	18	2015
Sinopec Gas Pipeline reinstallation project, Qilu Branch	3.5	2015
Phase I, Xiangyuan Gas Pipeline Project, Shanxi, China	44.9	2015
Phase I, Changzhi-Tunliu Section, Shanxi Coal Bed Gas Pipeline Project, China	66.5	2015
Betara Complex Development 479 Project, Petrochina International Jabung Ltd., Indonesia	16.14	2015
Badra-Zubaidah, EPC Gas Export Pipeline Project, Gazprom	105.14	2015
Madura BD Field Development, Husky-CNOOC Madura Limited, Indonesia	53.6	2015
Macao Taipa MGM Hotel Cooling water Project, China	6.58	2015
Sour Oil/Gas Pipeline Project, Daleel Petroleum L.L.C., Oman	10	2015
Scenic Hill-HKBCF-Airport Line Project, Hong Kong	11.4	2015
Kuwait Oil Pipeline Project	9.5	2015
Pstream Project, Australia	49	2015
Gasoducto Andino del Sur Project, Peru	84	2015
Phase II, Stage Product Oil Pipeline, The Pearl River Delta, SINOPEC, China	30	2014
Jiangxi Gas Network Project, Phase I, Qingyun-Wannian, Shanggao-Yifeng Branch, China	26	2014
The Expansion Project of Macau University of Science and Technology, Macau	27	2014
Catchment System Of Sea Water And Iodon Plant, Chile	23	2014
Flow line Pipes, PDO, Oman	200	2014
QNP Lateral Pipeline Project, Australia	19	2014
Eastern Goldfields Pipeline Project, APA, Australia	298	2014
Aviation Oil Pipeline Project, BP, Australia	4	2014

SELECTED PROJECTS FOR ERW PIPE (continued)

Projects	Quantity (Km)	Year
Central Wan Chai bypass No. 8 Connection Line Tunnel Project, Hong Kong	8	2014
JQ AEP/ODP1 Project, Shell, China	32	2014
Scenic Hill-HKBCF-Airport Line Project, Hong Kong	7	2014
Mexico Project, Mexico	123	2014
Longquan — Taiyuan Section of Lanxian – Taiyuan Gas Pipeline Project, Shanxi, China	45	2014
Nakhon Sawan Project, CNPC, Thailand	36	2014
Natural Gas Pipeline Project, Phase I, CNOOC, China	28	2014
OGDCL, Pakistan	15	2014
Santos, Australia	212	2013–2014
Pipeline Crossing Project, Sinopec, China	4.1	2013
Southern China Project, SINOPEC, China	25	2013
Hainan Natural Gas Project, CNOOC, China	2.9	2013
Jian Rong Foundation Project, Hong Kong	3.6	2013
Guangxi PetroChina Kunlun Natural Gas Project, CNPC, China	52	2013
Chongqing Gas Project, China	102	2013
Jiangxi Oil Pipeline Project, Phase II, SINOPEC, China	10	2013
Mexican Project, Mexico	155	2013
Hongkong Tunnel project, Hong Kong	3,445 (MT)	2013
Ecuador Repso Project, Ecuador	8	2012–2013
OGDCL, Oil/Gas Pipeline, Pakistan	378	2012–2013
Flow line Pipes, PDO, Oman	550	2012–2013
Kuwait Sour Crude Oil Pipeline, Kuwait	232	2012–2013
ZhongHua Quanzhou Petrochemical Ltd, Oil Refinery Project, China	7	2012
JiangXi Copper Metallurgy Factory Natural Gas Project, China	15	2012
Pearl River Delta Oil Pipeline, Phase II, China	36	2012
Jiangxi Product Oil Pipeline Project, Phase II, SINOPEC, China	270	2012
Huanan Product Oil Project, SINOPEC, China	72	2012
Peru Project, Peru	31	2012
OGDCL, Pakistan	145	2012
Huainan-Shanghai Ultra High Voltage Power Grids, State Grid Corporation of China (SGCC), China	24,763 (MT)	2012
KOC, Kuwait	531	2011
Shanxi Gas City Network, China	20	2011
Chongqing Gas, China	67	2010
Shanxi Gas, China	42	2010
Takreer Re-routing of existing Inter-Refineries Pipelines, NPCC/Takreer, UAE	50	2010
OMV, Pakistan	44	2010
Sui Northern Gas Pipeline Limited, Pakistan	143	2009
Betara Complex Development Pipeline Project, Indonesia	91	2009

SELECTED PROJECTS FOR ERW PIPE (continued)

Projects	Quantity (Km)	Year
ONGC, India	300	2009
Electricity Network, China	960	2009
Flowline Pipes, PDO, Oman	1,602	2008
Gasoducto Gibraltar Project, Columbia	151	2008
Esperanza Project, Chile	150	2008
Sui Northern Gas Pipeline Limited, Pakistan	250	2008
Fuliang Product Oil Pipeline, SINOPEC, China	83	2007
Sui Northern Gas Pipeline Limited, Pakistan	170	2007
Shengli Oil Field, SINOPEC, China	255	2007
Sui Northern Gas Pipelines Limited, Pakistan	195	2006
Gas Natural, Columbia	18	2006
Shengli Oil Field, SINOPEC, China	39	2005
Guizhou Kailin Mineral Slurry Pipeline, China	48	2005
Copergas, GDK, Brazil	126	2005
Henan Product Oil Pipeline, SINOPEC, China	191	2005
Pearl River Delta Product Oil Pipeline, SINOPEC, China	1,200	2004–2005
Singapore HG Metal Manufacturing Limited, Singapore	50	2005
Southwest Oil Pipeline, SINOPEC, China	379	2003–2004
GAIL, India	67	2003
Xinjiang Oil Equipment Corporation, CNPC, China	71	2002
Wuxi Town Gas Co., Limited, China	134	2002
Gas Authority India Limited (GAIL), India	141	2002
Zhongyuan Oil Field, SINOPEC, China	13	2002
Jingzhou-Jingmen Product Oil Pipeline, SINOPEC, China	153	2002
Maoming Petro-chem, SINOPEC, China	28	2001
Lan-Cheng-Yu Oil Pipeline Project, CNPC, China	220	2001
Sawah Trading Company Limited, UAE	63	2000
National Oil Company Limited, The Middle East	130	2000
Shantou Stadium, China	41	2000
Zhejiang Product Oil Storage Transport Co., Ltd, SINOPEC, China	55	1999
Texas Oil Field, USA	153	1998
Xinjiang Hua Wu Oil Company, CNPC, China	80	1998
Xinjiang Oil Field, CNPC, China	85	1998
Jidong Oil Field, CNPC, China	54	1997
Zhongyuan Oil Field, SINOPEC, China	76	1997
Changqing Oil Field, CNPC, China	290	1996
Kelamayi Oil Field, CNPC, China	150	1996
Thailand TK Co., Thailand	52	1996

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly manufactures and sells longitudinal welded steel pipes, as well as providing manufacturing service for processing raw materials into steel pipes. Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are the largest LSAW steel pipe manufacturer and exporter in the PRC, and are capable of producing LSAW steel pipes that meet the X100 standard. We are also accredited 11 international quality certifications such as Det Norske Veritas ("DNV") and American Petroleum Institute ("API"). In addition, we are the first and the sole PRC manufacturer that has successfully produced deep sea welded pipes for use under 1,500 m water depth. Our products are widely applicable to major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

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

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

The Saudi Arabian production plant, under the joint venture ("Saudi JV") with Abdel Hadi Abdullah Al Qahtani & Sons. Co ("AHQ"), has started its trial production. This was our first overseas LSAW production line with an annual capacity of 300,000 tonnes in Saudi Arabia. During the year, the Saudi JV has obtained a 10-year interest free loan from the local government in Saudi Arabia. The Saudi Arabian plant will further develop, strengthen and expand the market penetration of the Group in Saudi Arabia and the Middle East.

Panyu Land Development

In 2013, the Group has converted the land in Panyu (the “Panyu land”) into commercial use. The total land area of converted land is 125,000m² accounted for 25% of total land in Panyu. The total construction area of converted land is 550,000m². The converted land will be divided into three phases for development.

The Group is developing the first phase of the Panyu Land into the GDC, an integrated commercial complex of offices, shops, serviced apartments and villas. Details of the first phase of the GDC are set out as follows:

Project name:	Golden Dragon City Fortune Plaza* (金龍城財富廣場)
Duration:	to be completed in 2016
Land area:	25,000 square metres
Total permitted construction area of the Panyu Land (including underground construction area) :	135,000 square metres
Planned usage:	An integrated commercial complex of offices, shops, serviced apartments and villas will be built. The developed area will be used as properties under development obtaining sales proceeds to the Group to enhance the cashflow position of the Group.

The permitted construction area of the first phase of the GDC accounts for approximately 25% of the total permitted construction area of the Panyu Land. The Group expects income from the GDC to be recognised starting from 2016.

The GDC is part of the Group’s strategy to widen its income sources. The Directors believe that the GDC will maximise the potential economic return of the Panyu Land to the Group. Furthermore, upon the completion of the GDC, the stable rental income and the proceeds from the sale of properties will support the further development of the Group’s steel pipe business. The steel pipe business will remain as the Group’s core business.

The Group will relocate the production lines in Panyu to the Lianyungang production site within 3 years. The Director will seek any further development opportunities on the Panyu Land in order to maximise its economic return. The Lianyungang and Zhuhai production bases will be the major production bases of the Group in China, as both production bases are in proximity to the ports where the Group can minimise its transportation cost.

Order Status

In 2015, the Group received new orders of approximately 404,000 tonnes and approximately 58% was received from overseas customers. Some sizeable overseas orders obtained were related to gas project in Peru, and CNOOC’s offshore drilling platforms in the Gulf of Thailand. The Group delivered approximately 444,000 tonnes of welded steel pipes during 2015.

LSAW Steel Pipes

The Group is the largest LSAW steel pipe manufacturer and exporter in the PRC. LSAW steel pipe was the largest revenue contributor to the Group and accounted for approximately 60.0% of our total revenue for the year ended 31 December 2015. For the year ended 31 December 2015, revenue from the sales and manufacturing service of LSAW steel pipes amounted to approximately RMB1,455.9 million and RMB64.4 million, respectively, representing a decrease of approximately 23.3% and an increase of 369.8%, respectively, as compared to that for the year ended 31 December 2014. The decrease in sales of LSAW steel pipes was mainly due to the decrease in both overseas and domestic orders the Group has received. Decrease in domestic orders was due to lack of sizable orders in China.

SSAW Steel Pipes

Our SSAW steel pipes produced in our plant in Lianyungang use the pre-welding and precision welding SSAW technique, which is the most advanced standard among all SSAW technologies. Revenue from the sales and manufacturing service of SSAW steel pipes amounted to approximately RMB361.9 million and RMB47.4 million respectively. The total revenue from SSAW steel pipes accounted for approximately 16.1% of the total revenue for the year ended 31 December 2015.

ERW Steel Pipes

Market competition of ERW steel pipes has been very keen due to its relatively low technical and standardised requirements as entry barriers. For the year ended 31 December 2015, revenue from the sales and manufacturing service of ERW steel pipes amounted to approximately RMB176.6 million and RMB2.6 million, respectively. The total revenue from ERW steel pipes accounted for approximately 7.1% of the total revenue for the year ended 31 December 2015.

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2015, our revenue was approximately RMB2,539.2 million, representing a decrease of approximately RMB140.0 million or 5.2% as compared with that of 2014. The decrease in revenue was mainly due to the decrease in both overseas and domestic orders the Group has received. Decrease in domestic orders was due to lack of sizable orders in China. In addition, there was drop in average selling price in 2015 as compared with that of 2014.

The following table sets forth the revenue, gross profit, sales volume and average gross profit per tonne by business segments for each of the periods indicated:

	2015		2014	
	Revenue RMB'000	% to total	Revenue RMB'000	% to total
Sales of steel pipes				
LSAW steel pipes	1,455,874	57.3	1,897,809	70.9
SSAW steel pipes	361,869	14.2	392,036	14.6
ERW steel pipes	176,615	7.0	147,388	5.5
Subtotal	1,994,358	78.5	2,437,233	91.0
Manufacturing services				
LSAW steel pipes	64,399	2.5	13,708	0.5
SSAW steel pipes	47,393	1.9	11,113	0.4
ERW steel pipes	2,565	0.1	2,369	0.1
Subtotal	114,357	4.5	27,190	1.0
Others	430,463	17.0	214,765	8.0
Grand total	2,539,178	100.0	2,679,188	100.0

	2015			2014		
	Gross profit RMB'000	Sales volume tonnes	Average gross profit RMB/tonne	Gross profit RMB'000	Sales volume tonnes	Average gross profit RMB/tonne
Sales of steel pipes						
LSAW steel pipes	302,833	259,343	1,168	277,006	312,423	887
SSAW steel pipes	45,387	95,017	478	15,831	102,749	154
ERW steel pipes	15,379	33,229	463	1,548	31,133	50
Subtotal	363,599	387,589		294,385	446,305	
Manufacturing services						
LSAW steel pipes	36,402	32,503	1,120	6,263	4,748	1,319
SSAW Steel pipes	6,607	23,679	279	1,476	26,933	55
ERW steel pipes	315	195	1,615	82	3,913	21
Subtotal	43,324	56,377		7,821	35,594	
Others	290	N/A	N/A	9,407	N/A	N/A
Grand total	407,213	443,966		311,613	481,899	

The revenue generated from the sales of steel pipes accounted for approximately 78.5% of our total revenue in 2015 as compared with approximately 91.0% in 2014. Steel pipe manufacturing services accounted for approximately 4.5% of our total revenue in 2015 as compared with approximately 1.0% in 2014. The revenue classified as "Others" mainly represented the trading of steel plates, sales of screw thread steel, sales of steel fittings, trading of equipment and sales of scrap materials which accounted for approximately 17.0% of our total revenue in 2015 as compared with approximately 8.0% in 2014.

Gross profit for 2015 was approximately RMB407.2 million, representing an increase of approximately 30.7% or RMB95.6 million as compared with approximately RMB311.6 million in 2014. Gross profit margin for 2015 was approximately 16.0% which was higher than that of last year because the Group delivered more LSAW pipes to customers in high-end market with higher profit margin this year.

Our overseas sales accounted for approximately 53.0% of our total revenue in 2015, as compared to approximately 51.2% in 2014. The amount of overseas sales in 2015 was similar to that of 2014.

SALES BY GEOGRAPHICAL AREAS

	2015		2014	
	Revenue RMB'000	% to total	Revenue RMB'000	% to total
Overseas sales	1,346,127	53.0	1,372,417	51.2
Domestic sales	1,193,051	47.0	1,306,771	48.8
Total	2,539,178	100.0	2,679,188	100.0

CHANGE IN FAIR VALUES OF INVESTMENT PROPERTIES

The Group has adopted the accounting policy of measuring investment properties by using fair values. Accordingly, gains or losses arising from the changes in the fair values of investment properties are reflected as profit or loss for the reporting period. The Group has decided to transfer part of the investment properties to properties under sale as at 30 November 2015. The Group has engaged RHL Appraisal Limited, an independent valuer, to value the investment properties. According to the valuation report as at 30 November 2015 issued by RHL Appraisal Limited, the market value of the investment properties as at 30 November 2015 was RMB3.1 billion. There was an increase in the fair values of investment properties of approximately RMB627.9 million and was credited as profit in 2015.

OTHER INCOME AND GAINS

Other income and gains in 2015 mainly represents bank interest income. Other income and gains decreased by approximately 76.8% or RMB96.6 million from approximately RMB125.8 million in 2014 to approximately RMB29.2 million in 2015. Decrease in other income and gains was mainly due to the decrease in government subsidies. Government subsidies were mainly related to awards to the Group for its investment in Lianyungang as well as recognition to its high product quality.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by approximately 23.3% or RMB32.5 million from approximately RMB139.2 million in 2014 to approximately RMB171.7 million in 2015. The increase was mainly due to the increase in commission expenses for some overseas sales projects and advertising fees for property sector.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 3.0% or RMB13.6 million from approximately RMB453.6 million in 2014 to approximately RMB440.0 million in 2015. Decrease in administrative expenses was due to the fact that there was provision of doubtful debts in 2014 but there was a reversal of doubtful debts in 2015.

FINANCE COSTS

Finance costs decreased by approximately 8.9% or RMB23.3 million from approximately RMB260.4 million in 2014 to approximately RMB237.1 million in 2015. The effective interest rate in 2015 was approximately 3.8% (2014: 4.4%). The decrease in finance costs was mainly due to the repayment of some loans with higher interest rate which reduced the average borrowing cost.

OTHER EXPENSES

Other expenses decreased by approximately 54.2% or RMB20.7 million from approximately RMB38.2 million in 2014 to approximately RMB17.5 million in 2015. The decrease was mainly due to the provision for the Nanjing litigation first commenced in 2014. Details of the litigation are set out in the paragraph headed "Litigation" below.

EXCHANGE GAINS/(LOSSES)

The Group recorded exchange losses of approximately RMB53.6 million in 2015 as compared to exchange gains of approximately RMB1.8 million in 2014. Exchange losses was mainly due to depreciation of assets denominated in RMB held by the Group's Hong Kong subsidiaries that led to unrealised exchange losses of approximately RMB60.4 million in 2015 (2014: unrealised exchange losses RMB23.0 million).

INCOME TAX EXPENSES

Income tax expenses increased by approximately 1,902.0% or RMB112.5 million from approximately RMB5.9 million in 2014 to approximately RMB118.4 million in 2015. The increase was mainly due to the increase in deferred tax for fair value gains on investment properties. Panyu Chu Kong Steel Pipe Company Limited ("PCKSP"), Panyu Chu Kong Steel Pipe (Zhuhai) Co. Limited ("PCKSP (Zhuhai)") and Panyu Chu Kong Steel Pipe (Lianyungang) Co. Limited ("PCKSP (Lianyungang)"), wholly-owned subsidiaries of the Company, were qualified as High and New Technology Enterprises and thus entitled to a reduced tax rate of 15% in 2015 (2014: 15%), 15% in 2015 (2014: 25%) and 15% in 2015 (2014: 15%) respectively.

PROFIT FOR THE YEAR

As a result of the factors discussed above, the Group recorded a profit of approximately RMB25.5 million in 2015 (2014: loss RMB358.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2014 and 2015:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net cash flows from operating activities	100,845	122,222
Net cash flows used in investing activities	(401,180)	(867,002)
Net cash flows used in financing activities	(124,392)	(233,876)
Net decrease in cash and cash equivalents	(424,727)	(978,656)

NET CASH FLOWS FROM OPERATING ACTIVITIES

The Group's net cash inflows from operating activities decreased from approximately RMB122.2 million in 2014 to approximately RMB100.8 million in 2015. The net cash inflows from operating activities were primarily due to the combined effect of (i) decrease in inventories and trade and bills receivables and other payables and accruals; and (ii) increases in prepayments, deposits and other receivables, pledged deposits and trade and bills payables.

