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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1080)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 AND CHANGE OF COMPOSITION OF THE BOARD COMMITTEES

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB3,125,278,000, representing an increase of approximately RMB1,171,318,000 when compared to 2015.
- Gross profit margin was approximately 3.4%, representing an increase of approximately 1.4 percentage points when compared to 2015.
- The loss for the year attributable to owners of the Company amounted to approximately RMB210,493,000, representing a decrease of approximately RMB91,637,000 when compared to 2015.
- Basic loss per share attributable to owners of the Company was approximately RMB6.74 cents, representing a decrease of approximately RMB4.33 cents when compared to 2015.

CHANGE OF COMPOSITION OF THE BOARD COMMITTEES

The Board hereby announces the following changes with effect from 25 March 2017:

1. Mr. Ji Rongdi (alias Jee Rongdee), the chairman of the Board and an executive Director, ceased to act as the chairman and a member of the nomination committee of the Company and was appointed as a member of the remuneration committee of the Company;
2. Mr. Qiao Jianmin, an independent non-executive Director, was appointed as the chairman and a member of the nomination committee of the Company; and
3. Mr. Zhang Bizhuang, an executive Director and the chief executive officer of the Company, ceased to act as a member of the remuneration committee of the Company.

The board (the "Board") of directors (the "Directors") of Shengli Oil & Gas Pipe Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year under Review") prepared in accordance with the International Financial Reporting Standards together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
REVENUE	5	**3,125,278**	1,953,960
Cost of sales and services		**(3,017,488)**	(1,915,857)
Gross profit		**107,790**	38,103
Other income and gains	5	**24,656**	46,971
Selling and distribution costs		**(37,239)**	(33,706)
Administrative expenses		**(213,684)**	(299,925)
Other expenses		**(6,183)**	(2,562)
Share of results of:			
Joint ventures		**(9,015)**	(11,596)
An associate		**(12,414)**	9
Impairment loss recognised		**(76,698)**	(24,577)
Finance costs	6	**(41,945)**	(58,119)
LOSS BEFORE TAX	7	**(264,732)**	(345,402)
Income tax credit/(expense)	8	**9,923**	(8,528)
LOSS FOR THE YEAR		**(254,809)**	(353,930)
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**23,039**	8,828
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(231,770)**	(345,102)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(210,493)**	(302,130)
Non-controlling interests		**(44,316)**	(51,800)
		(254,809)	(353,930)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(187,454)**	(293,302)
Non-controlling interests		**(44,316)**	(51,800)
		(231,770)	(345,102)
LOSS PER SHARE *(RMB cents)*	9		
— Basic		**(6.74)**	(11.07)
— Diluted		**(6.74)**	(11.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**922,711**	1,036,606
Prepaid land lease payments		**162,713**	167,824
Goodwill		**2,525**	2,525
Deposits paid for acquisition of investments		**197,505**	152,655
Investment in joint ventures	11	**5,647**	17,934
Investment in an associate	12	**36,356**	48,770
Other assets		**—**	827
Deferred tax assets		**26,788**	16,116
		1,354,245	1,443,257
CURRENT ASSETS			
Inventories		**196,158**	158,949
Trade and bills receivables	13	**982,103**	775,914
Prepayments, deposits and other receivables	14	**504,699**	461,794
Prepaid land lease payments		**3,769**	3,767
Pledged deposits		**18,398**	207,589
Cash and cash equivalents		**228,350**	393,881
		1,933,477	2,001,894
CURRENT LIABILITIES			
Trade and bills payables	15	**345,080**	310,222
Other payables and accruals	16	**172,205**	149,699
Borrowings	17	**946,500**	1,044,536
Tax payable		**19,397**	18,202
Deferred income		**854**	854
		1,484,036	1,523,513
NET CURRENT ASSETS		**449,441**	478,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,803,686**	1,921,638

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**6,463**	7,317
Borrowings	17	**27,500**	55,000
Deferred tax liabilities		**359**	376
		34,322	62,693
NET ASSETS		**1,769,364**	1,858,945
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**283,911**	238,438
Reserves		**1,336,891**	1,427,629
		1,620,802	1,666,067
Non-controlling interests		**148,562**	192,878
Total equity		**1,769,364**	1,858,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 3 July 2009. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal places of business of the Company in Hong Kong and the People's Republic of China (the "PRC") are located at Room 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, Zhongbu Town, Zhangdian District, Zibo City, Shandong Province 255082, the PRC, and 8 Binjiang Road, Gaoxin District, Xiangtan City, Hunan Province 411101, the PRC, respectively.

The Company acts as an investment holding company. The principal activities of its subsidiaries are the manufacture, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications and trading of commodity.

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

2. BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2016, the Group has two (2015: two) reportable segments which comprise pipes business and trading business. The pipes business segment produces submerged-arc helical welded pipes, submerged-arc longitudinal welded pipe and cold-formed section steel which are mainly used for the oil and infrastructure industry ("Pipes Business"). The trading business mainly involve trading of electrolytic copper, aluminum ingot, aluminum oxide, nickel and polyethylene. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

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

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

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

Segment results represent the profit earned by each segment without allocation of interest income, finance costs, impairment loss recognised on investment in a joint venture, impairment loss recognised on goodwill, impairment loss recognised on available-for-sale investment, impairment loss recognised on advance to a joint venture and central administration costs including directors' fees, share-based payments, foreign currency exchange gains/losses, share of results of joint ventures and an associate and items not directly related to the core business of the segments.