NET CASH FLOWS USED IN INVESTING ACTIVITIES

The Group's net cash flows used in investing activities decreased from approximately RMB867.0 million in 2014 to approximately RMB401.2 million in 2015. The net cash outflows were mainly due to the capital expenditure for the production bases in Lianyungang and Zhuhai of China, and Indonesia during the year.

NET CASH FLOWS USED IN FINANCING ACTIVITIES

The Group's net cash outflows used in financing activities of approximately RMB233.9 million in 2014 decreased to approximately RMB124.4 million in 2015. The net cash outflows were mainly resulted from the combined effect of (i) borrowing of new interest-bearing loans and other borrowings, and cash received from finance lease of approximately RMB4,735.1 million and (ii) repayment of bank loans, government loans, short term note and finance lease rental payment and its associated interest and payment of interest, of approximately RMB4,859.5 million.

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in Renminbi except for export sales and overseas borrowings which are mostly denominated in US dollar. Most of its assets and liabilities are denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect that future currency fluctuations would materially impact the Group's operations. The Group did not adopt formal hedging policies nor instruments of foreign currency for managing the exchange risk exposure during the year ended 31 December 2015.

CAPITAL EXPENDITURE

For the year ended 31 December 2015, the Group invested approximately RMB434.1 million for the purchase of property, plant and equipment, land payment and addition to investment property. These capital expenditures were fully financed by internal resources and bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group guaranteed RMB172.7 million to joint venture for banking facilities in Saudi Arabia.

PLEDGE OF ASSETS

The Group pledged certain property, plant and equipment, land use rights and time deposits with an aggregate net book value of approximately RMB582.8 million (2014: RMB279.0 million), RMB650.2 million (2014: RMB500.0 million) and RMB491.1 million (2014: RMB90.8 million) respectively as at 31 December 2015 to secure bank loans granted to the Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing ratio is calculated based on the sum of bank loans, other borrowings and short term notes divided by total assets. The gearing ratio of the Group as at 31 December 2015 and 2014 were approximately 52.3% and 52.1%, respectively.

In November 2015, the Group entered into finance lease agreements with 橫琴金投國際融資租賃有限公司 (Hengqin Jintou International Finance Leasing Company Limited*) ("Jintou"), pursuant to which Panyu Chu Kong Steel Pipe (Zhuhai) Co Ltd ("PCKSP (Zhuhai)") agreed to sell certain equipment to Jintou at a consideration of RMB100 million and Jintou agreed to lease the equipment back to PCKSP (Zhuhai) for an aggregate lease payment of approximately RMB108.6 million. Panyu Chu Kong Steel Pipe Co. Ltd ("PCKSP") and Panyu Chu Kong Steel Pipe (Lianyungang) Co Ltd ("PCKSP (Lianyungang)") have agreed to guarantee the obligations of PCKSP (Zhuhai) under the finance lease arrangement. The finance lease payments were payable in 12 quarterly instalments in arrears. The total interest payable under the finance lease arrangement amounts to RMB8.6 million, which is calculated at a fixed annual interest rate of 5.225%.

In December 2015, PCKSP entered into a finance lease arrangement with 金沃國際融資租賃有限公司 (Jin Wo International Finance Leasing Company Limited*) ("Jin Wo"). Under the finance lease arrangement, the Group sold certain equipment to Jin Wo at a consideration of RMB60 million and the Group leased back the equipment at a total lease payments of approximately RMB77.8 million. The finance lease payments were payable in 60 monthly instalments in arrears. The total interest payable under the finance lease arrangement amounts to RMB17.8 million, which is calculated at a fixed annual interest rate of 9.36%. PCKSP (Zhuhai) has also provided a guarantee in favour of Jin Wo for the total lease payments of approximately RMB77.8 million.

As at 31 December 2015, the Group's total borrowings amounted to approximately RMB6,309.4 million, of which approximately 55% (2014: 47%) were long term borrowings and approximately 45% (2014: 53%) were short term borrowings. Approximately 65% of total borrowings of the Group were financing working capital of the Group, and approximately 35% of total borrowings of the Group were financing capital expenditure of the Group. The Group had to finance its working capital by short term borrowings as around 90% of the cost of sales was incurred on the procurement of steel plate and steel coil. Once the Group received sales proceeds from its customers, it would then repay the short term borrowings. Taking into account the Group's cash in hand and the available banking facilities of RMB1,365.9 million, the Group had sufficient liquidity and was in strong financial position to repay its short term borrowings.

As at 31 December 2015, the current liabilities of the Group exceeded its current assets by approximately RMB393.8 million. It is planned that the development will be sold in order to increase the cashflow to the Group. The Group has sufficient cashflow to meet its short term obligations.

As at 31 December 2015, approximately 37% (2014: 41%) of the total borrowings was denominated in Renminbi, which carried interest rates linked to the benchmark lending rate published by the People's Bank of China; approximately 16% (2014: 15%) of the total borrowings were denominated in Renminbi which carried fixed interest rate; approximately 15% (2014: 29%) of the total borrowings were denominated in US dollar and HK dollar with interest rates linked to the London interbank offered rates for US dollar loans and Hong Kong interbank offered rates for HK dollar loans and approximately 32% (2014: 15%) of the total borrowings were denominated in US dollar which carried fixed interest rate.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 27 March 2015, the Group entered into an agreement with 連雲港徐圩港口投資集團有限公司 ("Lianyungang Xuwei Port") to establish a joint venture company with registered capital of RMB100 million. The joint venture company is owned as to 25% by the Group and 75% by Lianyungang Xuwei Port. The initial investment in the joint venture company by the Group was RMB25 million. The total investment commitment in the joint venture company by the Group will not exceed RMB200 million. The principal

business of the joint venture company is the construction and operation of port facilities and logistics services of the port located in Xuwei New District of Lianyungang. The Group has the priority to use the port and will make deliveries at a lower cost and at a faster pace. The investment will be recorded as investment in an associate in the Company's financial statements.

Except the above, the Group had no other material acquisitions or disposals during the year.

LITIGATION

As at 31 December 2015, the Group had four outstanding lawsuits as follows:

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

Nanjing Yuanchang Investment Guarantee Development Co., Ltd.* ("Yuancheng Investment") (南京源昌投資擔保發展有限公司) alleged Nanjing Rongyu and Xixia Hill of breaching and repudiating counter guarantee contract in the amount of RMB5.6 million. The concerned counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group (collectively, Nanjing Rongyu, Xixia Hill and Nanjing Rongyu Group Market Management Company Limited* (南京鎔裕集團市場管理有限公司)) prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu and Xixia Hill have to pay compensatory amount of RMB5.6 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Xixia Hill applied for a retrial to the Jiangsu Province Higher People's Court in respect of the above judgement. In July 2015, the Group was served with a notice of action from Jiangsu Province Higher People's Court informing it the case was under file transfer and pre-filing review procedures. As of the date of this announcement, the Court was still undergoing the pre-filing review process on the application for retrial of the case.

(ii) Nanjing Rongyu

Yuancheng Investment alleged Nanjing Rongyu of breaching and repudiating a counter guarantee contract in the amount of RMB7.6 million. The concerned counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB7.6 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu applied for a retrial to the Jiangsu Higher People's Court against the above judgement. In July 2015, the Group was served with a notice of action from Jiangsu Province Higher People's Court informing it the case was under file transfer and pre-filing review procedures. As of the date of this announcement, the Court was still undergoing the pre-filing review process on the application for retrial of the case.

(iii) Nanjing Rongyu

Yuancheng Investment alleged Nanjing Rongyu of breaching and repudiating a counter guarantee contract in the amount of RMB4.0 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB4.0 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu applied for a retrial to the Jiangsu Higher People's Court against the above judgement. In July 2015, the Group was served with a notice of action from Jiangsu Province Higher People's Court informing it the case was under file transfer and pre-filing review procedures. As of the date of this announcement, the Court was still undergoing the pre-filing review process on the application for retrial of the case.

(iv) Nanjing Rongyu and Xixia Hill

Yuancheng Investment alleged Nanjing Rongyu and Xixia Hill of breaching and repudiating a counter guarantee contract in the amount of RMB4.2 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu Group has to pay compensatory amount of RMB4.2 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Xixia Hill applied for a retrial to the Jiangsu Province Higher People's Court against the above judgement. In July 2015, the Group was served with a notice of action from Jiangsu Province Higher People's Court informing it the case was under file transfer and pre-filing review procedures. As of the date of this announcement, the Court was still undergoing the pre-filing review process on the application for retrial of the case.

As at 31 December 2015, the Group had made full provision for the claimed amounts for the above lawsuits. The Group had paid RMB10 million to Yuancheng Investment in accordance with the court's judgement.

EVENT AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2015 which would materially affect the Group's operating and financial performance as of the date of consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICY

For the year ended 31 December 2015, staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB283.5 million (2014: RMB283.9 million).

The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. Our package includes salaries, medical insurance, discretionary bonuses, on-job training, other benefits as well as mandatory provident funds schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. Pursuant to the Company's share option scheme and share award scheme, options to subscribe respectively for shares in the Company or share awards of the Company may be granted to eligible employees. No share option or share award was granted under the share option scheme or share award scheme during the year ended 31 December 2015.

As at 31 December 2015, the Group had a total of 2,775 full time employees (2014: 3,892 employees). The following set forth the total number of our staff by functions:

	2015	2014
Management	261	274
Production and logistics	1,301	1,822
Sales and marketing	63	43
Finance	47	53
Quality control	307	515
R&D	209	337
Procurement	29	49
General administration and others	558	799
Total	2,775	3,892

FUTURE PLANS AND PROSPECTS

Year 2016 is the first year of China's 13th Five-Year Plan. We expect mega projects in the oil and gas industry will be proposed as part of the energy plan of the Chinese government. Since gas consumption has not increased to the extent as planned, the momentum of China's gas resources development, in particular the construction of the transport-related infrastructure, is expected to accelerate as the Chinese government is determined to push it forward for solving its pollution problem. All necessary pipelines and auxiliary facilities will have to be built to support the expected increasing demand of natural gas. For example, the "New Gas Pipeline" (formerly "Xinjiang-Guangdong-Zhejiang" pipeline) has already obtained the approval for its pre-construction phase by the National Development and Reform Commission. The "New Gas Pipeline" is the key

energy project of the nation with a total length of 8,400 km, including one main line and six sub-lines worth over RMB130 billion. Meanwhile, the Sino-Russia Pipeline is expected to be built with a transport capacity of 38 billion cubic metres on an annual basis for 30 years, starting as soon as in 2018 to carry gas into China. Meanwhile, the Central Asia – China Gas Pipeline Line D will be launched in line with the nation's policy. With all the secured gas sources and infrastructures in place, the Chinese government expects that gas will account for over 10 percent of the nation's energy consumption by 2020 at the end of the 13th Five-Year Plan. The Directors believe that given our business relationships with major oil and gas companies, the Group shall benefit from these developments of the country.

Speaking of overseas business, we have established sales offices in different countries and regions, such as the US, Saudi Arabia, Dubai, Singapore, and other emerging markets. These offices help us to maintain close relationships with our business partners and promote our PCK brand. Two of our production bases in Zhuhai and Lianyungang are close to the wharf which provides the Group with a competitive advantage during negotiating overseas projects. Following the commencement of trial operation in the Group's Saudi Arabian production plant, the Group has enhanced its international competitiveness and will continue to pursue its aspiration to be a multinational corporation in the market.

As mentioned, the Group grasped the opportunity to timely appreciate the value of its assets by converting the land use of the Panyu production plant in 2013 from industrial use to commercial use. The property project, the GDC, is a large scale integrated commercial complex, the first phase was publicly launched last year. The first phase of the development has a permitted construction area (including the underground construction area) of approximately 135,000 square metres. The total permitted construction area of the Panyu Land (including underground construction area) is approximately 550,000 square metres. We believe the GDC will become one of our stable income sources and a solid financial support to our steel pipe business in the long run. It will also help improving our financial position with its sufficient cash flow.

The Group will push forward the relocation project of moving its production facilities from Panyu to Lianyungang and Zhuhai on a flexible arrangement tailored for order and production schedule. When the relocation is completed, the Group will carefully consider all available options relating to the vacated land in Panyu with a view to maximising its economic return to the Company and its shareholders.

Our Lianyungang production plant is located in the strategic area of China's "One Belt One Road" policy, and infrastructure projects are expected to be initiated in the neighbourhood and overseas. The demand for pipes for used in infrastructure projects and oil and gas pipeline installations is expected to increase substantially. As a world class pipe manufacturer, we poised to capture the precious opportunities created by the implementation of the "One Belt One Road" policy, as well as those governments' energy plans in the long run.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr Chen Chang (陳昌)

Mr CHEN Chang (陳昌), aged 70, is the chief executive officer and the chairman of the Company and also a member of the Nomination Committee and Remuneration Committee of the Company. Mr Chen is the father of Ms Chen Zhao Nian and Ms Chen Zhao Hua (both being the executive Directors). Being the founder of the Group, Mr Chen is primarily responsible for the overall management and strategic planning and business development of the Group. Mr Chen has over 30 years of experience in areas related to woodwork, machine tool equipment and lift/escalator equipment and has accumulated abundant experience and knowledge in the mechanical and electrical industry. Mr Chen graduated from the graduate school of 中山大學 (Sun Yat-Sen University*) in Guangdong Province in October 1995 majoring in decision management.

Mr Chen has been appointed by several steel pipe related associations and organisations for various positions, including:

- 中國金屬學會軋鋼分會第四屆焊接鋼管學術委員會 (Member of the Fourth Session of Welded Steel Pipe Academic Committee of the Steel Rolling Branch Association of the Chinese Society for Metals*) (2001)
- 中國鄉鎮企業協會副會長 (Vice president of the China Township Enterprises Association*) (2004, 2008)
- 中國鋼結構協會鋼管分會第四屆理事會及第五屆理事會副理事長 (Vice chairman of the 4th and 5th sessions of the board of directors of the China Steel Construction Society and the Steel Pipe Branch Association*) (2004, 2008)
- 中國鋼結構協會冷彎型鋼分會第四、五、六屆理事會副理事長 (Vice chairman of the 4th, 5th and 6th consecutive council of the Cold-formed Steel Sub-committee of the China Steel Structure Association*) (2004, 2005 and 2010)
- 中華全國工商業聯合會冶金商會副會長 (Vice president of the Metallurgical Chamber of Commerce of the All-China Federation of Industry & Commerce*) (2006)

Mr Chen has received various awards, honours qualifications, including:

- Honoured by the Ministry of Commerce, Industry and Energy of the Republic of Korea for his contributions to Korean economic development through trade revitalisation (2004)
- 中華全國工商業聯合會評為中國優秀民營科技企業家 (Excellent Entrepreneur in Chinese Private Technology Enterprises awarded by the All-China Federation of Industry & Commerce*) (2004)
- 廣州市人民政府評為科學技術獎一等獎得主 (Awarded the First Prize of Science and Technology Awards by the Guangzhou Municipality People's Government*) (2007)
- 中國國際權威專家協會評為焊管行業權威專家 (Awarded as authority expert of welded pipe industry by the Chinese International Authority Expert's Association*) (2007)
- 發明三輥成型工藝及設備並在第六屆國際發明展覽會上榮獲金獎及獲廣東省人事廳及廣東省知識產權局評為優秀獎 (The invention of "three-roller forming technology and equipment" was awarded the gold prize in the Sixth Session of International Exhibition of Inventions and outstanding award by the Guangdong Provincial Bureau of Personnel and the Guangdong Province Intellectual Property Department*) (2008)
- 廣州市抗震救災先進個人 (Outstanding Individual in Earthquake Relief in Guangzhou *) (2008)
- 中國鋼鐵協會第四屆“發明創業獎” (The Fourth Invention and Entrepreneur Award by the China Steel Association*) (2009)

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PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

- 廣州市勞動模範 (Guangzhou Model Labour*) (2009)
- First Prize of Science and Technology Award in Guangdong Province (廣東省科學技術獎一等獎) for the research and development of LSAW manufacturing process and technology and its series of products.
- 廣州市優秀企業家 (Guangzhou Outstanding Entrepreneur*) honors (2011)
- 全國優秀企業家 (Nationwide Outstanding Entrepreneur*) (2012)
- 廣州市科學技術突出貢獻獎 (Guangzhou Outstanding Contribution Award for Science and Technology*) (2012)
- 中國鋼鐵工業優秀科技工業者 (Outstanding Industrial Province of Science and Technology in the PRC's iron and steel industry*) (2012)
- 羊城光彩人物 (Guangzhou Figure of Focus*) (2012)
- 2012 年度廣東省十項工程勞動競賽模範企業家 (The Outstanding Entrepreneur for the Competition of the Top 10 Guangzhou Construction Project*) (2013)
- 廣州科技創新聯盟突出貢獻獎 (Outstanding Contribution Award for Innovation in Guangzhou*) (2013)
- 2013年廣東十大經濟風雲人物 (Top 10 Guangdong Economic Influential Individuals in 2013*)
- 全國五一勞動獎章 (Nationwide "May 1st" Labour Award*) (2014)
- 第八屆國際發明會金獎 (Gold Prize of the 8th International Invention Exhibition*) (2014)
- 第十四屆世界傑出華人獎 (14th World Outstanding Chinese Award*) (2015)
- 全國勞動模範 (National Model Worker*) (2015)

As at the date of this annual report, Mr Chen is the sole director and sole shareholder of Bournam Profits Limited, which is interested in 701,911,000 shares of the Company. Together with Mr Chen's personal interest of 2,868,000 shares of the Company, Mr Chen has a total interest of 704,779,000 shares of the Company.

Ms Chen Zhao Nian (陳兆年)

Ms CHEN Zhao Nian (陳兆年), aged 39, is an executive director. She is the daughter of Mr Chen Chang (being chairman of the Company and an executive Director) and also the sister of Ms Chen Zhao Hua (being executive Director). Ms Chen is primarily responsible for the daily management and operations of the Group. Ms Chen joined the Group in October 2002 as vice general manager after her graduation. Ms Chen obtained her bachelor's degree in arts from the University of Central Lancashire in the United Kingdom in June 2000 and her master's degree in accounting from Leeds Metropolitan University in United Kingdom in October 2002. Ms. Chen has taken up the following public duties and has received the following awards:

public duties:

- 廣州市番禺區第十六屆人大常委 (Member of the Standing Committee of 16th Session of NPC in Panyu, Guangzhou*) (2011)
- 廣州市光彩事業促進會理事 (Executive member of the Guangzhou Glory Society*) (2012)

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- 廣州市番禺區工商業聯合會的副主席 (Vice chairwoman of the Federation of Industry & Commerce in Panyu District of Guangzhou*) (2012)
- 番禺區商創業青年協會會長 (President of the Youth Association of Panyu Merchants and Entrepreneurs in Panyu District*) (2012)
- 廣州市婦女第十二屆執行委員會委員 (Member of the 12th Executive Committee for Guangzhou Women*) (2012)
- 廣州市女企業家協會會長 (Chairlady of the Guangzhou Association of Women Entrepreneurs*) (2013)
- 中華全國婦女聯合會第十一屆會議代表 (Representative of Guangzhou in the 11th All-China Women Federation Conference*) (2013)
- 中國人民政治協商會議第十二屆廣州市委員會委員 (Committee member of the Guangzhou Committee of the Chinese People's Political Consultative Conference*) (2014)
- 廣州市工商聯青年企業家委員常務副主任 (Guangzhou Dupty Director of the Federation of Young Entrepreneurs Committee*) (2014)
- 廣東省婦聯第十二屆執委會常務委員 (Committee member of the 12th Guangdong Provincial Women's Federation, the Executive Committee*) (2014)
- 廣東省民營企業投資發展促進會副會長 (Vice President of Guangdong Province Private Enterprises Investment Development Association*) (2015)
- 廣東省女企業家協會副會長 (Vice President of Guangdong Province Association of Women Entrepreneurs*) (2015)
- 廣東省致福公益促進會常務副會長 (Executive Vice President of Guangdong Province Association of Public Affairs*) (2015)
- 廣州市納稅人協會副會長 (Vice President of Guangzhou Taxpayers Association*) (2015)

awards:

- 中華全國婦女聯合會第八屆五好文明家庭 (the 8th Civilised Family with Five Distinctive Merits by the All-China Women's Federation*) (2012)
- 全國巾幗建功標兵 (Female Pace Setter with Great Contribution (National Level)*) (2013)
- 感動廣州60年最具魅力女性 (Most Charismatic Woman in 60 years of Guangzhou Loving Hearts*) (2013)
- 廣州市優秀企業家 (Guangzhou Outstanding Entrepreneur Honors*) (2013)
- 廣東省“優秀女企業家” (Guangdong Outstanding Women Entrepreneur Honours*) (2013)
- 廣州市“三八紅旗手” (“March 8th Flag Bearer” of Guangzhou City*) (2010–2013)
- 傑出創業女性 (Outstanding Women Entrepreneur*) (2014)
- 廣東省“十大優秀書香之家” (Guangdong Province Top Ten Outstanding Scholarly Home*) (2014)

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- 十佳優秀青年企業家 (Ten Outstanding Young Entrepreneur*) (2015)
- 廣東十佳“慈善奉獻獎” (Guangdong Top Ten “Charity Contribution Award”*) (2015)
- 致公黨廣東省扶貧開發工作先進個人 (Outstanding Individual in Poverty Alleviation and Development Work in Guangdong Province*) (2015)
- 2015廣東商界十大新銳人物 (Top 10 Guangdong Business New Individuals in 2015*) (2016)

Ms Chen Zhao Hua (陳兆華)

Ms CHEN Zhao Hua (陳兆華), aged 37, is an executive Director. She is the daughter of Mr Chen Chang (being the Chairman of the Company and executive Director) and also the sister of Ms Chen Zhao Nian (being executive Director). Ms Chen is primarily responsible for handling overseas marketing activities, sales and business relationships with overseas customers as well as sales and bidding agents. Ms Chen joined the Group in December 2002 after her graduation. Ms Chen obtained a bachelor’s degree in International Business from the University of Lancashire, the United Kingdom in June 2001, and a master’s degree in International Business Law from the University of Nottingham, the United Kingdom in December 2002. Ms Chen is the vice president of the Chamber of Commerce, Panyu District, Guangzhou of the China Chamber of International Commerce, the executive vice president of the Guangdong International Overseas Chinese Chamber of Commerce and the deputy chairman of the 5th board of directors of the Guangdong Oil & Gas Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Chen Ping (陳平)

Mr CHEN Ping (陳平), aged 50, was appointed as an independent non-executive Director on 23 January 2010. Mr Chen is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr Chen graduated from the Jinan University, China in 1984 majoring in finance and later obtained a doctoral degree in finance in Nankai University, China in December 1990. Mr Chen has lectured at the Lingnan College, Sun Yat-Sen University in Guangdong Province, China, teaching international finance for more than 21 years. He is currently the head of 海洋經濟研究中心 (Marine Economic Research Centre) of Sun Yat-Sen University. Mr Chen also assumed various posts in societies and clubs concerning economics and finance, such as a council member at 中國國際金融學會 (International Finance Society of China*) and 中國世界經濟學會 (China Society of World Economics*). Mr Chen is also engaged in academic researches with focuses on finance theories and policies, global economics and so forth, and has published a number of essays and publications. As an experienced professor, Mr Chen has won various awards for the lecture materials used and also for the essays published. In 1997, Mr Chen’s teaching materials entitled 《國際金融》 (International finance*) was awarded 國家教學成果二等獎 (National Educational Achievement Award – Second Class*) by the Committee of Education of the PRC. In May 2002, Mr Chen’s paper entitled 《上市公司兼併與收購的財富效應研究》 (Study on the effect of merger and acquisition of listed companies on wealth*) was selected for the Best Paper Award of the 9th Global Finance Association Annual Conference by the 9th GFA Annual Conference Program Committee. In 2005, Mr Chen’s teaching and research achievements entitled 《教學國際化的探索與實踐》 (Exploration and practice of educational internationalisation*) was awarded 廣東省教學成果一等獎 (Guangdong Province Educational Achievement Award – First Class*). In 2006, Mr Chen was selected as talented person for 教育部新世紀優秀人才支持計劃 (Ministry of Education New Century Outstanding Person Support Scheme*). In 2007, Mr Chen received 寶鋼花旗優秀教師獎 (Bao Steel Outstanding Teacher Award*). Mr Chen was an independent director of 廣晟有色金屬股份有限公司 (Rising Nonferrous Metals Share Co., Ltd.*), a company listed on the Shanghai Stock Exchange, and resigned from such post with effect from 13 April 2015. Mr Chen was an independent director of 廣東湯臣倍健生物科技股份有限公司 (Guangdong By-health Biotechnology Co., Ltd.*), a company listed on the Shenzhen Stock Exchange, and resigned from such post with effect from 25 September 2014.

* Unofficial transliteration from Chinese name for identification purposes only

Mr See Tak Wah (施德華)

Mr SEE Tak Wah (施德華), aged 52, was appointed as an independent non-executive Director on 23 January 2010. Mr See is also the chairman of the Audit Committee of the Company. Mr See graduated from the Management School of Waikato University in New Zealand with first class honours in Bachelor of Management Studies. He is a member of the Institute of Chartered Accountants of Australia and New Zealand, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Mr See has over 30 years of experience in financial and general management as he previously worked as the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong, the chief operating officer of First Mobile Group Holdings Limited and held key management positions in the North Asia offices of Philips and Siemens. Mr See currently runs his own strategic consultancy business. In addition, he is currently an independent non-executive director of Sun East Technology (Holdings) Limited, which is listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 0365).

Mr Tian Xiao Ren (田曉韜)

Mr Tian Xiao Ren (田曉韜), aged 62, was appointed as an independent non-executive Director on 1 August 2014. Mr Tian is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr Tian was graduated from Zhejiang Radio and Television University in China in 1985 and studied the Master of Business Administration Degree at Hangzhou University in China from 1995 to 1998. He was appointed as vice chairman of Bank of China Group Investment Company Limited from 2006 to 2013. Prior to 2006, Mr Tian was the president of Bank of China of Guangdong Province and Jiangxi Province, China and the Vice-President of Bank of China of Zhejiang Province, China for 26 years. He has over 30 years of experience in the banking and financial field. Mr Tian is now a Senior Economist in China and is entitled to the special subsidy awarded by the State Council of the People's Republic of China in recognition of his contribution to the economy of China.

SENIOR MANAGEMENT

Mr Wong Yu May (黃耀楬)

Mr WONG Yu May (黃耀楬), aged 63, joined the Group in August 2010 as vice president of finance. Mr Wong is responsible for overseeing the treasury and corporate finance functions of the Group and the relationships with banks. Mr Wong graduated from the HEC Business School of University of Montreal in Canada in 1975 and obtained a Master of Business Administration degree at Concordia University in Canada in 1981. Mr Wong is an experienced international banker having worked in Canada, France, China, Taiwan and Hong Kong. Mr Wong has over 40 years of experience in the financial field.

Mr Li Junqiang (李軍強)

Mr LI Junqiang (李軍強), aged 42, joined PCKSP in July 1995 as a technician and thereafter acted as a research engineer and a manager of general planning. He is now the vice general manager of PCKSP in charge of procurement, logistic and integrated planning and control management. In 1995, he graduated from 北京科技大學 (University of Science and Technology Beijing*), China majoring in ferrous metallurgy and was recognised as a mechanical engineer by 廣州市人事局 (Guangzhou Municipality Bureau of Personnel*) in 2005. In 2007, Mr Li was elected as the winner of 科學技術獎一等獎 (First Prize of Science and Technology Awards*) by 廣州市人民政府 (Guangzhou Municipality People's Government*). Mr Li has over 19 years of experience in the ferrous metallurgy industry.

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Ms Wong Pui Shan (王珮珊)

Ms WONG Pui Shan (王珮珊), aged 39, joined the Group in April 2011 as the chief financial officer and company secretary of the Company. She is responsible for corporate finance management and company secretariat work of the Group. Ms Wong received her Master of Science in Finance from the Chinese University of Hong Kong and Bachelor of Arts Degree (Hons) in Accountancy from the Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Prior to joining the Company, she had served international audit firms for four years and listed companies as financial controller and company secretary for more than 13 years.

Ms Liu Yonghe (劉詠荷)

Ms LIU Yonghe (劉詠荷), aged 47, joined PCKSP in June 1994 and had worked as accounting staff and financial manager. Ms Liu has built up profound experience in financial management, accounting and auditing during her employment with PCKSP for over 21 years. Ms Liu is now the vice general manager and a director of PCKSP responsible for cash flow and working capital control. She completed her professional accounting education at Lanzhou University of Finance and Economics, China in 1990 with a bachelor's degree in Economics and obtained the professional qualification as assistant accountant in 1991. Ms Liu has over 23 years of experience in the accounting and finance industry. She was awarded the "March 8th Flag Bearer" in 1999 and 2002, and the post she held was awarded as the Women's Exemplary Post by the Guangzhou Women's Union in March 2005. In October 2009, Ms Liu obtained a master's degree in the Executive Master of Business Administration (EMBA) programme at the Asia International Open University (Macau).

Mr Xu Qilin (徐啟林)

Mr XU Qilin (徐啟林), aged 58, joined PCKSP in January 2001 and had worked as mechanical engineer and vice production manager. Prior to joining PCKSP, Mr Xu worked at 荊州機床廠 (Jingzhou Machine Tool Factory*) for about 18 years during which he took up several posts, including vice department head of the craftsmanship department, department head of the technical department and branch factory director. With his experience in machinery construction, Mr Xu received awards for his performance. With PCKSP, Mr Xu has participated in the refinement project of the UOE production line, and also led the construction project of PCKSP in connection with the JCOE production line in Zhangjiagang, Jiangsu Province, the PRC in 2006 and 2007 as well as the construction project of the JCOE production line in Jiangyin, Jiangsu Province, the PRC in 2008 and 2009. From 2011 to 2012, Mr Xu was responsible for the construction of production lines in Lianyungang and Zhuhai. Mr Xu is now the vice general manager of PCKSP, responsible for production management. He completed his bachelor's degree in machinery manufacturing at Wuhan Polytechnic University, China in 1982 and became a senior engineer in March 1995. Mr Xu has over 33 years of experience in machinery manufacturing. He was awarded as Excellent Non-local Worker in Panyu, Guangzhou in October 2006.

COMPANY SECRETARY

Ms Wong Pui Shan (王珮珊)

Ms Wong is the company secretary of the Company. Ms Wong is working for the Company on a full time basis. Details of her biography are set out above in this section.

* Unofficial transliteration from Chinese name for identification purposes only

REPORT OF DIRECTORS

The Directors hereby present their report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include manufacture and sales of welded steel pipes and property development and investment. The Group also extended to property development and investment during the year.

Details of the company's principal subsidiaries as at 31 December 2015 are set out in note 1 to the financial statements.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the financial statements on pages 62 to 130.

The Directors did not recommend dividend for the year ended 31 December 2015.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 131. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 46 to the financial statements.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

At 31 December 2015, the Company's reserves available for distribution to the shareholders in accordance with the Articles of Association were RMB180.4 million.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. For dividend purpose, the amount which the Company's subsidiaries in the PRC can legally distribute by way of dividend is determined by reference to their distributable profits as reflected in the PRC statutory financial statements which are prepared in accordance with accounting principles generally accepted in the PRC. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs").

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, sales to the Group's five largest customers accounted for 46.0% of the total revenue of the Group, and sales to the largest customer included therein amounted to 27.4%. Purchases from the Group's five largest suppliers accounted for 27.9% of the total cost of sales of the Group, and purchases from the largest supplier included therein amounted to 8.1%. None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and five largest suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report are as follows:

Executive Directors:

Mr. Chen Chang (*Chairman*)

Ms. Chen Zhao Nian

Ms. Chen Zhao Hua

Independent Non-executive Directors:

Mr. Chen Ping

Mr. See Tak Wah

Mr. Tian Xiao Ren

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from Messrs. Chen Ping, See Tak Wah and Tian Xiao Ren, and as at the date of this report, the Company considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Profile of Directors and Senior Management" on pages 32 to 37 of this annual report.

In accordance with article 105(A) of the Articles of Association, Mr. Chen Chang and Mr. Chen Ping will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has renewed the service contract with the Company for a term of three years on 1 February 2016. Each of our independent non-executive Directors (except Mr. Tian Xiao Ren ("Mr. Tian")) has renewed the letter of appointment with the Company for a term of two years commencing from 1 February 2016 and is subject to termination by either party giving not less than one month's written notice. Mr. Tian has been appointed as an independent non-executive Director by a letter of appointment for a term of two years from 1 August 2014 to 31 July 2016 and is subject to termination by either party giving not less than one month's written notice. The Nomination Committee and the Remuneration Committee have reviewed the terms of service contracts and letters of appointment of all Directors.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of the Directors is determined with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Details of the remuneration of the Directors are set out in note 10 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests or short positions of the Directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Shares of the Company

Name of Director	Capacity	Position	Number of shares held	Percentage of shareholding in the Company
Chen Chang	Interest of controlled corporation (note)	Long	701,911,000	69.42%
	Personal interest	Long	2,868,000	0.28%

Note:

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

Shares of Associated Corporation

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or any of their respective close associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

SHARE OPTION SCHEME

On 23 January 2010, pursuant to resolutions in writing passed by the then sole shareholder of the Company, the Company adopted its share option scheme (the "Share Option Scheme" or the "Scheme"). The details of the Scheme are disclosed below pursuant to the requirements under Chapter 17 of the Listing Rules:

1. Purpose of the Share Option Scheme: the purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.
2. Participants of the Share Option Scheme include:
 - (a) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries or any equity entity ("Invested Entity") in which any members of the Group holds an equity interest;
 - (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
 - (c) any supplier of goods or services to any member of the Group or any Invested Entity;
 - (d) any customer of the Group or any Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
 - (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
 - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and
 - (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group.

3. Total number of shares available for issue under the Share Option Scheme: the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option scheme of the Group (if any) must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares commence on the Main Board (i.e. not exceeding 100,000,000 shares). Up to the date of this annual report, no options have been granted under the Share Option Scheme and thus the total number of shares available for issue under the Share Option Scheme remained 100,000,000 shares, representing about 9.89% of the issued share capital of the Company as at the date of the annual report.
4. Maximum entitlement of each participant under the Share Option Scheme: for any 12-month period, shall not exceed 1% of the issued share capital of the Company for the time being.
5. Period within which the securities must be taken up under an option: an option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.
6. The minimum period for which an option must be held before it can be exercised: unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no such minimum period.
7. The amount payable on application or acceptance of the option: a nominal consideration of HK\$1 is payable on acceptance of the grant of an option.
8. Basis for determining the exercise price: such price will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.
9. The remaining life of the Share Option Scheme: the Scheme will remain in force for a period of 10 years commencing on 23 January 2010, being the date on which the Share Option Scheme was adopted.

From the date of adoption of the Share Option Scheme and up to 31 December 2015, no share option has been granted or agreed to be granted to any person under the Share Option Scheme.

SHARE AWARD SCHEME

On 22 March 2012, the Board approved the adoption of the share award scheme (the "Share Award Scheme").

1. Purpose of the Share Award Scheme: the purpose of the Share Award Scheme is to recognise the contributions by certain eligible persons and to give incentives thereto in order to retain them for the continuing operation, growth and development of the Group and to attract suitable personnel for further development of the Group.
2. Operation of the Share Award Scheme: the Share Award Scheme shall be administered by the Board in accordance with the rules of the Share Award Scheme. The trustee shall hold the shares and the income derived therefrom in accordance with the terms of the trust deed.

The Board may select any grantee for participation in the Share Award Scheme as a selected grantee (the "Selected Grantee") and determine the number of awarded shares and inform the trustee and the Selected Grantee(s) accordingly.

The Board shall either before or after identification of the Selected Grantee(s)(i) cause the Company to directly instruct a licensed securities dealer to purchase the awarded shares and settle payment for the awarded shares and deliver the awarded shares to the trustee subsequently; or (ii) cause to be paid to the trustee (either by way of contribution or loan from the Company's funds) (a) the sum of purchasing the shares and the related purchase expenses or (b) the nominal or such other amount required for the subscription of the awarded shares by the trustee as soon as practicable to purchase the awarded shares required (the "Reference Amount").

Within 30 business days on which the trading of the shares has not been suspended (or such longer period as the Trustee and the Board may agree from time to time) after receiving the reference amount, the Board shall instruct the trustee to apply the same towards the subscription of shares at the benchmarked price as stipulated in the Listing Rules from time to time or the purchase of the awarded shares from the market during a specific period and at a specific price range as instructed by the Company.

Awarded shares and related income held by the trustee upon the trust and which are referable to a Selected Grantee shall vest to that Selected Grantee on the vesting date. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the Selected Grantee before the awarded shares can vest.

The trustee shall not be obliged to exercise any voting rights and powers in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares) until such shares have been transferred to the relevant Selected Grantee.