Segment revenue and results

For the year ended 31 December 2016

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Sales to external customers	**748,380**	**2,376,898**	**—**	**3,125,278**
Intersegment sales	**13,155**	**—**	**(13,155)**	**—**
Total revenue	**761,535**	**2,376,898**	**(13,155)**	**3,125,278**
Segment results	**(118,478)**	**(208)**		**(118,686)**
Interest income				**7,293**
Impairment loss recognised on investment in a joint venture				**(3,270)**
Impairment loss recognised on advance to a joint venture				**(48,224)**
Unallocated expenses				**(59,900)**
Finance costs				**(41,945)**
Loss before tax				**(264,732)**

For the year ended 31 December 2015

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Sales to external customers	431,682	1,522,278	—	1,953,960
Intersegment sales	13,454	—	(13,454)	—
Total revenue	445,136	1,522,278	(13,454)	1,953,960
Segment results	(236,780)	(7,627)		(244,407)
Interest income				14,485
Impairment loss recognised on goodwill				(7,385)
Impairment loss recognised on available-for-sale investment				(11,428)
Impairment loss recognised on advance to a joint venture				(1,286)
Unallocated expenses				(37,262)
Finance costs				(58,119)
Loss before tax				(345,402)

Segment assets

As at 31 December 2016

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment assets	**2,106,021**	**667,336**	**—**	**2,773,357**
Unallocated assets				**514,365**
Total consolidated assets				**3,287,722**

As at 31 December 2015

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment assets	2,016,026	575,743	—	2,591,769
Unallocated assets				853,382
Total consolidated assets				3,445,151

Segment liabilities

As at 31 December 2016

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment liabilities	**343,397**	**177,851**	**—**	**521,248**
Unallocated liabilities				**997,110**
Total consolidated liabilities				**1,518,358**

As at 31 December 2015

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment liabilities	240,598	224,944	—	465,542
Unallocated liabilities				1,120,664
Total consolidated liabilities				1,586,206

Other segment information

2016

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Share of results of:				
Joint ventures	—	—	(9,015)	(9,015)
An associate	—	—	(12,414)	(12,414)
Write down of inventories	3,034	—	—	3,034
(Reversal of allowance)/allowance for trade receivables	(13,557)	7,042	—	(6,515)
Impairment loss recognised on other receivables	2,431	—	—	2,431
Impairment loss recognised on advance to a joint venture	—	—	48,224	48,224
Depreciation and amortisation	125,323	310	128	125,761
Investment in joint ventures	—	—	5,647	5,647
Investment in an associate	—	—	36,356	36,356
Capital expenditure	30,921	2	—	30,923

2015

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Share of results of:				
Joint ventures	—	—	(11,596)	(11,596)
An associate	—	—	9	9
Write down of inventories	35,285	—	—	35,285
Allowance for trade receivables	79,230	29,417	—	108,647
Impairment loss recognised on other receivables	4,478	—	—	4,478
Impairment loss recognised on advance to a joint venture	—	—	1,286	1,286
Depreciation and amortisation	120,793	309	116	121,218
Investment in joint ventures	—	—	17,934	17,934
Investment in an associate	—	—	48,770	48,770
Capital expenditure	48,201	6	10	48,217

Geographical information

(a) *Revenue from external customers*

	For the year ended 31 December	
	2016 *RMB'000*	2015 *RMB'000*
Mainland China	**3,111,538**	1,942,967
Other countries	**13,740**	10,993
	3,125,278	1,953,960

In presenting the geographical information, revenue is based on the locations of the customers.

(b) Non-current assets

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Mainland China	**1,129,704**	1,274,110
Hong Kong	**197,753**	153,031
	1,327,457	1,427,141

The non-current asset information above is based on the location of assets and excludes deferred tax assets.

Information about major customers

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

		2016	2015
	Segment	***RMB'000***	*RMB'000*
Customer A	Trading Business	**333,319**	358,530
Customer B	Trading Business	**325,739**	378,129
Customer C	Trading Business	**316,613**	373,217
Customer D	Trading Business	**—**	216,276
Customer E	Trading Business	**334,685**	196,126

5. REVENUE, OTHER INCOME AND GAINS

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sales of steel pipes	**673,798**	386,808
Trading business	**2,376,898**	1,522,278
Rendering of services related to pipes business	**74,582**	44,874
	3,125,278	1,953,960
Other income		
Interest income	**7,293**	14,485
Rental income	**6,525**	6,567
Penalty income *(note)*	**—**	15,084
Others	**1,943**	3,875
	15,761	40,011
Other gains		
Gain on sales of materials	**7,192**	4,415
Exchange gains, net	**—**	1,091
Gain on disposal of property, plant and equipment, net	**66**	89
Others	**1,637**	1,365
	8,895	6,960
	24,656	46,971

Note:

On 28 April 2014, Shandong Shengli Steel Pipe Co., Ltd.[#] ("Shandong Shengli Steel Pipe") (山東勝利鋼管有限公司), a PRC subsidiary of the Company, entered into the sale and purchase agreement (the "Agreement") with Mr. Li Zifeng and Beijing Golden Fortune Investment Co., Ltd.[#] ("Golden Fortune") (北京慧基泰展投資有限公司), pursuant to which the Group has conditionally agreed to sell and Mr. Li Zifeng has conditionally agreed to purchase the equity interest of Golden Fortune for the consideration of RMB350 million. Pursuant to a supplemental agreement in 2015, it was agreed that the damages incurred up to the date of the supplemental agreement payable by Mr. Li Zifeng for his failure to pay the unsettled amount of the consideration to Shandong Shengli Steel Pipe as scheduled under the Agreement amounts to RMB15,084,000.

The English name is for identification only

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest of borrowings	**41,945**	58,119

7. LOSS BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold*	**2,965,588**	1,885,952
Cost of services	**51,900**	29,905
Employees benefits expenses (including directors' remuneration):		
Wages, salaries and bonus	**63,692**	60,241
Performance related bonus	**—**	—
Pension scheme contributions	**4,128**	6,228
Welfare and other expenses	**1,155**	11,324
Equity-settled share option expense	**14,865**	12,391
	83,840	90,184
Depreciation of property, plant and equipment	**122,023**	117,451
Amortisation of prepaid land lease payments	**3,738**	3,767
(Reversal of allowance)/allowance for trade receivables	**(6,515)**	108,647
Impairment loss recognised on goodwill	**—**	7,385
Impairment loss recognised on investment in a joint venture	**3,270**	—
Impairment loss recognised on available-for-sale investment	**—**	11,428
Impairment loss recognised on property, plant and equipment	**22,773**	—
Impairment loss recognised on advance to a joint venture	**48,224**	1,286
Impairment loss recognised on other receivables	**2,431**	4,478
Gain on disposal of property, plant and equipment, net	**(66)**	(89)
Operating lease payments	**8,372**	14,795
Exchange loss/(gains), net	**19,378**	(1,091)
Auditors' remuneration	**1,540**	1,407

* Included in the cost of inventories sold is an amount of RMB3,034,000 (2015: RMB35,285,000) related to the write down of inventories for the year ended 31 December 2016.

8. INCOME TAX CREDIT/(EXPENSE)

	2016	2015
	RMB'000	*RMB'000*
Current — PRC Enterprise Income Tax ("EIT")		
— Charge for the year	**662**	30
— Under-provision in prior years	**—**	67
Current — Hong Kong		
— Charge for the year	**104**	3,541
Current — PRC dividend withholding tax	**—**	27,000
Deferred tax	**(10,689)**	(22,110)
Income tax (credit)/expense	**(9,923)**	8,528

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

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

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

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

	2016	2015
	RMB'000	*RMB'000*
Loss before tax	**(264,732)**	(345,402)
Tax at the applicable tax rate of companies within the Group of 25% (2015: 25%)	**(66,183)**	(86,351)
Expenses not deductible for tax	**38,943**	53,091
Income not taxable for tax	**(33,644)**	(35,463)
Tax loss not recognised	**46,039**	49,142
Effect of different tax rates of subsidiaries	**(435)**	(1,855)
Profits and losses attributable to joint ventures and an associate	**5,357**	2,897
Under-provision in prior years	**—**	67
PRC dividend withholding tax	**—**	27,000
Tax at the Group's effective rate	**(9,923)**	8,528

Notes:

At the end of the reporting period the Group has unused tax losses of approximately RMB458,048,000 (2015: RMB361,002,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB70,168,000 (2015: RMB50,796,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB387,880,000 (2015: RMB310,206,000) due to the unpredictability of future profit streams. All tax losses will expire in 2021.

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

As at 31 December 2016 and 2015, the aggregate amounts of temporary differences associated with undistributed earnings of the subsidiaries in the Mainland China for which deferred tax liabilities have not been recognised were approximately RMB286,948,000 and RMB600,602,000, respectively. In the opinion of the Directors, it is not probable that its principal operating subsidiary, Shandong Shengli Steel Pipe will distribute such earnings in the foreseeable future.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB210,493,000 (2015: RMB302,130,000) and the weighted average number of 3,122,278,000 (2015: 2,728,638,000) ordinary shares in issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as there was no dilutive potential ordinary shares for the Company's outstanding options.

10. DIVIDEND

The Board of Directors has resolved not to declare a final dividend for the year ended 31 December 2016 (2015: Nil).

11. INVESTMENT IN JOINT VENTURES

	2016	2015
	RMB'000	*RMB'000*
Unlisted investments in the PRC:		
Share of net assets	**8,917**	17,934
Impairment losses	**(3,270)**	—
	5,647	17,934

Details of the Group's joint ventures at 31 December 2016 are as follows:

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

\# *The English name is for identification only*

(a) Shenzhen Taihe

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

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

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2016 and 2015, the Group's share of loss of Shenzhen Taihe were approximately RMB29,000 and RMB399,000, respectively.

(b) Dome (BVI)

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

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

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

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

Up to the end of the reporting period, the Group has invested approximately RMB37,599,000 (2015: RMB37,599,000) to the JV Group. During the year ended 31 December 2016, the Group's share of loss of JV Group approximately of RMB8,986,000 (2015: RMB11,197,000).