3. Participants of the Share Award Scheme: any employee or director (including, without limitation, any executive, non-executive or independent non-executive directors) of any member of the Group (the "Eligible Persons").
4. Share Award Scheme limit: the Board shall not make any further award of awarded shares which will result in the number of shares awarded by the Board under the Share Award Scheme representing in excess of ten per cent. of the issued share capital of the Company as at the first date of each financial year during the term of the Share Award Scheme.
5. Maximum entitlement of each participant under the Share Award Scheme: the maximum number of shares which may be awarded to an award or awards to a Selected Grantee who is an independent non-executive Director of the Company at any one time shall not in aggregate exceed 0.1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company and the aggregate value of which shall not exceed HK\$5,000,000 (based on the closing price of the shares on the business day immediately preceding the vesting date) as at the vesting date.

The maximum number of shares which may be subject to an award or awards to any Selected Grantee at any one time shall not in aggregate exceed 1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company.

6. The duration of the Share Award Scheme: subject to any early termination of the Share Award Scheme as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on 22 March 2012.

From the date of adoption of the Share Award Scheme and up to 31 December 2015, no share has been awarded or granted to any person under the Share Award Scheme.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme and Share Award Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, so far as the Directors are aware, the following persons or corporations (not being a Director or a chief executive of the Company) have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company:

Shares of the Company

Name	Capacity	Position	Numbers of shares held	Percentage of shareholding in the Company
Ms. Su Xing Fang	Interest of spouse (note)	Long	704,779,000	69.70%
Bournam Profits Limited	Beneficial owner	Long	701,911,000	69.42%

Note:

Ms. Su Xing Fang is the spouse of Mr. Chen Chang. By virtue of the SFO, Ms. Su Xing Fang is deemed to be interested in the same number of shares in which Mr. Chen Chang is deemed to be interested.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2015, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 47 to 55.

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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Purchase of Spare Parts from 廣州市珠江機床廠有限公司 (Guangzhou City Pearl River Machine Tool Works Co., Ltd*)

On 4 December 2012, the Group entered into the spare parts purchase agreement with 廣州市珠江機床廠有限公司 (Guangzhou City Pearl River Machine Tool Works Co., Ltd.*) ("GZMT") for a term of three years commenced on 1 January 2013 and ended on 31 December 2015. On 4 December 2015, the parties entered into a new spare parts purchase agreement to renew the terms of the original spare parts purchase agreement for a further three years. Pursuant to the spare parts purchase agreements, the Group agreed to purchase spare parts of the machines used for the manufacture and processing of steel pipes from GZMT, with the annual cap for each of the three years ended 31 December 2015 being RMB28 million, RMB30 million and RMB32 million, and the annual cap for each of the three years ending 31 December 2018 being RMB30 million, RMB32 million and RMB34 million respectively (the "Proposed Annual Caps"). During the year ended 31 December 2015, the Group purchased spare parts from GZMT of a total amount of approximately RMB7.7 million, which was within the annual cap. Such spare parts purchase transactions were conducted in the ordinary and usual course of business of the Group and on normal commercial terms or on terms no less favourable to the Group than those available to independent third parties and in accordance with the purchase Agreement. Details of the above transactions are set out in note 41 to the financial statements.

GZMT is a limited liability company incorporated in the PRC and is principally engaged in the manufacture and sales of machine tools. GZMT is ultimately, wholly and beneficially owned by Mr. Chen Chang, the controlling shareholder and chairman of the Company, and is therefore an associate of Mr. Chen Chang and a connected person (as defined in the Listing Rules) of the Company.

As the Group is involved in the manufacture and sales of welded steel pipes and the provision of related manufacturing services, it purchases spare parts of the machines used for the manufacture and processing of steel pipes. Such spare parts were and will be used by the Group as components for (i) the repair and maintenance of its machines and production lines; and (ii) the installation of new production lines and new production facilities. Some of the spare parts are general accessory items and some of them are required to be tailor-made, thus ancillary processing work on the spare parts is required. The design of the spare parts is provided by the Group. During the considerably long period of purchasing spare parts from GZMT, GZMT have been a reliable source of supply, in terms of being capable of providing spare parts with the required technical and quality standards that suit the Group's needs and for keeping confidentiality of the design for the spare parts provided by the Group.

The purchases of spare parts set out above constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. In accordance with Rule 14A.34 of the Listing Rules, as one or more of the applicable percentage ratios for the above transactions are more than 0.1% but all are less than 5%, the spare parts purchase transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but are exempted from the independent shareholders' approval requirements and are subject to the annual review requirement under Rules 14A.37 to 14A.38 of the Listing Rules. Announcements were published on 4 December 2012 and 4 December 2015 regarding the above transactions in accordance with the Listing Rules. The Company confirms that it has complied with the relevant requirements under Chapter 14A of the Listing Rules in so far as they are applicable.

The independent non-executive Directors have reviewed the continuing connected transactions set out in note 41 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors had received a letter from Ernst & Young, the auditors of the Company, confirming that the continuing connected transactions (i) had received the approval of the Board; (ii) were in accordance with the pricing policies of the Company; (iii) had been entered into in accordance with the relevant agreements governing the transactions; and (iv) had not exceeded the cap amount for the financial year ended 31 December 2015 as set out in the Company's announcement dated 4 December 2012.

* Unofficial transliteration from Chinese name for identification purposes only.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2015 which would materially affect the Group's operating and financial performance as of the date of consolidated financial statements.

AUDITORS

The Company has appointed Ernst & Young as auditors of the Company for the year ended 31 December 2015. A resolution will be proposed for approval by shareholders at the forthcoming AGM to re-appoint Ernst & Young as auditors of the Company.

ON BEHALF OF THE BOARD

Chen Chang

Chairman

Hong Kong

31 March 2016

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns.

The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board considers that up to the date of this annual report, in the opinion of the Board, saved as deviation from code provision A.2.1 (see section "Chairman and Chief Executive" below), the Company has complied with the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the evolving regulatory requirements and to meet the rising expectations of the shareholders and other stakeholders.

The following summarises the Company's corporate governance practices.

CORPORATE GOVERNANCE PRACTICES

(A) Board of Directors

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions, internal control, risk management systems, monitoring the performance of senior management and determining the policy for corporate governance. The management is responsible for daily operations of the Group under the leadership of the Chairman. The Directors have the responsibility to act objectively in the interests of the Company.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Board has delegated various responsibilities to the Board committees including the Audit Committee, the Nomination Committee and the Remuneration Committee. Further details of these Committees are set out below in section B of this corporate governance report.

The Company had arranged Directors and Officers Liability Insurance for the Directors and Officers of the Company.

Board Composition

The Board members during the year ended 31 December 2015 and up to the date of this report are as follows:

Executive Directors:

Mr. Chen Chang	Chairman of the Board and Chief Executive Officer, Member of the Remuneration Committee and Nomination Committee
Ms. Chen Zhao Nian	
Ms. Chen Zhao Hua	

Independent Non-Executive Directors:

Mr. Chen Ping	Chairman of the Nomination Committee and Member of the Audit Committee and Remuneration Committee
Mr. See Tak Wah	Chairman of the Audit Committee
Mr. Tian Xiao Ren	Chairman of the Remuneration Committee, Member of the Audit Committee and Nomination Committee

The Board currently comprises three executive Directors and three independent non-executive Directors from different business and professional fields. Mr. Chen Chang, Ms. Chen Zhao Nian and Ms. Chen Zhao Hua are members of the same family. Mr. Chen Chang is the father of both Ms. Chen Zhao Nian and Ms. Chen Zhao Hua.

Save as disclosed, there is no other relationship among members of the Board. The profiles of each Director and the relationships among the Directors are set out in the "Profile of Directors and Senior Management" section in this annual report.

The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. The number of independent non-executive Directors constitutes more than one-third of the Board. A list containing the names of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company at www.pck.com.cn.

The Company has received annual confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

Upon reviewing the directorships and major commitments of each Director, and the attendance rate of each Director at the meetings of the Board and its committees, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during 2015.

Board Meetings and Board Practices

The Company has adopted the practice of holding Board meetings regularly for at least four times a year at approximately quarterly intervals. Ad-hoc meetings will also be convened if necessary to discuss the overall strategy as well as financial performance of the Group. Notice of Board meeting is sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice will be given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to all the Directors at least 3 days before meetings. All the Directors will 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 expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings. The company secretary of the Company is responsible for keeping the minutes of Board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

For the financial year ended 31 December 2015, five Board meetings were held.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

Chairman and Chief Executive

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

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

Appointments, Re-election and Removal of Directors

The Board is responsible for selection and approval of candidates for appointment as Directors. The Company has established a Nomination Committee on 22 March 2012. The Nomination Committee is responsible for reviewing Board composition including the board diversity policy, evaluating the balance of skills, knowledge and experience of the Board and making recommendations on the appointment of Directors.

Each of the executive Directors has renewed his/her service contract with the Company for a period of three years commencing from 1 February 2016. All of their appointments are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Each of the independent non-executive Directors (except Mr. Tian) has been re-appointed for a term of two years commencing from 1 February 2016, and are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Mr. Tian Xiao Ren has been appointed as independent non-executive Director for a term of two years commencing from 1 August 2014, and are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

The Nomination Committee has reviewed the re-appointments/appointment of both executive Directors and independent non-executive Directors and recommended to the Board of Directors for decision.

In accordance with the Company's Articles of Association, all Directors shall be subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. In accordance with the Articles of Association, Mr. Chen Chang and Mr. Chen Ping will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM of the Company.

Training Induction and Continuing Development of Directors

Directors has endeavoured to keep abreast of the changes in their responsibilities as a Director and of the business activities and development of the Company.

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Directors have provided to the Company their records of continuous professional development during the year ended 31 December 2015.

During the year ended 31 December 2015, all Directors attended seminars and training courses in relation to corporate governance, Listing Rules update or financial markets update arranged by professional firms/institutions, and Ms. Chen Zhao Hua attended an EMBA programme. Records of continuing professional development have been maintained by the company secretary. Besides, the company secretary also conducted briefings on corporate governance, directors' duties and responsibilities and provided materials for Listing Rules amendments to all Directors for their reference.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

When the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors in advance.

Non-Competition Undertakings

The independent non-executive Directors have also reviewed the confirmation given by Mr. Chen Chang and Bournam, being controlling shareholders of the Company, in respect of each of their compliance with the non-competition undertakings as disclosed in the prospectus of the Company dated 28 January 2010.

(B) Board Committees

The Board has established three committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange.

The majority of the members of each Board committee are independent non-executive Directors.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The audit committee of the Board (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Chen Ping, Mr. See Tak Wah and Mr. Tian Xiao Ren. Mr. See Tak Wah is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control and risk management procedures and systems of our Group. The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2015 and the condensed unaudited consolidated interim financial statements for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Company and the Group.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board;
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and
- To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

The Audit Committee held four meetings during the year ended 31 December 2015, of which two meetings with external auditors' presence, and all members of the Audit Committee attended all meetings. At the meetings, it reviewed the financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors. No major issue on the internal control system of the Group has been identified.

The Company had established a whistleblowing policy and system for employees to raise concerns of possible improprieties where all concerns are addressed to the Audit Committee.

The Company's annual results for the year ended 31 December 2015 and interim results for the six months ended 30 June 2015 have been reviewed by the Audit Committee.

Nomination Committee

The Company recognises the benefits of a board that compose of a balance of skills, experience, expertise and diversity of perspectives appropriate to the business development of the Company. The Board has adopted a board diversity policy in 2013. The Board has reviewed its composition and considered a number of aspects, including gender, age, educational background, professional experience, skills, knowledge and length of service in accordance with its board diversity policy. The Board consider that the existing board composition is well diversified and appropriate to the business development of the Company.

The Company established the Nomination Committee on 22 March 2012 in compliance with Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Chen Ping, Mr. Tian Xiao Ren and Mr. Chen Chang. Mr. Chen Ping is the chairman of the Nomination Committee. The majority of them are independent non-executive Directors.

The primary functions of the Nomination Committee are to review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy and make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, assess the independence of independent non-executive Directors, and review the board diversity policy and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives.

During the year and up to the date of the annual report, the Nomination Committee has reviewed the composition of the Board and made recommendations to the Board for the re-appointment of Directors and succession planning for the chairman, assessed the independence of independent non-executive Directors and reviewed the board diversity policy determined the policy for nomination of directors, nomination procedure process and criteria to select and recommend candidates.

The Nomination Committee held one meeting during the year ended 31 December 2015 and all members of the Committee attended the meeting.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Chen Ping, Mr. Tian Xiao Ren and Mr. Chen Chang. Mr. Tian Xiao Ren is the chairman of the Remuneration Committee. The majority of them are independent non-executive Directors.

The primary functions of the Remuneration Committee are to make recommendations to the Board on the remuneration of our Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for our Directors and senior management. Remuneration will be determined by reference to the duties and level of responsibilities as well as market practice and conditions. None of the Directors themselves approve their own remuneration.

During the year and up to the date of the annual report, the Remuneration Committee has reviewed the Group's remuneration policy, assessed the performance of executive Directors and reviewed the remuneration package of the executive Directors and senior management and recommended to the Board on the remuneration packages of the executive Directors and senior management.

For the year ended 31 December 2015, one meeting of the Remuneration Committee was held and all members attended the meeting.

Corporate Governance Function

The Board is responsible for performing the corporate governance duties of the Company. Terms of reference adopted by the Board include the duties of the Board on corporate governance functions to develop and review the Group's policies and practices on corporate governance, to review and monitor the training and continuous professional development of the Directors and the senior management and to review the Group's compliance with the CG Code and disclosure in this Corporate Governance Report.

The attendance of individual members of the Board and other Board Committees meetings for the financial year ended 31 December 2015 is set out in the table below:

	Meeting attended/held				
	AGM	Board	Audit Committee	Nomination Committee	Remuneration Committee
Executive Directors					
Mr. Chen Chang <i>(Chairman of the Board)</i>	1/1	5/5	N/A	1/1	1/1
Ms. Chen Zhao Nian	1/1	5/5	N/A	N/A	N/A
Ms. Chen Zhao Hua	0/1	4/5	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Chen Ping	1/1	5/5	3/3	1/1	1/1
Mr. See Tak Wah	1/1	5/5	3/3	N/A	N/A
Mr. Tian Xiao Ren	1/1	4/5	2/3	N/A	N/A

Chairman of the Board had a meeting with the independent non-executive Directors without the presence of other Executive Directors (save as the chairman himself) during the year ended 31 December 2015.

(C) **Accountability and Audit**

Financial Reporting

The Board, supported by the chief financial officer and the finance department of the Group, is responsible for the preparation of the financial statements of the Company and the Group. In the preparation of financial statements, IFRSs have been adopted and the appropriate accounting policies and statutory requirements have been consistently complied with. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

Directors' Responsibility on the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for the year ended 31 December 2015 with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards.

The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable; and the financial statements are prepared on a going concern basis.

Management had provided monthly updates to Directors for giving a balanced and understandable assessment of the Company's performance, position and projects to enable the Directors to discharge their duties.

Independent Auditors

During the year ended 31 December 2015, the remuneration paid or payable to the independent auditors, Ernst & Young, for services rendered is broken down below:

	2015 HK\$'000
Audit services	3,380
Non-audit services	—
Total	3,380

The Audit Committee will recommend the re-appointment of Ernst & Young for audit service, and consider the engagement of the non-audit services to ensure the independence and objectivity of audit service.

(D) Internal Controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Company has an internal audit department to ensure effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board has reviewed the internal audit report on quarterly basis and assessed the effectiveness (according to its magnitude and significance) of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 31 December 2015. No major issue was raised which may affect shareholders.

The Company has internal procedures on reporting and disseminating inside information and maintaining confidentiality.

(E) Company Secretary

The Board appoints its Company Secretary in accordance with the Company's Articles of Association and in compliance with the requirements of the Listing Rules. Biographical details of the current Company Secretary is set out in the section headed "Directors and senior management" on page 32 to 37 of this annual report. The Company Secretary has complied with the professional training requirement as set out in the Rule 3.29 of the Listing Rules during the year ended 31 December 2015.

(F) Shareholders' Rights

The Board welcomes shareholders to present their views and shareholders may at any time submit their questions and concerns about the Group. Enquiries may be put to the Board by contacting the Company Secretary through our shareholders' email at ir@zhuijiang.com.hk. Shareholder(s) holding not less than one-tenth of Company's paid-up capital may request the Board to convene an extraordinary general meeting. The objects of the meeting must be stated in the related requisition deposited at the Company's registered office and addressing to the Company Secretary at the Company's principal place of business in Hong Kong. The extraordinary general meeting will be held within 2 months after the deposition of such requisition.

Procedures for a shareholder to propose a person for election as a Director

Subject to the laws and the provisions of the Company's Articles of Association, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. A shareholder may propose a person for election as a Director by lodging the following documents to the Board or Company Secretary at our Hong Kong office at Room 1, 15/F., Tower 3, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong: 1) a notice in writing of the intention to propose that person (with full name and biographical details as required by Rule 13.51(2) of the Listing Rules) for election as a Director; and 2) a notice in writing by that person of his willingness to be elected as a Director. Such notices shall be lodged at least 7 clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and shall be at least 7 clear days in length.

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantial separate issue at shareholder meetings, including the election of individual Directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

(G) Investor Relations and Communication With Shareholders

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at <http://www.pck.com.cn> or <http://www.pck.todayir.com>, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted. A shareholder communication policy is in place to ensure that shareholders are provided with ready, equal and timely access to information of the Company. The policy is available on the Company's website.

The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through AGMs or other general meetings to communicate with the shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf. The chairman of the Board as well as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee will make themselves available at the AGM to meet with the shareholders.

The forthcoming AGM of the Company will be held on 6 June 2016. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

The Company attended conferences, roadshows and media interviews to keep shareholders and potential investors informed of the latest development of the Group. The head of investor relation will be the primary contact point for communications with investors and analysts.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

Memorandum and Articles of Association

There was no change in the constitutional documents of the Company during the year. The latest version of the Memorandum and Articles of Association of the Company is posted on the Company's website.

2015 Annual General Meeting

The Board is committed to the constructive use of the AGM as a forum to meet shareholders. The chairman and the chairman of the Audit Committee, Remuneration Committee and Nomination Committee and the external auditors attended the 2015 AGM.

At the 2015 AGM, the Company proposed separate resolutions on the issues considered. Resolutions passed at the 2015 AGM were as follows: (i) received the audited consolidated financial statements for the year ended 31 December 2014 together with the reports of the Directors and auditors of the Company; (ii) re-elected of Ms Chen Zhao Nian as executive Director, Mr. See Tak Wah and Mr Tian Xiao Ren as independent non-executive Directors and authorised the Board to fix the Directors' remuneration; (iii) reappointed Ernst & Young as auditors of the Company and authorised the Directors to fix its remuneration; (iv) approved a general mandate for the Directors to allot and issue of new shares of an amount not exceeding 20 per cent of the issued share capital of the Company as at the date of the 2015 AGM; (v) approved a general mandate for the Directors to repurchase shares of an amount not exceeding 10 per cent of the aggregate nominal amount of the Company's issued share capital as at the date of the 2015 AGM; (vi) extension of the general mandate granted to the Directors of the Company to allot, issue, and deal with additional shares in the share capital of the Company by an amount not exceeding the amount of the shares repurchased by the Company. All resolutions were passed by way of a poll conducted by the Company's registrar. The poll voting results of the 2015 AGM were available on the Company's website.