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

Name	**Shenzhen Taihe**		**Dome (BVI)**	
	2016	2015	**2016**	2015
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC	**PRC/BVI**	PRC/BVI
Principal activities	**Equity investment, investment management, and investment consultation**		**Processing, manufacturing and distribution of dome integration houses**	
% of ownership interests/voting rights held by the Group	**90%/50%**	90%/50%	**40%/40%**	40%/40%
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 31 December:				
Non-current assets	**1,414**	1,425	**31,007**	38,066
Current assets	**5,857**	5,879	**148,407**	165,192
Current liabilities	**(3)**	(3)	**(173,474)**	(174,851)
Net assets	**7,268**	7,301	**5,940**	28,407
Group's share of net assets	**6,541**	6,571	**2,376**	11,363
Cash and cash equivalents included in current assets	**1,055**	1,076	**1,395**	1,327
Current financial liabilities (excluding trade and other payables and provision) included in current liabilities	**—**	—	**—**	—
Year ended 31 December:				
Revenue	**—**	—	**397**	487
Depreciation and amortisation	**11**	—	**—**	7,296
Interest income	**—**	3	**—**	—
Interest expense	**—**	—	**—**	—
Income tax expense	**—**	—	**—**	—
Loss from continuing operation	**(32)**	(443)	**(22,466)**	(27,994)
Loss after tax from discontinued operations	**—**	—	**—**	—
Other comprehensive income	**—**	—	**—**	—
Total comprehensive loss	**(32)**	(443)	**(22,466)**	(27,994)
Dividends received from joint ventures	**—**	—	**—**	—

As at 31 December 2016, the bank and cash balances of the Group' joint ventures in the PRC denominated in RMB amounted to approximately RMB2,450,000 (2015: RMB2,403,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

12. INVESTMENT IN AN ASSOCIATE

	2016	2015
	RMB'000	*RMB'000*
Unlisted investments in the PRC:		
Share of net assets	**36,356**	48,770

Particulars of the associate of the Group are as follows:

Company name	Place of incorporation/ operations	Registered paid-up capital	Percentage of equity interests attributable to the Group	Principal activities
Gaoqing Xian Minfu Microfinance Co., Ltd.# ("Minfu Microfinance") (高青縣民福小額貸款有限公司)	The PRC/ The PRC	RMB150,000,000	30%	Micro-financing and other financial advisory services

The English name is for identification only

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

	Minfu Microfinance	
	2016	*2015*
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC
Principal activities	**Micro-financing and other financial advisory services**	
% of ownership interests/voting rights held by the Group	**30%/30%**	30%/30%
	RMB'000	*RMB'000*
At 31 December:		
Non-current assets	**8,096**	14,342
Current assets	**113,848**	149,078
Current liabilities	**(758)**	(854)
Non-current liabilities	**—**	—
Net assets	**121,186**	162,566
Group's share of net assets	**36,356**	48,770
Year ended 31 December:		
Revenue	**441**	2,613
(Loss)/profit from continuing operations	**(41,380)**	28
(Loss)/profit after tax from discontinued operations	**—**	—
Other comprehensive income	**—**	—
Total comprehensive (loss)/income	**(41,380)**	28
Dividends received from the associate	**—**	—

As at 31 December 2016, the bank and cash balances of the Group' associate in the PRC denominated in RMB amounted to approximately RMB590,000 (2015: amounted to approximately RMB916,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

13. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,124,815**	918,558
Less: allowance for impairment of trade receivables	**(152,883)**	(159,077)
	971,932	759,481
Bills receivables	**10,171**	16,433
	982,103	775,914

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

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**833,662**	607,480
3 to 6 months	**65,224**	38,124
6 months to 1 year	**16,797**	46,749
1 to 2 years	**19,225**	47,302
Over 2 years	**37,024**	19,826
	971,932	759,481

Included in the trade receivables of RMB90,505,000 (2015: RMB115,086,000) are quality guarantee deposits receivable from customers.

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

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**854,876**	693,265
1 to 3 months past due	**45,903**	8,968
3 to 6 months past due	**22,429**	10,157
6 months to 1 year past due	**13,332**	7,903
1 year to 2 years past due	**4,200**	18,893
Over 2 years past due	**31,192**	20,295
	971,932	759,481

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

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

Reconciliation of allowance for trade receivables:

	2016	2015
	RMB'000	*RMB'000*
Balance at beginning of the year	**159,077**	50,430
(Reversal of allowance)/allowance for the year	**(6,515)**	108,647
Exchange differences	**321**	—
Balance at end of year	**152,883**	159,077

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2016	2015
	RMB'000	*RMB'000*
Advance to suppliers *(note a)*	**125,510**	65,892
Trade deposits paid to metal commodity suppliers *(note b)*	**170,100**	218,000
Advance to a joint venture *(note c)*	**25,516**	54,242
Loan to employees *(note d)*	**690**	690
Tender deposits to customers	**2,936**	3,402
Other tax receivables *(note e)*	**62,655**	68,375
Rent prepaid	**—**	3,834
Advances to entities *(note f)*	**3,717**	18,567
Advances to shareholders of an entities *(note g)*	**30,000**	—
Prepayment to metal commodity suppliers	**53,547**	—
Prepayment	**2,905**	2,920
Others	**27,123**	25,872
	504,699	461,794

Notes:

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

(b) These trade deposits were paid to metal commodity suppliers to secure trade payables of approximately RMB176,051,000 (2015: RMB224,353,000) as at the end of the reporting period. The deposits are interest-free and refundable within one year. These metal commodity suppliers are independent third parties of the Group.

(c) Included in the advance to a joint venture is a loan of RMB48,672,000 (2015: RMB34,664,000) which is unsecured, bears an interest rate of 3% per annum and repayable within one year. The remaining balance is unsecured, non-interest bearing and repayable within one year. An impairment loss of approximately RMB45,195,000 has been recognised during the year (2015: RMB1,286,000).

(d) Loan to employees are unsecured, bearing interests at 6% (2015: 6%) per annum and have no fixed repayment term.

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

(f) Included in the advances is a loan of RMB3,700,000 which is unsecured, interest bearing at 4.35% per annum and repayable within 1 year.

(g) Included in the advances is a loan of RMB30,000,000 which is secured by 20% of the equity interest in an entity, interest bearing at 4.35% per annum and repayable within 1 year.

15. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**340,418**	310,222
Bills payables	**4,662**	—
	345,080	310,222

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**303,336**	257,804
3 to 6 months	**24,517**	26,746
6 months to 1 year	**6,684**	6,759
1 to 2 years	**2,293**	15,859
over 2 years	**3,588**	3,054
	340,418	310,222

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

16. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Receipt in advances from customers	**80,182**	69,188
Payable on acquisition of property, plant and equipment	**56,136**	55,407
Security deposits received from employees	**710**	710
Other tax payables	**8,416**	3,067
Others	**26,761**	21,327
	172,205	149,699

17. BORROWINGS

		2016			2015		
	Notes	**Effective interest rate** *(%)*	**Maturity** *(year)*	***RMB'000***	Effective interest rate *(%)*	Maturity *(year)*	*RMB'000*
Bank loans — Unsecured		**4.35%–4.57%**	**2017**	**590,000**	4.95%–5.88%	2016	565,000
Bank loans — Secured	(a)	**—**	**—**	**—**	1.54%–6.50%	2016	272,036
Bank loans — Secured and guaranteed	(b)	**4.75%–4.79%**	**2017–2018**	**335,000**	5.06%–5.89%	2016	130,000
Bank loans — Guaranteed	(c)	**4.52%**	**2017**	**49,000**	4.78%–6.80%	2016–2018	132,500
				974,000			1,099,536

The borrowings are repayable as follows:

	RMB'000	*RMB'000*
On demand or within one year	**946,500**	1,044,536
In the second year	**27,500**	27,500
In the third to fifth years, inclusive	**—**	27,500
	974,000	1,099,536
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(946,500)**	(1,044,536)
Amount due for settlement after 12 months	**27,500**	55,000

Notes:

(a) The Group's bank loans were secured by pledge of bank deposits of RMB179,000,000 at 31 December 2015.

(b) The Group's bank loans were secured by pledge of certain of the Group's properties, plant and equipment amounting to RMB319,792,000 (2015: RMB323,575,000), prepaid land lease payments amounting to RMB19,126,000 (2015: Nil) and an amount of RMB147,400,000 (2015: RMB52,000,000) out of bank loans of RMB335,000,000 (2015: RMB130,000,000) were guaranteed by a non-controlling shareholder of a subsidiary.

(c) As at 31 December 2016, an amount of Nil (2015: RMB58,300,000) out of bank loans of RMB49,000,000 (2015: RMB132,500,000) were guaranteed by a non-controlling shareholder of a subsidiary.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders,

On behalf of the Company, I hereby present to you the audited results of the Group for the Year under Review.

In 2016, there were uncertainties in the factors affecting the growth prospects of the crude oil industry, as the global economy experienced a slowdown in growth with Brazil and Russia going into economic recession, while other markets were mostly dominated by sluggish sentiments. Nevertheless, 2016 was also the first year of the 13th Five-Year Plan ("13th FYP") for Economic and Social Development of the People's Republic of China. To facilitate systematic, healthy and sustainable stable growth of the oil and gas industry, the National Development and Reform Commission of the People's Republic of China ("NDRC") formulated the Planning for the Development of Petroleum during the 13th FYP (《石油發展「十三五」規劃》) ("Petroleum 13th FYP") and the Planning for the Development of Natural Gas during the 13th FYP (《天然氣發展「十三五」規劃》) ("Natural Gas 13th FYP"). The Group also seized this opportunity to adjust its marketing strategy and develop the new energy business market proactively, supported by costs and expenditures reduction as well as streamlining and reorganisation of business segments, so as to maintain its overall operational efficiency.

Vigorous development of domestic local markets with adjustment in marketing strategy

In view of austere market conditions underpinned by the underwhelming development of major pipeline projects by China National Petroleum Corporation ("CNPC") and China Petrochemical Corporation ("Sinopec"), as well as increasing protection for CNPC's internal markets, the Group took timely actions to conduct re-analysis in the market and adjust its marketing strategy. Instead of focusing on key national projects and addressing the local markets only to a lesser extent as we did in the past, we shifted our emphasis to domestic local markets with an aim to give full play to our strengths in brand name, quality, technology and equipment. As at 31 December 2016, the Group's outstanding orders amounted to approximately 35,000 tonnes, of which local markets accounted for 86.7%. Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("Shandong Shengli Steel Pipe"), the largest domestic subsidiary of the Group, signed up a number of new customers in Shandong Province and elsewhere, auguring well for ongoing efforts to develop these markets in 2017.

In the meantime, Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司) ("Hunan Shengli Steel Pipe"), another domestic subsidiary of the Group, completed network entry procedures in respect of the three leading petroleum companies, namely, CNPC, Sinopec and China National Offshore Oil Corporation ("CNOOC") (the "Three Barrels"), and became a qualified supplier for the Three Barrels. This qualification indicates its readiness to bid for national pipeline projects while also providing a solid foundation for developing local markets.