2016 Annual General Meeting

The annual general meeting ("AGM") of the Company will be held at Room 1, 7th Floor, W Hong Kong Hotel, 1 Austin Road West, Kowloon Station, Kowloon on Monday, 6 June 2016 at 10:30 a.m.

All shareholders are encouraged to attend the 2016 AGM and exercise their rights to vote. Shareholders are invited to ask questions relating to the business of the meeting. Details of the resolutions to be considered in the 2016 AGM will be set out in a circular to be sent out to shareholders together with the 2015 annual report.

(H) Others

Share Interests of Senior Management

As confirmed with the senior management of the Company, they did not hold shares of the Company as at 31 December 2015.

Sufficiency of Public Float

The Company has maintained the prescribed public float under the Listing Rules as at 31 December 2015.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group cares about the community and adheres to an ingrained culture of fulfilling its social responsibilities by giving a much-needed boost to the environment in Guangdong Province, China and other regions in which it operates.

I. WORKING ENVIRONMENT

The Group has complied with the laws and regulations and adopted the Health Safety and Environmental (“HSE”) management policy, in an effort to prevent pollution, to ensure people’s health and safety, and to promote sustainable development. Our target is to achieve zero accidents, zero injuries and zero losses in order to meet the international HSE management standard.

As at 31 December 2015, the Group had 2,775 employees.

The Group’s employees reside in the neighbourhood areas. Within our plant zone, there are gardening landscape, fish ponds and recreational facilities, which offer a comfortable environment and a sports ground for our employees.

Occupational Safety

We have adopted the HSE risk identification, risk assessment and control procedures to manage our occupational safety risk. The Group’s management is responsible for organising periodic risk identification and evaluation exercises, and is responsible for sorting, aggregation and distribution of relevant information, which includes the identification of risk factors for occupational safety and health, risk assessment on operating conditions, possibility of accidents, the formulation of operational control procedures, contingency plans, safety level standards, as well as training and education issues.

The Group has kept records and documents relating to risk management, including the “Control procedures of the new, rebuilding and extension projects”, “Risk sources identification and risk evaluation form” and “List of major risks” for staff reference.

The Group always finds great importance to occupational safety and regularly provides training for staff. In 2015, the Group hosted trainings and rehearsals in productions bases for fire alert, so as to enhance safety awareness and emergency response, and held hazards identification programs and assemblies of risk management activities.

Staff Development and Training

Through meetings, trainings and notifications on notice board, the Group promotes its safety philosophy and amiable working environment among various departments and teams. We offer our employees access to learning and understanding about the Group, so that each employee and contractors of the Group or visitors can recognise their responsibilities and obligations in the aspect of improving the environment and enhancing occupational health and safety performance. We make great efforts on improving the environment and occupational safety.

Our adherence to the HSE management policy is a testimony of the greatest commitment of the Group towards the environment and occupational health and safety. This policy is available for review by employees at any time. In the year, the Group further improved site management level, achieved the goal of dedicated management, and further promoted the 6S management model in the company. Project meetings were kicked off in the production site of Panyu, Zhuhai, Jiangyin, and Lianyungang.

The Group endeavours to enhance the skills of each employee in various aspects by providing staff trainings, which include the “Weekly Star” and “Weekly Talk”. A wide array of training courses are provided for employees to strengthen their work-related knowledge and skills. Also, the Group hosted an “advanced employee’s election”, whereby each of the employees obtaining a certificate of honorary was offered an outdoor training opportunity. To enable excellent employees to take up management positions and to bolster our team’s management capabilities, the Company also organised the “team leader for production and management training” courses during the year.

The Group engaged with the labour union to further promote spiritual positive energy with various social activities.

To reinforce the employees’ sense of belongings to the Group, a wide range of sport events are provided by the Group for its employees every year, including basketball and table tennis contests, etc. In addition, we have provided activities that are of educational significance and served to enhance the work performance of our employees, including the “Business Oral English”, “Training and Assembly for Fire”, “Sales Training”, “Joint Training and Team Building Program for Financial Department”, and “Annual Sales Meeting”, etc.

We encourage our employees to take an active part in local community activities, including the “Green Enterprise Cup” Table Tennis and Badminton Tournament of Panyu District Youth Entrepreneur Association and the private enterprises working concern group activities.

Staff Code

The staff code of the Group is prepared and based on the PRC labour law and is in line with the national standards of the PRC. The Group has also been providing its staff with guidance in accordance with the national legislation.

II. ENVIRONMENTAL PROTECTION

Emission reduction mechanism

The Group remains focused on environmental protection. Our production bases are featured with high-end sewage treatment equipment. Sewage will be treated before recycling and discharge. All of the Group’s production bases are equipped with complete ventilation facilities. We also installed built-in fan to reduce the air pollution caused during the process of our production.

Use of materials

We endeavour to calculate the amount of materials needed for our production based on the principle of minimising surplus materials. In addition, the Group puts in place a scrap metal recycling mechanism to sell the wasted steel produced in our process of production to recycling companies.

III. WORKING OPERATION

Supply chain management

The Group has maintained proven track records of high production efficiency and timely delivery. We have established deep and cordial relationships with our suppliers. The Group keeps a list of qualified suppliers, whose appraisal is based on their track record of compliance with international standards and the Group’s past cooperation relationship with them. To improve logistics efficiency, the Company has established a self-operated wharf in the Zhuhai production base and formed a joint venture company to construct and operate a port in Lianyungang production base for the delivery of steel products and the receipt of raw materials.

Product quality

With its state-of-art technology, equipment, management and well-established reputation, the Group is dedicated to the provision of high-quality products and services that satisfy customers' needs. Our product quality has met a number of international standards. We are also the only domestic welded steel pipe manufacturer being granted five national honors, namely the "Superior Quality Award for Actual Quality of Metallurgical Products", "Gold Cup Prize for Actual Quality of Metallurgical Products", "High and New Technology Enterprise", "National Recognized Enterprise Technology Center", and National Key New Products and hosts a "Academician Workstation". We are the main drafter of the national standard for longitudinal welded steel pipes in China. Meanwhile, with the setting up of the "Post-doctoral Research Station" and "Academician Workstation", the Company strives to further enhance its product quality and extends the application of its products.

The Group strictly upholds the ISO9001 quality management system. With the use of advanced testing equipment, and the conduct of on-line and off-line testing as well as mechanical and chemical properties testing, we inspect the products at each production process stage in accordance with the best product quality requirements through a myriad of tests, such as steel ultrasonic testing, ultrasonic welding detection, weld X-ray inspection system, hydrostatic testing and flattening test. Upon obtaining post-test data, we will make a rigorous analysis on product quality, so as to ensure that each product meets customer requirements. We have built a testing center in compliance with the national standards, and the center has been recognised by China National Accreditation Service for Conformity Assessment (CNAS). The Group's testing center is equipped with a wide variety of laboratory equipment, including universal materials testing machine, low temperature impact material testing machine, drop weight tear test (DWTT) machine, hydrogen induced cracking (HIC) testing, sulfide stress corrosion cracking (SSC), crack tip opening displacement (CTOD) test, computer-controlled chemical composition vacuum direct reading spectrometer and microscope. Achieving six standards, our measuring chamber has passed through the ISO10012: 2003 AAA measurement management system certification. This proves that our measuring instruments are of high qualification and effectiveness. The Group's testing centre has passed the "National safety quality standardisation" and obtained the "TUV SUD Metal Materials Laboratory Accreditation Certificate". Our products, an unfailing symbol of quality, are blessed with unparalleled reputation in the international market under the "PCK" brand.

Anti-corruption

The operation of various departments of the Group is in conformity with legal regulations and legislations. We have established a whistle blowing policy, which enables our employees to express their views to the management anonymously.

IV. CONTRIBUTION TO THE COMMUNITY

The Group has been playing an active role in charitable activities in Panyu, Guangdong Province, China and other regions in which we operate. During the year, with the organisation of a couple of educational, sports, cultural and charitable activities, we promoted the exuberance of Guangzhou City, thus enhancing foreign interest in Guangzhou and fostering urban development. These activities included:

- Panyu District "PCK Cup" 1st, 2nd and 3rd Table Tennis Contest
- Zhujiang "PCK Cup" 1st and 2nd World Go Team Championships
- "Golden Dragon City Cup" 1st and 2nd Dragon Boats Championships

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In addition, the Group also participated in the assessment by the government and other organisations. During the year, we participated in:

- “Panyu District Mayor Quality Award Assessment Management Approach” granted with the Quality Award by the provincial government
- “Guangdong Enterprise with integrity”
- “2015 A-Grade Tax Payer”

The Group has also encouraged its employees to actively participate in community activities in Guangdong Province, including:

- Participating the seventh “Guangzhou’s Mayor Cup” for table tennis tournament sponsored by Chu Kong Steel Pipe Group
- Joining the photographic contest arranged by the district
- Participating the “Charity Hiking” activity arranged by the City of Guangzhou
- Arranging a “Paternity Day” on the Nation’s Day
- Arranging the “Mid-Autumn Celebration” activity
- Joining the “International Dragon Boat” competition arranged by the City of Guangzhou
- Participating in the Charity Projects of Guangzhou Association of Women Entrepreneurs

Charity Fund

In April 2013, the Group established a charitable fund, named as the “Chu Kong Steel Pipe Group Co., Ltd. – Blessing Charity Fund”, aiming to improve the living environment of single mothers and orphans and assisting single mothers for seeking job.

INDEPENDENT AUDITORS' REPORT



22/F, CITIC Tower
1 Tim Mei Avenue,
Central,
Hong Kong

To the shareholders of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") and its subsidiaries set out on pages 62 to 130, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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 auditors' 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 auditors consider 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.

To the shareholders of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	For the year ended 31 December	
		2015 RMB'000	2014 RMB'000
REVENUE	7	2,539,178	2,679,188
Cost of sales		(2,131,965)	(2,367,575)
Gross profit		407,213	311,613
Fair value gains on investment properties	15	627,882	99,587
Other income and gains	7	29,221	125,840
Selling and distribution expenses		(171,695)	(139,232)
Administrative expenses		(439,991)	(453,637)
Other expenses		(17,469)	(38,156)
Exchange gain/(loss), net		(53,558)	1,850
Finance costs	8	(237,111)	(260,365)
Share of a loss of a joint venture	19	(582)	(263)
PROFIT/(LOSS) BEFORE TAX	9	143,910	(352,763)
Income tax expense	12	(118,399)	(5,914)
PROFIT/(LOSS) FOR THE YEAR		25,511	(358,677)
Profit/(loss) attributable to:			
Owners of the parent		18,794	(359,247)
Non-controlling interests		6,717	570
		25,511	(358,677)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13	RMB0.02	RMB(0.36)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	For the year ended 31 December	
	2015 RMB'000	2014 RMB'000
PROFIT/(LOSS) FOR THE YEAR	25,511	(358,677)
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(94,725)	(2,189)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(94,725)	(2,189)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(94,725)	(2,189)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(69,214)	(360,866)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	(75,931)	(361,436)
Non-controlling interests	6,717	570
	(69,214)	(360,866)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	3,721,360	3,547,707
Investment properties	15	2,306,804	2,333,627
Long term prepayments and deposits	16	204,937	228,424
Prepaid land lease payments	17	1,083,448	1,051,625
Goodwill	18	4,075	4,075
Investment in a joint venture	19	38,790	39,493
Available-for-sale investments	20	800	–
Due from a joint venture	41	–	140,050
Deferred tax assets	21	80,497	61,987
Pledged deposits	27	431,924	22,313
Total non-current assets		7,872,635	7,429,301
CURRENT ASSETS			
Inventories	22	816,115	921,526
Properties under development	23	808,127	–
Trade and bills receivables	24	921,143	1,342,668
Prepayments, deposits and other receivables	25	950,785	648,344
Investment deposits	26	–	26,000
Pledged deposits	27	418,425	456,192
Cash and bank balances	27	286,135	637,577
Total current assets		4,200,730	4,032,307
CURRENT LIABILITIES			
Trade and bills payables	28	1,062,085	922,551
Interest-bearing bank and other borrowings	29	2,853,246	2,830,164
Other payables and accruals	31	590,609	616,348
Provision	32	24,348	29,960
Tax payable		64,198	66,362
Short term notes	33	–	313,608
Total current liabilities		4,594,486	4,778,993
NET CURRENT LIABILITIES		(393,756)	(746,686)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,478,879	6,682,615
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	2,914,481	2,319,038
Fixed rate bonds	34	541,651	505,174
Government grants	35	205,875	112,728
Deferred tax liabilities	21	616,970	476,559
Total non-current liabilities		4,278,977	3,413,499
Net assets		3,199,902	3,269,116
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	88,856	88,856
Reserves	37	3,092,846	3,168,777
		3,181,702	3,257,633
Non-controlling interests		18,200	11,483
Total equity		3,199,902	3,269,116

Chen Chang
Director

Chen Zhao Nian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent										
	Issued	Share	Asset	Contributed	Capital	Statutory	Retained	Exchange	Total	Non-controlling	Total
	capital	premium	revaluation	surplus	reserve	reserve	profits	fluctuation			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 36)											
At 1 January 2014	88,856	767,097	1,154,425	224,589	57,607	133,745	1,175,521	17,229	3,619,069	-	3,619,069
Profit/(loss) for the year	-	-	-	-	-	-	(359,247)	-	(359,247)	570	(358,677)
Other comprehensive loss for the year											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,189)	(2,189)	-	(2,189)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	(359,247)	(2,189)	(361,436)	570	(360,866)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	10,913	10,913
At 31 December 2014	88,856	767,097	1,154,425	224,589	57,607	133,745	816,274	15,040	3,257,633	11,483	3,269,116

	Attributable to owners of the parent										
	Issued	Share	Asset	Contributed	Capital	Statutory	Retained	Exchange	Total	Non-controlling	Total
	capital	premium	revaluation	surplus	reserve	reserve	profits	fluctuation			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 36)											
At 1 January 2015	88,856	767,097	1,154,425	224,589	57,607	133,745	816,274	15,040	3,257,633	11,483	3,269,116
Profit for the year	-	-	-	-	-	-	18,794	-	18,794	6,717	25,511
Other comprehensive loss for the year											
Release of property revaluation upon disposal of an investment property net of tax	-	-	(710)	-	-	-	710	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(94,725)	(94,725)	-	(94,725)
Total comprehensive income/(loss) for the year	-	-	(710)	-	-	-	19,504	(94,725)	(75,931)	6,717	(69,214)
Transfer from retained profits	-	-	-	-	-	31,531	(31,531)	-	-	-	-
At 31 December 2015	88,856	767,097*	1,153,715*	224,589*	57,607*	165,276*	804,247*	(79,685)*	3,181,702	18,200	3,199,902

The asset revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

* These reserve accounts comprise the consolidated reserves of RMB3,092,846,000 (2014: RMB3,168,777,000) in the consolidated statement of financial position.

Note:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		143,910	(352,763)
Adjustments for:			
Finance costs	8	237,111	260,365
Share of a loss of a joint venture	9	582	263
Bank interest income	7	(17,433)	(9,971)
Gain on disposal of an investment property		(80)	–
Depreciation	14	144,250	117,744
Amortisation of prepaid land lease payments	17	23,124	21,026
Changes in fair value of investment properties	15	(627,882)	(99,587)
Impairment/(reversal of impairment) of trade receivables	24	(17,865)	22,568
Impairment of deposits and other receivables	25	2,413	20,886
Provision against slow-moving and obsolete inventories	22	10,779	–
Fair value loss of derivative instruments – transactions not qualifying as hedge		–	1,846
		(101,091)	(17,623)
(Increase)/decrease in an amount due from a joint venture		140,050	(140,050)
Decrease in inventories		94,632	256,786
Increase in properties under development		(14,931)	–
(Increase)/decrease in trade and bills receivables		449,889	(139,113)
Increase in prepayments, deposits and other receivables		(303,438)	(106,659)
Increase in pledged deposits		(371,844)	(345,002)
Increase in trade and bills payables		139,534	381,529
Increase/(decrease) in other payables and accruals		(35,761)	182,182
Increase/(decrease) in a provision		(5,612)	29,960
Increase in government grants		93,147	6,383
Cash generated from operations		84,575	108,393
Interest received	7	17,433	9,971
Corporate income tax refunded/(paid)		(1,163)	3,858
Net cash flows from operating activities		100,845	122,222
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(232,596)	(602,918)
Addition to investment properties	15	(145,118)	(17,706)
Acquisition of subsidiaries		–	(9,371)
Addition to prepaid land lease payments	17	(56,363)	(219,900)
Investment in a joint venture		–	(4,747)
Proceeds from disposal of items of property, plant and equipment		990	2,291
Purchases of available-for-sale investments		(800)	–
Payment for investment deposits		(421,300)	(2,035,000)
Collection of investment deposits		447,300	2,009,000
Proceeds from settlement of forward contracts		–	11,349
Disposal of an investment property		6,707	–
Net cash flows used in investing activities		(401,180)	(867,002)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		4,563,141	5,013,316
Repayment of bank loans and other borrowings		(4,177,921)	(5,207,766)
Proceeds from issue of bonds		–	68,659
Proceeds from issue of short term notes		–	298,450
Repayment of short term notes		(300,000)	(200,000)
Interest paid		(296,849)	(309,178)
Proceeds from sales and leaseback arrangements		172,000	164,000
Capital element of finance lease rental payments		(72,256)	(51,468)
Interest element of finance lease rental payments		(12,507)	(9,889)
Net cash flows used in financing activities		(124,392)	(233,876)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(424,727)	(978,656)
Effect of foreign exchange rate changes, net		73,285	6,716
Cash and cash equivalents at beginning of year		637,577	1,609,517
CASH AND CASH EQUIVALENTS AT END OF YEAR		286,135	637,577
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	286,135	637,577

1. CORPORATE AND GROUP INFORMATION

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") was incorporated in the Cayman Islands on 9 January 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are involved in the following principal activities:

- manufacture and sale of welded steel pipes and the provision of related manufacturing services
- property development and investment