Focusing on technological research & development ("R&D") and equipment upgrade

Technology provides the driving force behind the development of an enterprise. The Group has placed a strong emphasis on investments in technologies and persisted in technological innovation over the years, as it believes that core technologies represent a crucial factor underpinning the competitiveness of a company.

During the Year under Review, Shandong Shengli Steel Pipe completed assessment organised by CNPC for the circumferential weld process for new welding materials to be used in West-East Gas Pipeline III (西氣東輸三線) in July 2016. In September, we also completed assessment for the circumferential weld process for new welding materials to be used in the fourth Shaanxi-Beijing Gas Pipeline Project (陝京四線輸氣管道工程) and the quality authentication test for X90-grade submerged-arc helical welded pipes ("SAWH pipes") organised by CNPC. Such efforts effectively reduced its purchase costs and also enhanced its product competitiveness. In addition, The R&D capabilities of the Group have been significantly enhanced after the testing laboratory of Hunan Shengli Steel Pipe was awarded the Certificate for Approved Laboratory by China National Accreditation Service for Conformity Assessment and became a national-grade R&D platform during the Year under Review.

Moreover, the technical personnel of the Group were actively engaged in technological R&D and equipment upgrade, as they completed 11 technological upgrades, including the domestic production of certain equipment in the pre-welding and precision-welding unit, while obtaining during the Year under Review four national utility model patents, namely "piston rod of lifting carrier roller in hydraulic press" (水壓機升降托輥導向桿), "automatic stabilising mechanism for inner welding arm of pre-welding and precision-welding" (預精焊內焊臂自動穩定機構), "gauge stick for size adjustment of immersion ultrasonic testing probes" (水浸法超聲波檢測探頭尺寸調節尺) and "self-positioning pipe welding aligning device" (自定位管道對焊對口器).

Production efficiency enhanced by optimised allocation of job positions

To strengthen supervision, control, appraisal and management of subsidiaries, the Group reshuffled the business departments according to their functions in early 2016 and introduced more detailed provisions for internal control and risk management. An organizational structure and administrative regime with well-defined powers and duties, systematic operation and effective checks was formed to supervise the subsidiaries and procure them to optimise resource allocation for better production and operational efficiency.

Shandong Shengli Steel Pipe, the largest domestic subsidiary of the Group, improved its operating efficiency by optimising job allocation and streamlining headcount according to production procedures, staff mix and skill categories. For certain positions, a contract system was adopted to measure performance and determine remuneration on the basis of the actual volume of work done. This arrangement has effectively lowered labour costs, while staff motivation has been enhanced as income per capita has increased because of the reduction in headcount, resulting in positive benefits for both the enterprise and the employees.

Vigorous cost reduction through enhanced management of trade receivables and centralised procurement of raw materials

In a vigorous effort to achieve cost savings, the Group further strengthened its internal management for efficiency enhancement, while continuing to improve the competitiveness of its products. In early 2016, the Group formulated measures regulating the collection of trade receivables, providing for stringent supervision over the amounts of trade receivables to be collected, as well as the establishment of a dedicated business department comprising sales, legal and corporate management professionals to investigate and clear up overdue trade receivables in a centralized manner. Our turnover of cash flow was enhanced as the department procured timely collections following proactive communications and negotiations with customers through various means.

Furthermore, in order to lower production costs, the Group consolidated and centralised the procurement of raw materials from domestic sources, as opposed to the previous practice of each subsidiary conducting its own purchases. As prices typically go down with increasing volumes of purchase, the Group was able to enjoy greater discounts with bulk purchases. As a result, the Group reported further reductions in operating costs on lower prices for raw materials purchased following the adjustment of the procurement method.

Active development of innovative businesses in tandem with national planning

In view of the prospects of the pipe manufacturing industry and developments of investment projects in recent years, the Group was actively identifying projects in industries encouraged by the government in tandem with national industrial development planning, in addition to assuring stable development of its business in oil and gas pipeline products, with a view to the implementation of a prudent development strategy.

Established by the Group in Shanghai during the first half of 2016, Shanghai Shengguan New Energy Technology Co., Ltd* (上海勝管新能源科技有限公司) ("Shanghai Shengguan") is principally engaged in the new energy business and the bulk trading of fuel oil, chemical feedstock, oil products and related finished products.

In the new energy business, our centralised and distributed optical solar power generation projects were progressing in a systematic manner as planned. In connection with bulk trading, we commenced operations in fuel oil, chemical feedstock, oil products and related finished products during the second half of 2016. The commencement of this business will generate stable revenue and profit for the Group and also enhance the brand influence as a solid assurance for the Group's stable development.

Creating value for the long term by adjusting business mix

Looking to the future, the Group will continue to ensure stable operation of its pipes business. As one of China's largest oil and natural gas pipeline manufacturers, the Group has geared up to develop new markets and enhance its brand influence in view of the slackened progress of major pipeline projects. Meanwhile, in addition to launching the streamlining and reorganisation of business segments, we will continue to enhance the operation of the new energy business and the bulk trading business for fuel oil, chemical feedstock, oil products and related finished products, with a view to broadening our revenue stream to increase overall income.

Last but not least, I would like to take this opportunity to express gratitude to our shareholders and customers, as well as all members of our management and staff for their solidarity and commitment. The Group will continue to seize any opportunities arising and plan proactively to deliver long-term value to shareholders.

Zhang Bizhuang
Executive Director & Chief Executive Officer

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Global economic growth in 2016 was lacklustre given fluctuations in recovery in the wake of a deep correction. The global energy market was undergoing profound changes, as oil demand and supply in the Chinese as well as international markets were generally loose, while international oil prices remained volatile and depressed. In China, the economy was under the "New Normal" and comprehensive efforts to enhance structural reforms gave rise to new opportunities to the oil and gas pipeline industry. The oil and gas industry was expected to progress against the backdrop of reforms for low oil prices, as the 13th FYP provided a new starting point for the industry with new scenarios and challenges.

The segregation of "oil and gas trunk pipelines" from the Three Barrels, as announced in the "Opinion on Key Tasks in the Deepening of Economic Structural Reforms in 2016" (《關於2016年深化經濟體制改革重點工作的意見》) prepared by the NDRC and issued with the approval of the PRC State Council during the Year under Review, was set to be an important feature in the reform of the oil and gas industry. The aim of this reform was to turn the operation of pipelines into a completely independent and market-based business. Small and medium oil and gas companies would be able to engage in generally fair competition with the sizeable Three Barrels on strengths other than scale, to the benefit of the nation's oil and gas industry in the long run.

The project for Line 2 of the Sino-Russian Crude Oil Pipeline (中俄原油管道二線工程) ("Sino-Russian Line 2") commenced construction in August 2016. As at 25 November 2016, pipeline with a length of 425.76 kilometres had been taken into possession, while stock-taking had been completed in respect of 669.48 kilometres and welding had been completed for 268.53 kilometres. The building of Sino-Russian Line 2 represents an important measure to expedite the construction of a strategic energy access for the security of China's energy supply.

BUSINESS REVIEW

A review of developments in the industry in 2016 indicates that major pipeline projects from CNPC and Sinopec continued to underwhelm. To address difficulties facing the industry in general, the Group made timely moves to adjust its marketing strategy, stepping up with the development of local markets in an effort to increase its influence in such markets. There was a 24.8% increase in the total number of orders for local pipeline projects acquired by the Group during the Year under Review, as compared to last year.

As at 31 December 2016, the Group's production capacities for SAWH pipes and submerged-arc longitudinal welded pipes ("SAWL pipes") were 1.45 million tonnes per annum and 400,000 tonnes per annum, respectively, while its ancillary anti-corrosion production line had an annual production volume of 10.80 million square metres. Such capabilities have continued to enhance the Group's strengths in technology and production capacity as compared to its peers.

While assuring stable development of its oil and gas pipeline products, the Group was also engaged in vigorous efforts to commence the bulk trading business for fuel oil, chemical feedstock, oil products and related finished products, as well as the new energy business, in resource-based upstream sectors and emerging sectors encouraged by the government, with a view to realising the Group's strategy for sustainable, stable and healthy development.

Pipes Business

As one of the largest oil and gas pipeline manufacturers in the PRC boasting superior quality in products, excellent facilities, advanced processes and a comprehensive quality assurance system, the Group is focused on the design, manufacturing, anti-corrosion processing and servicing of pipes (including SAWH pipes and SAWL pipes) used for the transportation of crude oil, refined petroleum and natural gas. It is also one of the few domestic suppliers of large-diameter pipes capable of sustaining the high pressure in long-distance transportation.

As at 31 December 2016, pipes produced by the Group with a cumulative total length of approximately 27,200 kilometres were used in the world's oil and gas pipelines, of which 94.5% were installed in the PRC, while the remaining 5.5% were installed overseas.

During the Year under Review, SAWH pipes manufactured by the Group were used in: major national pipeline projects including Tianjin LNG Transportation Trunk Project (天津液化天然氣項目輸氣幹線工程), West-East Gas Pipeline III Zhongwei — Jingbian Connection Line (西氣東輸三線中衛 — 靖邊聯絡線工程), the fourth Shaanxi-Beijing Gas Pipeline Project (陝京四線輸氣管道工程), Sino-Russian Line 2 and Yizheng — Changling Dual Crude Oil Pipeline Project (Section II of Yizheng — Jiujiang Section) (儀征 — 長嶺原油管道複線儀征至九江段第二標段工程); major regional pipeline projects including Dongjiakou Port — Weifang — Central Shandong and Northern Shandong Oil Pipeline Project (董家口港 — 濰坊 — 魯中魯北輸油管道工程), Wantong Fossil Fuel Oil And Refined Oil Transportation Project in Dongying Port (東營港 — 萬通石化燃料油成品油輸油工程), Hohhot — Zhangjiakou — Yanqing Gas Pipeline Project (呼和浩特 — 張家口 — 延慶輸氣管道工程) and Zhangze Electric Insulation Pipeline Project in Huairen County, Shanxi (山西懷仁縣漳澤電力保溫管項目); as well as major anti-corrosion pipeline projects including Tianjin LNG Transportation Trunk Project (天津液化天然氣項目輸氣幹線工程), West-East Gas Pipeline III Zhongwei — Jingbian Connection Line (西氣東輸三線中衛 — 靖邊聯絡線工程), the fourth Shaanxi-Beijing Gas Pipeline Project (陝京四線輸氣管道工程) and Sino-Russian Line 2. SAWL pipes manufactured by the Group were used in the Tailings Transportation System Project in Pulang Copper Mine (普朗銅礦尾礦輸送系統工程), Taiyuan — Qingxu Gas Pipeline Project (太原 — 清徐輸氣管道工程), Wenchuan-Tibet Bridge Project (汶川至西藏公路大橋項目) and Wantong Fossil Fuel Oil And Refined Oil Transportation Project in Dongying Port (東營港 — 萬通石化燃料油成品油輸油工程).