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Lessonstart Enterprises Limited	British Virgin Islands	US\$300	100	–	Investment holding
Lucknow Consultants Limited	British Virgin Islands	US\$10	–	100	Investment holding
Crown Central Holdings Limited	Hong Kong	HK\$1,000	–	100	Trading of steel pipes
Chu Kong Steel Pipe Group Co., Ltd.	Hong Kong	HK\$100,000	–	100	Investment holding and trading of steel pipes
Panyu Chu Kong Steel Pipe Co., Ltd. 番禺珠江鋼管有限公司	The PRC/ Mainland China	HK\$1,550,000,000	–	100	Manufacture and sale of welded steel pipes
Guangzhou Pearl River Petrol-Fittings Co., Ltd. 廣州珍珠河石化管件有限公司	The PRC/ Mainland China	HK\$5,000,000	–	100	Manufacture and sale of petro fittings
Guangzhou Pearl River OCTG Co., Ltd. 廣州珍珠河石油套管有限公司	The PRC/ Mainland China	HK\$21,000,000	–	100	Manufacture and sale of oil country tubular goods
Guangzhou Pearl River Petroleum Steel Pipe Coating Co., Ltd. 廣州珍珠河石油鋼管防腐有限公司	The PRC/ Mainland China	HK\$10,000,000	–	100	Steel pipe casing and lining services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd. 廣州珍珠河石油鋼管有限公司	The PRC/ Mainland China	HK\$50,000,000	–	100	Manufacture and sale of welded steel pipes
Panyu Chu Kong Steel Pipe (Lianyungang) Co., Ltd. 番禺珠江鋼管(連雲港)有限公司 ("PCKSP (Lianyungang)")	The PRC/ Mainland China	RMB1,100,000,000	–	100	Manufacture and sale of welded steel pipes
Guangzhou Panyu Chu Kong Hualong Petroleum Steel Pipe Anti-Corrosion Co., Ltd. 廣州市番禺珠江華龍石油鋼管防腐有限公司 ("Hualong Anti-Corrosion")	The PRC/ Mainland China	RMB20,600,000	–	100	Steel pipe casing and lining services
Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. 番禺珠江鋼管(珠海)有限公司	The PRC/ Mainland China	HK\$686,760,000	–	100	Manufacture and sale of welded steel pipes
Lianyungang Kaidi Heavy Equipment Technology Co., Ltd. 連雲港凱帝重工科技有限公司 ("Kaidi")	The PRC/ Mainland China	RMB410,000,000	–	100	Manufacture and sale of steel pipe equipment and metallurgy equipment
Lianyungang Pearl River Petrol-Fittings Co., Ltd. 連雲港珍珠河石化管件有限公司	The PRC/ Mainland China	HK\$303,000,000	–	100	Manufacture and sale of petro fittings
Lianyungang Aike New Construction Materials Co., Ltd. 連雲港艾可新型建材有限公司 ("Aike")	The PRC/ Mainland China	RMB100,000,000	–	100	Manufacture and sale of tubular piles
Guangdong Pearl Steel Investment Management Co., Ltd. 廣東珠鋼投資管理有限公司 ("Peal Steel Investment")	The PRC/ Mainland China	RMB50,000,000	–	100	Property development and investment

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Nanjing Rongyu Group Co., Ltd. 南京鎔裕集團有限公司 ("Nanjing Rongyu Group")	The PRC/ Mainland China	RMB75,000,000	–	100	Market management of steel products
Nanjing City Xixia Hill Roll Steeling Co., Ltd. 南京市棲霞山軋鋼有限公司 ("Nanjing City Xixia Hill")	The PRC/ Mainland China	RMB20,316,500	–	100	Manufacture and sale of screw-thread steels
Yunfu Morning Star Property Development Co., Ltd. 雲浮星辰房地產開發有限公司* ("Yunfu Star")	The PRC/ Mainland China	RMB20,000,000	–	100	Property development
Guangzhou Zhu Jing Property Development Co., Ltd. 廣州珠景房地產開發有限公司* ("Zhu Jing")	The PRC/ Mainland China	RMB10,000,000	–	100	Property development
Chu Kong Steel Pipe (Zhuhai) Co., Ltd. 珠江鋼管(珠海)有限公司	The PRC/ Mainland China	RMB100,000,000	–	100	Trading of welded steel pipes and others
Chu Kong Steel Pipe (Nanjing) Co., Ltd. 珠江鋼管(南京)有限公司	The PRC/ Mainland China	HK\$230,000,000	–	100	Manufacture and sale of welded steel pipes
Jiangsu Kaili Polymer Technology Co., Ltd. 江蘇凱力高分子科技有限公司* ("Kaili")	The PRC/ Mainland China	RMB10,000,000	–	100	Manufacture and sale of polymers
PCK Steel Middle East FZE	Dubai	AED1,000,000	–	100	Trading of steel products
View Sharp International Limited	Hong Kong	HK\$10,000	–	100	Investment holding
Guangdong Zhu Jing Industrial Co., Ltd. 廣東珠景實業投資有限公司* ("Zhu Jing Industrial")	The PRC/ Mainland China	RMB20,000,000	–	100	Investment management

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangdong Zhu Xin Industrial Co., Ltd. 廣東珠鑫實業投資有限公司* ("Zhu Xin")	The PRC/ Mainland China	RMB10,000,000	–	100	Investment management
PT. Chu Kong Steel Indonesia 珠江鋼鐵印尼有限公司	Indonesia	US\$500,000	–	100	Manufacture and sale of cold rolled coil and hot rolled pickled oiled products
Sino Richfield Pte. Ltd.	Singapore	SGD100	–	100	Trading of steel products
Ningbo Sanhe Steel Pipe Co., Ltd. 寧波三合鋼管有限公司 ("Ningbo Sanhe")	The PRC/ Mainland China	RMB20,000,000	–	51	Manufacture and sale of welded steel pipes
Yunfu Jin Feng Development Co., Ltd. 雲浮市金豐發展有限公司* ("Yuntu Jinfeng")	The PRC/ Mainland China	RMB200,000,000	–	100	Project investment
Guangzhou Zhu Gang Property Management Co., Ltd. 廣州珠鋼物業管理有限公司 ("Zhu Gang Property Management")	The PRC/ Mainland China	RMB5,000,000	–	100	Property management
Pabo Detection Technology Service Co., Ltd. 帕博檢測技術服務有限公司 ("Pabo Detection")	The PRC/ Mainland China	RMB60,000,000	–	100	Detection technology service
PCK Steel Pipe (Macau) Co., Ltd. PCK鋼管(澳門)有限公司*	Macau	MOP100,000	–	100	Trading of steel products

Except for Hualong Anti-Corrosion, which was established as a Sino-foreign joint venture enterprise, and PCKSP (Lianyangang), Kaidi, Aike, Pearl Steel Investment, Yunfu Star, Zhu Jing, Nanjing Rongyu Group, Nanjing City Xixia Hill, Kaili, Zhu Jing Industrial, Zhu Xin, Ningbo Sanhe, Yunfu Jinfeng, Zhu Gang Property Management and Pabo Detection, which were established as domestic-invested enterprises, all the above PRC companies are wholly-foreign-invested enterprises.

* These companies have not yet commenced operation as at 31 December 2015.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. BASIS OF PREPARATION (continued)

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of approximately RMB393,756,000 at 31 December 2015, the financial statements have been prepared by the directors of the Company on a going concern basis, because:

- (i) as at 31 December 2015, the Group had unutilised unconditional credit facilities from banks of approximately RMB1,365,867,000; and
- (ii) the directors of the Company continue to take actions to tighten cost controls over various operating expenses, and are actively seeking new investments and business opportunities with the aim of attaining profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date together with the expected results of other measures in progress, the Group is able to fulfil its financial obligations when they fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 31 December 2015.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	<i>Amendments to a number of IFRSs</i>
<i>Annual Improvements 2011-2013 Cycle</i>	<i>Amendments to a number of IFRSs</i>

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	<i>Financial Instruments</i> ³
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
IFRS 15	<i>Revenue from Contracts with Customers</i> ³
IFRS 16	<i>Leases</i> ⁴
Amendments to IAS 1	<i>Disclosure Initiative</i> ¹
Amendments to IAS 7	<i>Disclosure Initiative</i> ²
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ²
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in IAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

In January 2016 the IASB published Amendments to IAS 7. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are not expected to have any significant impact on the financial statements or performance of the Group upon adoption on 1 January 2017.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Annual Improvements to IFRSs 2012–2014 Cycle sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2016. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Group's investment in a joint venture.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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;
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives and residual values used for this purpose are as follows:

	Estimated useful lives	Residual values
Land and buildings	5~50 years	5%~10%
Plant and machinery	3~16 years	1%~10%
Office and other equipment	3~16 years	1%~10%
Motor vehicles	4~10 years	5%~10%

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. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Properties under development

Properties under development represent properties being developed for sale and are stated at the lower of cost and net realisable value. Cost comprises the prepaid land lease payments or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. Once the development of these properties is completed, these properties are transferred to completed properties for sale.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

If a property under development is intended to be redeveloped into an owner-managed property, it is transferred to construction in progress at the carrying amount.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Cost is determined by an apportionment of the total costs of land and buildings attributable to unsold properties. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less costs to be incurred in selling the property.

If an item of completed property for sale becomes owner-managed, it is transferred to property, plant and equipment at carrying amount.

For a transfer from an item of completed property for sale to investment property that will be carried at fair value as its use has changed as evidenced by commencement of an operating lease, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments represent the cost of land use rights paid to the PRC government authorities. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, and loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented in profit or loss. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have yet not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, interest-bearing bank and other borrowings, short term notes and fixed rate bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings and short term notes are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials	Purchase cost on the weighted average basis
Work in progress and finished goods	Cost of direct materials, direct labour and an appropriate proportion of overheads

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred income tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to deferred income account and deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of manufacturing services, when underlying services have been rendered;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (d) rental income, on a time proportion basis over the lease terms.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries 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 employees of the Group’s subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Company incorporated in the Cayman Islands uses the Hong Kong dollar as its functional currency. The functional currency of the PRC subsidiaries is the RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the end of the reporting period. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and a joint venture are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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 financial statements:

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in Mainland China according to the relevant tax jurisdictions is subject to judgement on the timing and amount of the payment of the dividend. Withholding taxes are only provided for the profits of the subsidiaries in Mainland China which the Group considers that it is probable to be distributed in the foreseeable future.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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, are described below.

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. Further details are given in note 18.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves significant management's judgements regarding the future performance of a particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of the deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow the utilisation of the carryforward of tax losses, and that the asset balance will be reduced and charged to profit or loss.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the write-down required involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed.

Impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of the reporting period.

6. OPERATING SEGMENT INFORMATION

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

- (a) the steel pipes segment engages in the manufacture and sale of welded steel pipes and the provision of related manufacturing services; and
- (b) the property development and investment segment engages in property development for sale of properties and property investment for its rental income potential.

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

6. OPERATING SEGMENT INFORMATION (continued)

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

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

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

Year ended 31 December 2015

	Steel pipes RMB'000	Property development and investment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	2,539,178	–	2,539,178
Segment results:	(391,571)	577,887	186,316
<i>Reconciliation:</i>			
Interest income			1
Corporate and other unallocated expenses			(9,422)
Finance costs			(32,985)
Profit before tax			143,910
Segment assets:	6,070,396	3,404,023	9,474,419
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(361,502)
Corporate and other unallocated assets			2,960,448
Total assets			12,073,365
Segment liabilities:	7,590,450	1,097,743	8,688,193
<i>Reconciliation:</i>			
Elimination of intersegment payables			(361,502)
Corporate and other unallocated liabilities			546,772
Total liabilities			8,873,463
Other segment information:			
Share of a loss of a joint venture	(582)	–	(582)
Impairment losses recognised in the statement of profit or loss	(14,358)	–	(14,358)
Impairment losses reversed in the statement of profit or loss	19,031	–	19,031
Depreciation and amortisation	(167,155)	(219)	(167,374)
Investment in a joint venture	38,790	–	38,790
Capital expenditure*	374,105	145,270	519,375

6. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Steel pipes RMB'000	Property development and investment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	2,679,188	–	2,679,188
Segment results:	(382,195)	73,455	(308,740)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(13,950)
Finance costs			(30,073)
Loss before tax			(352,763)
Segment assets:	6,179,821	2,554,654	8,734,475
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(199,806)
Corporate and other unallocated assets			2,926,939
Total assets			11,461,608
Segment liabilities:	7,197,486	684,790	7,882,276
<i>Reconciliation:</i>			
Elimination of intersegment payables			(199,806)
Corporate and other unallocated liabilities			510,022
Total liabilities			8,192,492
Other segment information:			
Share of a loss of a joint venture	(263)	–	(263)
Impairment losses recognised in the statement of profit or loss	(43,627)	–	(43,627)
Impairment losses reversed in the statement of profit or loss	231	–	231
Depreciation and amortisation	(138,591)	(179)	(138,770)
Investment in a joint venture	39,493	–	39,493
Capital expenditure*	983,490	18,206	1,001,696

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

6. OPERATING SEGMENT INFORMATION (continued)

Information about steel pipe products and services

The revenue from the major products and services is analysed as follows:

	2015 RMB'000	2014 RMB'000
Manufacture and sale of steel pipes:		
LSAW steel pipes	1,455,874	1,897,809
SSAW steel pipes	361,869	392,036
ERW steel pipes	176,615	147,388
Steel pipe manufacturing services:		
LSAW steel pipes	64,399	13,708
SSAW steel pipes	47,393	11,113
ERW steel pipes	2,565	2,369
Others*	430,463	214,765
	2,539,178	2,679,188

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

Geographical information

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

	2015 RMB'000	2014 RMB'000
Sales to external customers:		
Mainland China	1,193,051	1,306,771
America	871,025	429,643
Middle East	268,511	152,834
Other Asian countries	120,551	655,669
Oceania	44,561	120,355
Africa	37,939	7,199
European Union	3,383	6,717
Others	157	-
	2,539,178	2,679,188

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

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2015 RMB'000	2014 RMB'000
Customer A	694,694	*
Customer B	*	266,921

* Less than 10%

7. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and discounts; and the value of services rendered, net of business taxes and surcharges during the year.

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

	2015 RMB'000	2014 RMB'000
Revenue		
Manufacture and sale of welded steel pipes and the provision of related manufacturing services	2,539,178	2,679,188
Other income and gains		
Bank interest income	17,433	9,971
Subsidy income from the PRC government (note 35)	11,323	112,101
Compensation	57	2,464
Rental income	15	243
Others	393	1,061
	29,221	125,840

The subsidy income represents subsidies granted by the local finance bureaus to Panyu Chu Kong Steel Pipe (Lianyungang) Co., Ltd., Panyu Chu Kong Steel Pipe Co., Ltd., Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. and Nanjing Rongyu Group Co., Ltd., as awards for their products. There are no unfulfilled conditions or contingencies relating to such subsidies.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank loans, government loans and other loans (including bonds and short term notes)	285,913	322,483
Interest on finance leases	22,887	11,539
Interest on discounted bills	2,001	10,338
Total interest expense on financial liabilities not at fair value through profit or loss	310,801	344,360
Less: Interest capitalised	(73,690)	(83,995)
	237,111	260,365

9. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		1,865,000	2,111,016
Depreciation	14	144,250	117,744
Share of a loss of a joint venture		582	263
Amortisation of prepaid land lease payments	17	23,124	21,026
Minimum lease payments under operating leases		9,503	8,009
Auditors' remuneration		2,667	2,520
Exchange (gain)/loss, net:			
Realized		(6,851)	(24,875)
Unrealized		60,409	23,025
		53,558	(1,850)
Finance costs	8	237,111	260,365
Employee benefit expenses (including directors' remuneration (note 10)):			
Wages and salaries		242,999	252,971
Retirement benefit scheme contributions		40,548	30,943
Impairment/(reversal of impairment) of trade receivables		(17,865)	22,512
Impairment of deposits and other receivables	25	2,413	20,884
Write-down of inventories to net realisable value	22	10,779	-
Changes in fair value of investment properties	15	(627,882)	(99,587)
Fair value loss of derivative instruments			
– transactions not qualifying as hedges		-	1,846
Bank interest income	7	(17,433)	(9,971)
Research and development costs		102,485	85,132

10. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2015 RMB'000	2014 RMB'000
Fees	580	571
Other emoluments:		
Salaries, allowances and benefits in kind	5,102	5,130
Retirement benefit scheme contributions	68	68
	5,170	5,198
	5,750	5,769

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Mr. Chen Ping	198	198
Mr. Liang Guo Yao (resigned on 1 August 2014)	–	116
Mr. See Tak Wah	184	174
Mr. Tian Xiao Ren (appointed on 1 August 2014)	198	83
	580	571

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2015				
Executive directors:				
Mr. Chen Chang	–	2,650	–	2,650
Ms. Chen Zhao Nian	–	1,226	34	1,260
Ms. Chen Zhao Hua	–	1,226	34	1,260
	–	5,102	68	5,170
Year ended 31 December 2014				
Executive directors:				
Mr. Chen Chang	–	2,636	–	2,636
Ms. Chen Zhao Nian	–	1,247	34	1,281
Ms. Chen Zhao Hua	–	1,247	34	1,281
	–	5,130	68	5,198

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year are analysed as follows:

	Number of employees	
	2015	2014
Directors	3	3
Non-director highest paid employees	2	2
	5	5

Details of the remuneration of the above directors are set out in note 10 above. Details of the remuneration of the above non-director highest paid employees during the year are as follows:

	2015		2014	
	RMB'000		RMB'000	
Salaries, allowances and benefits in kind	2,714		2,537	
Retirement benefit scheme contributions	30		26	
	2,744		2,563	

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

	Number of employees	
	2015	2014
Nil to RMB1,000,000	1	1
RMB1,600,001 to RMB2,100,000	1	1
	2	2

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Other than the directors and the five highest paid employees, the number of member of senior management whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
RMB200,001 to RMB300,000	2	1
RMB300,001 to RMB400,000	2	1
RMB400,001 to RMB600,000	1	3
	5	5

12. INCOME TAX

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

The Company, which was incorporated in the Cayman Islands, is not subject to income tax.

Lessonstart Enterprises Limited ("Lessonstart") and Lucknow Consultants Limited ("Lucknow"), which were incorporated in the British Virgin Islands, are not subject to income tax.

Crown Central Holdings Limited ("Crown Central"), Chu Kong Steel Pipe Group Co., Limited ("CKSPG") and View Sharp International Limited ("View Sharp"), which were incorporated in Hong Kong, were subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. PCK Steel Pipe (Macau) Co., Ltd., which was incorporated in Macau, was subject to tax on taxable profits in excess of MOP300,000 at a rate of 12%.

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

PCK Steel Middle East FZE ("PCK(UAE)"), which was incorporated in Dubai, the United Arab Emirates on 20 May 2013, is exempted from corporate income tax for the years from 2013 to 2028 according to the preferential corporate tax policy in Jebel Ali Free Zone in the United Arab Emirates.

PT. Chu Kong Steel Indonesia ("PT. Chu Kong") and Sino Richfield Pte. Ltd. ("Sino Richfield"), which were incorporated in Indonesia and Singapore in year 2014, are subject to income tax at rates of 30% and 17%, respectively.

No provision for Dubai, Indonesia and Singapore profits tax has been made as the Group had no assessable profits derived from or earned in these countries during the year.

Panyu Chu Kong Steel Pipe Co., Ltd. ("PCKSP"), as a High and New Technology Enterprise ("HNTE") qualified on 16 December 2008 and renewed in 2011 and 2014, was entitled to a reduced tax rate of 15% from 1 January 2014 to 31 December 2016. PCKSP (Lianyungang), as an HNTE qualified on 30 June 2014, is entitled to a reduced tax rate of 15% from 1 January 2014 to 31 December 2016. Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. ("PCKSP (Zhuhai)"), as an HNTE qualified on 30 September 2015, is entitled to a reduced tax rate of 15% from 1 January 2015 to 31 December 2017.

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to PCKSP, PCKSP (Lianyungang) and PCKSP (Zhuhai), the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2015.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

The major components of the income tax expense for the year are as follows:

	2015 RMB'000	2014 RMB'000
Current – Mainland China		
Charged for the year	3,754	523
Overprovision in prior years	(7,243)	(5,116)
Deferred	121,888	10,507
Total tax charge for the year	118,399	5,914

12. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory tax rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the Group's effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

Year ended 31 December 2015

	Mainland China		Hong Kong and others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/ (loss) before tax	286,620		(142,710)		143,910	
Tax at the statutory tax rate	71,655	25.0	(16,774)	11.8	54,881	38.1
Tax effect of:						
Lower tax rate for HNTEs	21,006	7.3	–	–	21,006	14.6
Expenses not deductible for tax	3,665	1.3	–	–	3,665	2.5
Adjustments in respect of current tax of previous periods	(7,243)	(2.5)	–	–	(7,243)	(5.0)
Super-deduction of research and development costs	(2,575)	(0.9)	–	–	(2,575)	(1.8)
Loss attributable to a joint venture	87	–	–	–	87	0.1
Tax losses not recognised	32,612	11.4	15,966	(11.2)	48,578	33.8
Tax expense/(credit) at the Group's effective tax rate	119,207	41.6	(808)	0.6	118,399	82.3

Year ended 31 December 2014

	Mainland China		Hong Kong and others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	(245,208)		(107,555)		(352,763)	
Tax at the statutory tax rate	(61,302)	25.0	(10,339)	9.6	(71,641)	20.3
Tax effect of:						
Lower tax rate for HNTEs	14,256	(5.8)	–	–	14,256	(4.0)
Expenses not deductible for tax	1,971	(0.8)	–	–	1,971	(0.6)
Adjustments in respect of current tax of previous periods	(5,116)	2.1	–	–	(5,116)	1.5
Super-deduction of research and development costs	(1,723)	0.7	–	–	(1,723)	0.5
Loss attributable to a joint venture	39	–	–	–	39	–
Tax losses utilised from previous periods	(273)	0.1	–	–	(273)	0.1
Tax losses not recognised	58,013	(23.7)	10,388	(9.7)	68,401	(19.4)
Tax charge at the Group's effective tax rate	5,865	(2.4)	49	(0.1)	5,914	(1.7)

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,011,142,000 (2014: 1,011,142,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2015 and 2014, in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	1,224,617	1,428,456	46,970	58,552	1,413,765	4,172,360
Accumulated depreciation and impairment	(105,503)	(469,377)	(29,528)	(20,245)	-	(624,653)
Net carrying amount	1,119,114	959,079	17,442	38,307	1,413,765	3,547,707
At 1 January 2015, net of accumulated depreciation and impairment	1,119,114	959,079	17,442	38,307	1,413,765	3,547,707
Additions	1,100	6,504	2,856	4,587	302,847	317,894
Disposals	-	(928)	-	(62)	-	(990)
Depreciation provided during the year	(51,123)	(84,174)	(6,682)	(2,271)	-	(144,250)
Transfers	79,453	491,709	-	-	(571,162)	-
Reclassification	(559,215)	559,215	-	-	-	-
Exchange realignment	-	134	(3)	121	747	999
At 31 December 2015, net of accumulated depreciation and impairment	589,329	1,931,539	13,613	40,682	1,146,197	3,721,360
At 31 December 2015:						
Cost	664,990	2,554,314	49,804	59,079	1,146,197	4,474,384
Accumulated depreciation and impairment	(75,661)	(622,775)	(36,191)	(18,397)	-	(753,024)
Net carrying amount	589,329	1,931,539	13,613	40,682	1,146,197	3,721,360

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014						
At 31 December 2013 and 1 January 2014:						
Cost	1,000,640	1,088,994	44,695	52,873	1,208,728	3,395,930
Accumulated depreciation and impairment	(54,242)	(398,204)	(24,436)	(15,525)	–	(492,407)
Net carrying amount	946,398	690,790	20,259	37,348	1,208,728	2,903,523
At 1 January 2014, net of accumulated depreciation and impairment	946,398	690,790	20,259	37,348	1,208,728	2,903,523
Additions	4,281	38,438	4,771	6,920	684,303	738,713
Acquisition of a subsidiary	12,121	13,055	117	68	16	25,377
Disposals	(408)	(135)	(341)	(1,407)	–	(2,291)
Depreciation provided during the year	(58,025)	(47,685)	(7,401)	(4,633)	–	(117,744)
Transfers	214,747	264,598	37	–	(479,382)	–
Exchange realignment	–	18	–	11	100	129
At 31 December 2014, net of accumulated depreciation and impairment	1,119,114	959,079	17,442	38,307	1,413,765	3,547,707
At 31 December 2014:						
Cost	1,224,617	1,428,456	46,970	58,552	1,413,765	4,172,360
Accumulated depreciation and impairment	(105,503)	(469,377)	(29,528)	(20,245)	–	(624,653)
Net carrying amount	1,119,114	959,079	17,442	38,307	1,413,765	3,547,707

The Group's land and buildings are held under medium term leases and are situated in Mainland China.

Included in the carrying amount of the property, plant and equipment was capitalised interest of RMB256,471,000 (2014: RMB182,781,000) as at 31 December 2015.

Included in the total costs of plant and machinery are certain assets acquired in prior years for which government grants of RMB5,950,000 (2014: RMB5,950,000) were received and deducted from their costs in arriving at their carrying amounts. The original costs of those assets before the deduction of the grants amounted to RMB117,183,000 (2014: RMB117,183,000) as at 31 December 2015.

Details of the Group's property, plant and machinery pledged to secure the Group's bank loans are set out in note 29.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Certificates of ownership in respect of certain buildings of the Group located in Guangzhou, Zhuhai, Lianyungang and Ningbo with a total net carrying amount of approximately RMB296,114,000 (2014: RMB279,023,000) as at 31 December 2015 have not yet been issued by the relevant PRC authorities. As at the end of the reporting period, the directors were still in the process of obtaining these certificates.

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery and office and other equipment at 31 December 2015 were RMB216,035,000 (2014: RMB142,560,000) and Nil (2014: RMB195,000), respectively.

15. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Building in Hong Kong		
Carrying amount at 1 January	6,627	6,313
Disposals	(6,627)	–
Net gain from a fair value adjustment	–	293
Exchange realignment	–	21
Carrying amount at 31 December	–	6,627
Commercial properties in Mainland China, PRC		
Carrying amount at 1 January	2,327,000	2,210,000
Additions	145,118	17,706
Net gain from a fair value adjustment	627,882	99,294
Transfer to properties under development (note 23)	(793,196)	–
Carrying amount at 31 December	2,306,804	2,327,000
	2,306,804	2,333,627

The Group's investment properties consist of one commercial property in Mainland China, which is held under medium term leases. The directors of the Company have determined that the investment properties are commercial assets, based on the nature, characteristics and risks of each property.

Based on the valuation by RHL Appraisal Limited, an independent professionally qualified valuer, at 31 December 2014, the fair values of investment properties were at RMB2,333,627,000. And at 31 December 2015, the fair values of investment properties were at RMB2,306,804,000 after transferring the first phase of investment properties to properties under development with effect from 30 November 2015. Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	2,306,804	2,306,804

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	2,333,627	2,333,627

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2014	2,216,313
Additions	17,706
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	99,587
Exchange realignment	21
Carrying amount at 31 December 2014 and 1 January 2015	2,333,627
Additions	145,118
Disposals	(6,627)
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	627,882
Transfer to properties under development	(793,196)
Carrying amount at 31 December 2015	2,306,804

The valuations of investment properties were arrived at using the Direct Comparison Method by making reference to the comparable sale prices in the relevant locality.

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Significant unobservable inputs		Range or weighted average	
		2015	2014
Retail	Market unit sale rate (RMB/sq.m.)	5,038~10,000	5,038~5,664

16. LONG TERM PREPAYMENTS AND DEPOSITS

	2015	2014
	RMB'000	RMB'000
Prepayments for property, plant and equipment	166,937	201,780
Deposits paid	38,000	26,644
	204,937	228,424

17. PREPAID LAND LEASE PAYMENTS

	2015	2014
	RMB'000	RMB'000
Carrying amount at 1 January	1,074,391	875,517
Additions	56,363	219,900
Amortisation provided during the year	(23,124)	(21,026)
Carrying amount at 31 December	1,107,630	1,074,391
Current portion included in prepayments, deposits and other receivables (note 25)	(24,182)	(22,766)
Non-current portion	1,083,448	1,051,625

Details of the Group's leasehold lands that are pledged to secure the Group's bank loans are set out in note 29.

18. GOODWILL

	2015	2014
	RMB'000	RMB'000
At 1 January and 31 December	4,075	4,075

18. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through a business combination is allocated to the cash-generating unit (the "CGU") of the anti-corrosion business of Hualong Anti-Corrosion for impairment testing.

The recoverable amount of the CGU 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 management. The discount rate applied to the cash flow projections was 11.0% (2014: 11.1%). Cash flows beyond the five-year period were extrapolated using the estimated growth rate of 5% (2014: 5%). The growth rate does not exceed the projected long term average growth rate for the anti-corrosion business of Hualong Anti-Corrosion in Mainland China.

Assumptions were used in the value in use calculation of the CGU as at 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management has determined the budgeted gross margins based on past performance and its expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the CGU.

Purchase price inflation – Management has considered the possibility of increases in purchase price inflation at rates ranging from 2.0% to 2.5%.

19. INVESTMENT IN A JOINT VENTURE

	2015 RMB'000	2014 RMB'000
Share of net assets	42,789	40,121
Exchange realignment	(3,999)	(628)
	38,790	39,493

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Al-Qahtani PCK Pipe Company	Registered capital of SR50 million each	Kingdom of Saudi Arabia	50	50	50	Manufacture and sale of welded steel pipes

The above investment in a joint venture is indirectly held by the Company.

Al-Qahtani PCK Pipe Company, which is considered a material joint venture of the Group, acts as the Group's producer and distributor of steel pipes in the Kingdom of Saudi Arabia and is accounted for using the equity method.

19. INVESTMENT IN A JOINT VENTURE (continued)

The following table illustrates the summarised financial information of Al-Qahtani PCK Pipe Company adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2015 RMB'000	2014 RMB'000
Other receivables	2,237	117
Cash and bank balances	77,634	1,262
Total current assets	79,871	1,379
Property, plant and equipment	463,328	364,643
Total non-current assets	463,328	364,643
Amounts due to a shareholder	–	51,848
Amount due to PCKSP	–	140,050
Other payables	22,885	7,150
Trade payables	5,182	–
Tax payable	–	3,082
Total current liabilities	28,067	202,130
Non-current financial liabilities, excluding trade and other payables and provisions	345,663	–
Non-current liabilities	345,663	–
Net assets	169,469	163,892
Reconciliation to the Group's interest in the joint venture:		
The profit from contribution of non-monetary assets	(83,892)	(83,650)
Net assets after reconciliation	85,577	80,242
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	42,789	40,121
Carrying amount of the investment	42,789	40,121
Administrative expenses	(1,164)	(526)
Loss and total comprehensive loss for the year	(1,164)	(526)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Unlisted equity investments, at cost less impairment	800	–

The unlisted equity investment with a carrying amount of RMB800,000 (2014: Nil) is stated at cost less impairment as the investment does not have quoted a market price in an active market, and the range of reasonable fair value estimates of such investment is so wide that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

21. DEFERRED TAX

Deferred tax assets

	Impairment of trade and other receivables RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2015	4,784	57,203	61,987
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	(2,974)	21,484	18,510
At 31 December 2015	1,810	78,687	80,497

	Impairment of trade and other receivables RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2014	1,086	42,868	43,954
Deferred tax credited to the consolidated statement of profit or loss during the year	3,673	12,554	16,227
Acquisition of a subsidiary	25	1,781	1,806
At 31 December 2014	4,784	57,203	61,987

As at 31 December 2015, the Group had tax losses arising in Hong Kong of RMB212,652,000 (2014: RMB120,345,000), which are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The Group also has tax losses arising in Mainland China of RMB409,026,000 (2014: RMB215,746,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

21. DEFERRED TAX (continued)

Deferred tax liabilities

	Changes in fair value of investment properties RMB'000	Appreciation of property, plant and equipment and lands RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2015	461,561	12,733	2,265	476,559
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	140,665	(267)	–	140,398
Exchange differences	13	–	–	13
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2015	602,239	12,466	2,265	616,970

	Changes in fair value of investment properties RMB'000	Appreciation of property, plant and equipment and lands RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2014	434,598	11,132	2,265	447,995
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	26,967	(233)	–	26,734
Acquisition of a subsidiary	–	1,834	–	1,834
Exchange differences	(4)	–	–	(4)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2014	461,561	12,733	2,265	476,559

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) 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 applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

21. DEFERRED TAX (continued)

Since year 2011, no deferred tax has been recognised by the Group for withholding taxes that would be payable on the unremitted earnings of those subsidiaries that are subject to withholding taxes as management considered it is not probable that those subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2015, the Group has not recognised deferred tax liabilities of RMB92 million (2014: RMB80 million) in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC that would be payable on the distribution of these profits.

22. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	254,521	278,261
Work in progress	230,325	212,650
Finished goods	342,048	430,615
	826,894	921,526
Less: Provision against slow-moving and obsolete inventories	(10,779)	–
	816,115	921,526

23. PROPERTIES UNDER DEVELOPMENT

	2015 RMB'000	2014 RMB'000
Carrying amount as at 1 January	–	–
Transfer from investment properties (note 15)	793,196	–
Additions	14,931	–
Carrying amount as at 31 December	808,127	–
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	808,127	–

No impairment/reversal of impairment was recognised in the statement of profit or loss and statement of comprehensive income for the year ended 31 December 2015 (2014: Nil).

All properties under development are situated in Mainland China and were held under long term leases as at 31 December 2015 and 2014.

24. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	912,410	1,329,720
Impairment	(11,098)	(28,963)
Trade receivables, net	901,312	1,300,757
Bills receivable	19,831	41,911
	921,143	1,342,668

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2015 RMB'000	2014 RMB'000
Within 60 days	351,437	676,460
61 to 90 days	43,034	108,877
91 to 180 days	85,475	151,551
181 to 365 days	203,946	126,577
1 to 2 years	162,347	196,833
2 to 3 years	33,893	26,153
Over 3 years	21,180	14,306
	901,312	1,300,757

The movements in the provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	28,963	6,395
Impairment losses recognised	1,166	22,743
Acquisition of a subsidiary	–	56
Impairment losses reversed	(19,031)	(231)
At 31 December	11,098	28,963

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB11,098,000 (2014: RMB28,963,000) with a carrying amount before provision of RMB11,098,000 (2014: RMB28,963,000).

24. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of trade receivables that are not considered to be impaired is as follows:

	2015	2014
	RMB'000	RMB'000
Neither past due nor impaired	602,919	978,344
Past due but not impaired		
1 to 180 days	149,953	174,494
181 to 365 days	100,767	78,400
Over 365 days	47,673	69,519
	901,312	1,300,757

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default. These customers who trade on credit terms are subject to credit verification procedures.

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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Prepayments	552,601	126,593
Deposits and other receivables	203,331	284,981
Tax recoverable	194,423	235,343
Current portion of land lease payments (note 17)	24,182	22,766
	974,537	669,683
Less: Impairment of deposits and other receivables	(23,752)	(21,339)
	950,785	648,344

The movements in the provision for impairment of deposits and other receivables are as follows:

	2015	2014
	RMB'000	RMB'000
At 1 January	21,339	453
Impairment losses recognised (note 9)	2,413	20,884
Acquisition of a subsidiary	-	2
At 31 December	23,752	21,339

As at 31 December 2015, the net balance of deposits and other receivables was neither past due nor impaired. Financial assets included in the above balance relate to receivables for which there was no recent history of default.

26. INVESTMENT DEPOSITS

	2015 RMB'000	2014 RMB'000
Investment deposits, with licensed banks in Mainland China, at amortised cost	–	26,000

Investment deposits as at 31 December 2014 represented investments in financial products purchased from licensed banks in Mainland China, at a consideration of RMB26,000,000. The investment deposits were classified by the Group as loans and receivables and measured at amortised cost. The principals of the investment deposits were guaranteed by licensed banks in Mainland China. The investment deposits bore variable interest return rates and had expected interest return rates in the range of 2.3% to 2.8% per annum and matured in January 2015.

27. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	Notes	2015 RMB'000	2014 RMB'000
Cash and bank balances		286,135	637,577
Pledged deposits	(a)	850,349	478,505
		1,136,484	1,116,082
Less:			
Pledged deposits			
– Pledged for long-term bank loans	29(c)	(491,150)	(90,800)
– Pledged for bank acceptance notes		(256,486)	(190,002)
– Pledged for letters of guarantee		(102,713)	(197,703)
Cash and cash equivalents	(b)	286,135	637,577

Notes:

- (a) The Group's pledged deposits were used as security for issuing bank acceptance notes to suppliers, letters of guarantee to customers and long term bank loans.
- (b) As at 31 December 2015, the Group's cash and cash equivalents denominated in RMB amounted to RMB246,391,000 (2014: RMB380,404,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange 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. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE AND BILLS PAYABLES

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

	2015 RMB'000	2014 RMB'000
Within 90 days	353,210	280,708
91 to 180 days	60,472	48,837
181 to 365 days	92,767	16,543
1 to 2 years	33,059	16,806
2 to 3 years	16,041	8,576
Over 3 years	9,676	3,070
	565,225	374,540
Bills payable	496,860	548,011
	1,062,085	922,551

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

All the bills payable have maturity dates within 180 days.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Finance lease payables (note 30)	4.61~8.43	2016	72,631	6.66~6.87	2015	72,539
Bank loans						
– secured	2.07~7.59	2016	393,060	2.07~7.59	2015	224,833
– unsecured	2.30~7.59	2016	1,232,162	2.30~7.59	2015	1,360,017
Government loans						
– unsecured	4.20~6.33	2016	99,500	4.20	2015	218,000
Current portion of long term loans						
– secured	2.34~7.04	2016	674,839	2.07~7.59	2015	382,680
– unsecured	6.15~7.04	2016	381,054	2.30~7.59	2015	572,095
			2,853,246			2,830,164
Non-current						
Finance lease payables (note 30)	4.61~8.43	2017~2020	235,541	6.66	2016~2019	148,901
Bank loans						
– secured	2.07~6.40	2017~2028	566,767	6.40~7.59	2016~2028	918,339
– unsecured	1.85~6.15	2017~2020	1,502,173	2.50~6.15	2016	1,122,298
Government loans						
– secured	4.90~5.40	2023	410,000			–
– unsecured	5.50	2017	200,000	4.20	2016	129,500
			2,914,481			2,319,038
			5,767,727			5,149,202

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	2,681,115	2,539,625
In the second year	1,354,970	1,503,352
In the third to fifth years, inclusive	565,970	389,285
Beyond five years	148,000	148,000
	4,750,055	4,580,262
Government loans repayable:		
Within one year	99,500	218,000
In the second year	200,000	129,500
Beyond five years	410,000	–
	709,500	347,500
Finance lease repayable:		
Within one year	72,631	72,539
In the second year	89,948	41,505
In the third to fifth years, inclusive	145,593	107,396
	308,172	221,440
	5,767,727	5,149,202

Certain of the Group's bank loans are secured by:

- (a) certain property, plant and equipment of the Group with a net carrying amount of approximately RMB582,846,000 (2014: RMB278,969,000) as at the end of the reporting period;
- (b) certain leasehold lands of the Group with a net carrying amount of approximately RMB650,234,000 (2014: RMB500,049,000) as at the end of the reporting period; and
- (c) certain of the Group's time deposits amounting to RMB491,150,000 (2014: RMB90,800,000) as at the end of the reporting period.

In addition, the Company has guaranteed certain of the Group's bank loans up to RMB1,369,000,000 (2014: RMB2,249,650,000) as at the end of the reporting period.

Except for the bank loans of RMB236,803,000 (2014: RMB446,844,000) and RMB2,194,929,000 (2014: RMB1,725,821,000) as at 31 December 2015, which are denominated in Hong Kong dollars and United States dollars, respectively, all borrowings are in RMB.

The Group had the following undrawn banking facilities:

	2015 RMB'000	2014 RMB'000
Floating rate		
– expiring within one year	1,365,867	5,740,163

30. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its steel pipe manufacturing business. These leases are classified as finance leases and have remaining lease terms ranging from 34 to 59 months.

On 21 April 2014, PCKSP entered into an equipment transfer contract and a finance lease contract (collectively the "2014 finance lease arrangement") with CDB Leasing Co., Ltd. ("國銀金融租賃有限公司") (the "Lessor"). Pursuant to the 2014 finance lease arrangement, PCKSP sold the equipment to the Lessor, and the Lessor leased back the equipment to PCKSP for a period of 60 months. The aggregate consideration was RMB200 million, and PCKSP paid a guarantee deposit of RMB26 million and a service charge of RMB10 million to the Lessor. According to the 2014 finance lease agreement, if no default occurs during the lease term, the ownership of the equipment shall be automatically transferred to the Group at a price of RMB100 upon expiration of the lease term.

On 23 November 2015, Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. entered into an equipment transfer contract and a finance lease contract (collectively the "Zhuhai finance lease arrangement") with Hengqin Jintou Financial Leasing Co., Ltd. ("橫琴金投國際融資租賃有限公司") (the "Lessor"). Pursuant to the Zhuhai finance lease arrangement, PCKSP (Zhuhai) sold the equipment to the Lessor, and the Lessor leased back the equipment to PCKSP (Zhuhai) for a period of 36 months. The aggregate consideration was RMB100 million, and PCKSP (Zhuhai) paid a guarantee deposit of RMB6 million and a service charge of RMB5.4 million to the Lessor. According to the Zhuhai finance lease agreement, if no default occurs during the lease term, the ownership of the equipment shall be automatically transferred to the Group at a price of RMB100 upon expiration of the lease term.

On 21 December 2015, PCKSP entered into an equipment transfer contract and a finance lease contract (collectively the "2015 finance lease arrangement") with KW Leasing Co., Ltd. ("金沃國際融資租賃有限公司") (the "Lessor"). Pursuant to the 2015 finance lease arrangement, PCKSP sold the equipment to the Lessor, and the Lessor leased back the equipment to PCKSP for a period of 60 months. The aggregate consideration was RMB60 million, and PCKSP paid a guarantee deposit of RMB6 million and a service charge of RMB3.5 million to the Lessor. According to the 2015 finance lease agreement, if no default occurs during the lease term, the ownership of the equipment shall be automatically transferred to the Group at a price of RMB100 upon expiration of the lease term.

Rent is calculated on the leasing cost and the lease rate which was decided based on the interest rate for a one-to-five-year loan designated in RMB quoted by the People's Bank of China ("PBOC").

At 31 December 2015, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2015 RMB'000	Minimum lease payments 2014 RMB'000	Present value of minimum lease payments 2015 RMB'000	Present value of minimum lease payments 2014 RMB'000
Amounts payable:				
Within one year	90,868	86,204	72,631	72,539
In the second year	103,129	48,077	89,948	41,505
In the third to fifth years, inclusive	154,941	118,338	145,593	107,396
Total minimum finance lease payments	348,938	252,619	308,172	221,440
Future finance charges	(40,766)	(31,179)		
Total net finance lease payables	308,172	221,440		
Portion classified as current liabilities (note 29)	(72,631)	(72,539)		
Non-current portion (note 29)	235,541	148,901		

31. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Deposits received and receipts in advance	294,803	268,931
Other payables*	237,154	236,724
Payroll payables	26,241	25,577
Accruals and other liabilities	20,333	50,499
Other tax payables	12,078	34,617
	590,609	616,348

* Other payables are non-interest-bearing and have an average term of two to three months.

32. PROVISION

	Legal proceedings RMB'000
At 1 January 2015	29,960
Additional provision	4,470
Utilised during the year	(10,082)
At 31 December 2015	24,348

Two subsidiaries of the Group are currently defendants in lawsuits brought by a third party alleging that the subsidiaries breached and repudiated certain counter guarantee contracts. The claim is subject to the legal arbitration and is only expected to be finalised in late 2016. As at 31 December 2014, a provision of RMB29,960,000 (including related interest) was recognised in profit or loss based on the expected probable outcome as advised by the Group's legal counsel. As at the reporting date, the provision was re-assessed to be RMB24,348,000 (including related interest).

33. SHORT TERM NOTES

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

	2015 RMB'000	2014 RMB'000
The First Tranche Notes 2014 – 8.3% fixed rate notes maturing in June 2015 – unsecured	–	313,608

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

34. FIXED RATE BONDS

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

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

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

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

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

The bonds were issued for refinancing the existing debt and were for general corporate purposes. The net proceeds from the bonds after deducting issue expenses amounted to approximately RMB68,597,000.

2013 Bonds

	2015 RMB'000	2014 RMB'000
Carrying amount as at 1 January	434,632	431,453
Amortisation	1,915	1,569
Exchange realignment	26,418	1,610
Carrying amount as at 31 December	462,965	434,632

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

2014 Bonds

	2015 RMB'000	2014 RMB'000
Carrying amount as at 1 January	70,542	–
Newly issued	–	68,659
Issue expenses	–	(62)
Amortisation	3,613	2,377
Exchange realignment	4,531	(432)
Carrying amount as at 31 December	78,686	70,542

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

35. GOVERNMENT GRANTS

	2015 RMB'000	2014 RMB'000
At 1 January	112,728	106,345
Grants received during the year	104,470	118,484
Recognised as income during the year (note 7)	(11,323)	(112,101)
At 31 December	205,875	112,728

Government grants have been received as encouragement for technological innovation and improvements, the purchase of land premiums, the construction of production plants and awards for investment encouragement. There are no unfulfilled conditions or contingencies attached to these grants. Related assets associated with the above grants have not yet been completed.

36. ISSUED CAPITAL

	2015 RMB'000	2014 RMB'000
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary shares of HK\$0.10 each	878,335	878,335
Issued and fully paid:		
1,011,142,000 (2014: 1,011,142,000) ordinary shares of HK\$0.10 each	88,856	88,856

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

38. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Guarantees given to banks in connection with facilities granted to: a joint venture	215,888	–

As at 31 December 2015, the banking facilities guaranteed by the Group to a joint venture were utilized to the extent of approximately RMB172,710,000 (2014: Nil).

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms of two years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	–	282
In the second to fifth years, inclusive	–	165
	–	447

(b) As lessee

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

As at 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	3,071	5,507
In the second to fifth years, inclusive	6,723	3,101
After five years	5,255	6,106
	15,049	14,714

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Land and buildings	167,129	593,983
Plant and machinery	60,770	128,249
	227,899	722,232
Contracted, but not provided for:		
Capital contributions payable for establishment of a joint venture	106,486	102,377
	334,385	824,609

At the end of the reporting period, the Company did not have any significant commitments.

41. RELATED PARTY TRANSACTIONS

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

Name of party	Relationship
Guangzhou City Pearl River Machine Tool Works Co., Ltd. ("GZMT") 廣州市珠江機床廠有限公司	GZMT is a company of which Mr. Chen Chang is the ultimate equity owner.
Al-Qahtani PCK Pipe Company	Al-Qahtani PCK Pipe Company is a joint venture of the Group.

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

Name of party	Nature of transaction	Notes	2015 RMB'000	2014 RMB'000
GZMT	Purchases of spare parts	(i)	7,675	7,765
Al-Qahtani PCK Pipe Company	Sales of plant and machinery	(ii)	2,048	140,050

Notes:

- (i) These purchases were made at prices based on agreements entered into between the parties.
- (ii) This transaction was carried out after negotiations between the Group and the joint venture in the ordinary course of business and on the basis of estimated market value as determined by the directors.

41. RELATED PARTY TRANSACTIONS (continued)

- (b) Other transactions with related parties:

During the year, the Group provided guarantees to Al-Qahtani PCK Pipe Company for its bank facilities amounting to RMB215,888,000 as at 31 December 2015 (2014: Nil).

- (c) Outstanding balance with a related party:

The Group had an outstanding balance due from a joint venture of Nil (2014: RMB140,050,000) as at the end of the reporting period. This balance was unsecured, interest-free.

- (d) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	9,510	9,652
Retirement benefit scheme contributions	190	197
Total compensation paid to key management personnel	9,700	9,849

Further details of directors' emoluments are included in note 10 to the financial statements.

The related party transactions in respect of purchases of spare parts above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2015

	Loans and receivables RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	800	800
Financial assets included in long term prepayments and deposits (note 16)	38,000	–	38,000
Trade and bills receivables (note 24)	921,143	–	921,143
Financial assets included in prepayments, deposits and other receivables (note 25)	203,331	–	203,331
Pledged deposits (note 27)	850,349	–	850,349
Cash and bank balances (note 27)	286,135	–	286,135
	2,298,958	800	2,299,758

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**Financial assets (continued)****2014**

	Loans and receivables RMB'000
Financial assets included in long term prepayments and deposits (note 16)	26,644
Trade and bills receivables (note 24)	1,342,668
Financial assets included in prepayments, deposits and other receivables (note 25)	284,981
Investment deposits	26,000
Pledged deposits (note 27)	478,505
Cash and bank balances (note 27)	637,577
	2,796,375

Financial liabilities

	Financial liabilities at amortised cost	
	2015 RMB'000	2014 RMB'000
Trade and bills payables (note 28)	1,062,085	922,551
Financial liabilities included in other payables and accruals (note 31)	237,154	236,724
Interest-bearing bank and other borrowings (note 29)	5,767,727	5,149,202
Fixed rate bonds (note 34)	541,651	505,174
Short term notes (note 33)	–	313,608
	7,608,617	7,127,259

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, investment deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, short term notes and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the financial assets and liabilities included in long term prepayments and deposits, the non-current portion of pledged deposits, available-for-sale investments, interest-bearing bank and other borrowings and fixed rate bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, interest-bearing bank and other borrowings, and fixed rate bonds as at 31 December 2015 was assessed to be insignificant. The carrying amounts of these financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2015 and 31 December 2014.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Group did not have any financial asset or financial liability measured at fair value as at 31 December 2015 (2014: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, fixed rate bonds, cash and short term deposits. The main purpose of these financial instruments is to raise finance 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 interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans and government loans with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing loans, cash and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the statement of profit or loss as earned/incurred.

Management does not anticipate any significant impact resulting from the changes in interest rates because most of the Group's loans as at the end of the reporting period were at fixed interest rates which have no significant impact on cash flow interest rate risk.

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the consolidated operating results would decrease/increase by approximately RMB14.2 million (2014: RMB16.2 million), and there would be no impact on other components of the consolidated equity, except for retained profits, of the Group.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(b) Foreign currency risk**

The Group has transactional currency exposures. These exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 53% (2014: 51%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the United States ("US") dollar exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax.

Effect on profit/(loss) before tax

	2015 RMB'000	2014 RMB'000
Increase in the US dollar rate of 3%	(83,140)	(48,871)
Decrease in the US dollar rate of 3%	83,140	48,871

(c) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposited with state-owned banks in Mainland China.

The carrying amounts of trade and other receivables, investment deposits and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the Group's trade receivables are widely dispersed among different customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24.

(d) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several banks of up to an amount of RMB3,025 million as at 31 December 2015, of which an amount of approximately RMB1,659 million has been utilised.

44. 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 the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2015			Total RMB'000
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	
Trade and bills payables	–	1,062,085	–	1,062,085
Other payables	–	237,154	–	237,154
Interest-bearing bank and other borrowings	–	3,060,282	3,418,228	6,478,510
Fixed rate bonds	–	–	541,651	541,651
	–	4,359,521	3,959,879	8,319,400

	31 December 2014			Total RMB'000
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	
Trade and bills payables	–	922,551	–	922,551
Other payables	–	236,724	–	236,724
Interest-bearing bank and other borrowings	–	3,016,000	2,634,117	5,650,117
Fixed rate bonds	–	–	505,174	505,174
Short term notes	–	313,608	–	313,608
	–	4,488,883	3,139,291	7,628,174

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital using a gearing ratio, which is total debts, which are defined to include payables incurred not in the ordinary course of business, divided by total assets. Total debts include interest-bearing bank and other borrowings, short term notes and fixed rate bonds. The gearing ratios as at the end of the reporting periods are as follows:

	2015 RMB'000	2014 RMB'000
Interest-bearing bank and other borrowings (note 29)	5,767,727	5,149,202
Fixed rate bonds (note 34)	541,651	505,174
Short term notes (note 33)	–	313,608
Total debts	6,309,378	5,967,984
Total assets	12,073,365	11,461,608
Gearing ratio	52.3%	52.1%

45. COMPARATIVE AMOUNTS

As further explained in note 3.1 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,778,636	1,778,636
Total non-current assets	1,778,636	1,778,636
CURRENT ASSETS		
Prepayments, deposits and other receivables	832	746
Due from subsidiaries	1,180,893	1,147,451
Cash and bank balances	87	106
Total current assets	1,181,812	1,148,303
CURRENT LIABILITIES		
Other payables and accruals	5,121	4,848
Total current liabilities	5,121	4,848
NET CURRENT ASSETS	1,176,691	1,143,455
TOTAL ASSETS LESS CURRENT LIABILITIES	2,955,327	2,922,091
NON-CURRENT LIABILITIES		
Fixed rate bonds	541,651	505,174
Total non-current liabilities	541,651	505,174
Net assets	2,413,676	2,416,917
EQUITY		
Issued capital	88,856	88,856
Reserves (note)	2,324,820	2,328,061
Total equity	2,413,676	2,416,917

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2014	824,219	1,712,731	(73,534)	(93,809)	2,369,607
Total comprehensive income/(loss) for the year	-	-	(44,021)	2,475	(41,546)
At 31 December 2014 and 1 January 2015	824,219	1,712,731	(117,555)	(91,334)	2,328,061
Total comprehensive income/(loss) for the year	-	-	(41,027)	37,786	(3,241)
At 31 December 2015	824,219	1,712,731	(158,582)	(53,548)	2,324,820

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.

FIVE-YEAR FINANCIAL SUMMARY

31 December 2015

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years prepared on the basis set out in the note below is as follows:

Results

	2015 RMB'000	Year ended 31 December			
		2014 RMB'000	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000
Revenue	2,539,178	2,679,188	2,027,057	3,925,995	3,376,865
Cost of sales	(2,131,965)	(2,367,575)	(1,714,113)	(3,259,406)	(2,866,517)
Gross profit	407,213	311,613	312,944	666,589	510,348
Fair value gains on investment properties	627,882	99,587	196,501	1,302	–
Other income and gains	29,221	125,840	222,098	102,840	68,972
Selling and distribution expenses	(171,695)	(139,232)	(131,511)	(88,493)	(71,023)
Administrative expenses	(439,991)	(453,637)	(337,537)	(217,240)	(165,925)
Other expenses	(17,469)	(38,156)	(6,518)	(5,566)	(3,087)
Exchange gain/(loss), net	(53,558)	1,850	–	–	5,413
Finance costs	(237,111)	(260,365)	(173,777)	(77,361)	(65,196)
Share of a loss of a joint venture	(582)	(263)	(299)	–	–
Profit/(loss) before tax	143,910	(352,763)	81,901	382,071	279,502
Income tax expense	(118,399)	(5,914)	(40,430)	(70,861)	(48,775)
Profit/(loss) for the year	25,511	(358,677)	41,471	311,210	230,727
Other comprehensive income/(loss) for the year, net of tax	(94,725)	(2,189)	1,175,934	(722)	(2,578)
Total comprehensive income/(loss) for the year	(69,214)	(360,866)	1,217,405	310,488	228,149
Earnings/(loss) per share (RMB) – basic and diluted	0.02	(0.36)	0.04	0.31	0.23

Assets and Liabilities

	2015 RMB'000	31 December			
		2014 RMB'000	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000
Non-current assets	7,872,635	7,429,301	6,320,686	2,951,047	1,945,542
Current assets	4,200,730	4,032,307	4,653,455	3,834,141	3,485,175
Current liabilities	(4,594,486)	(4,778,993)	(4,221,202)	(2,586,061)	(2,464,354)
Non-current liabilities	(4,278,977)	(3,413,499)	(3,133,870)	(1,735,152)	(768,707)
Total Equity	3,199,902	3,269,116	3,619,069	2,463,975	2,197,656