For the year ended 31 December 2016, total revenue of the Group's pipes business amounted to approximately RMB748,380,000 (2015: approximately RMB431,682,000) and accounted for approximately 23.9% of the Group's total revenue, comprising: (1) revenue from the sale of SAWH pipes of approximately RMB560,711,000 (2015: approximately RMB362,605,000); (2) revenue from the sale of SAWL pipes of approximately RMB112,206,000 (2015: approximately RMB24,141,000); (3) revenue from the anti-corrosion processing business of approximately RMB74,582,000 (2015: approximately RMB44,874,000); and (4) revenue from the cold-formed section steel business of approximately RMB881,000 (2015: approximately RMB62,000) and derived wholly from the disposal of overstocked inventory.

Trading business

In order to capitalise on the business networks of its current customers and other existing resources, the Group established Shanghai Shengguan as a wholly-owned subsidiary in Shanghai during the first half of 2016, on top of its existing trading business. Specialised trading business teams were set up to be engaged in the bulk trading of fuel oil, chemical feedstock, oil products and related finished products which commanded a higher profit margin. Our domestic subsidiaries, including Shandong Shengli Steel Pipe, Shengli Steel Pipe (Dezhou) Co., Ltd.* (勝利鋼管（德州）有限公司) ("Dezhou Shengli Steel Pipe"), Zhonghai Shengguan Petrochemical (Dalian) Co., Ltd.* (中海勝管石油化工（大連）有限公司) ("Zhonghai Shengguan") and Hunan Shengli Steel Pipe, have also obtained qualifications for engaging in the trade of fuel oil and chemical products. Business models for bulk commodity trade developed by Shanghai Shengguan and Shandong Shengli Steel Pipe during the Year under Review following diligent research have provided important examples for other Group subsidiaries looking to commence this business in 2017.

For the year ended 31 December 2016, the total revenue of the Group's trading business amounted to approximately RMB2,376,898,000, accounting for approximately 76.1% of the Group's total revenue (2015: approximately RMB1,522,278,000).

New energy business

To ensure stability in income and avoid volatility risks associated with the pipes industry, the Group was engaged in vigorous effort to develop new businesses while assuring stable operations of oil and gas pipes, in tandem with its strategy of seeking sustainable, stable and healthy development. In this connection, Shanghai Shengguan was established by the Group during the first half of 2016 to engage in the new energy business. As of now, Shanghai Shengguan has started a solar energy project, which is currently progressing as scheduled.

FUTURE PROSPECTS

In December 2016, the NDRC announced the Petroleum 13th FYP and Natural Gas 13th FYP to further elaborate the previously announced Planning for Energy Development during the 13th FYP (《能源發展「十三五」規劃》). The planning indicates that, during the 13th FYP, the length of refined oil pipelines will increase by 57% from 21,000 kilometres to 33,000 kilometres, while the length of crude oil pipelines will increase by 18.5% from 27,000 kilometres to 32,000 kilometres, and the length of natural gas pipelines will increase by 62.5% from 64,000 kilometres to 104,000 kilometres. Improvements will be made to the four major import channels: the main initiative for the northwestern strategic corridor would be the construction of West-East Gas Pipeline III (mid-section), Pipeline IV and Pipeline V, as well as Line D of the Central Asia — China Gas Pipeline. For the northeastern strategic corridor, the focus would be on the construction of Sino-Russian Eastern Natural Gas Pipeline. For the southwestern strategic corridor, the primary task would be constructing branch lines of the China — Myanmar Natural Gas Pipeline for supplying Yunnan, Guizhou, Guangxi and Sichuan. For the offshore corridor, the construction of ancillary pipeline networks for LNG receiving stations will be expedited.

During the Year under Review, the NDRC granted official approval to the Xinjiang Coal-based Gas Transmission Pipeline Project (新疆煤制氣外輸管道工程項目) (the "Xinjiang Gas Pipeline", previously known as the Xinjiang — Guangdong — Zhejiang Pipeline) of Sinopec. The Xinjiang Gas Pipeline project involves mainly the construction of 1 trunk line and 6 branch lines with a total length of 8,400 kilometres. The Chinese section of the Sino-Russian Eastern Natural Gas Pipeline (中俄東線天然氣管道) starts at the Sino-Russian border in Heihe City, Heilongjiang Province and ends at Shanghai, with a planned total length of 3,170 kilometres. The Chinese section will be completed and commence gas transmission by the end of 2018. The Ordos — Anping — Cangzhou Gas Pipeline project (鄂爾多斯 — 安平 — 滄州輸氣管道工程) approved by the PRC Ministry of Environmental Protection in December 2016 comprises 1 trunk line, 5 branch lines and 2 uplink branch lines with a total length of 2,293 kilometres. The trunk line has a total length of 928 kilometres, a diameter of 1,219 millimetres, a designed pressure of 12 MPa and a designed transmission capacity of 30 billion cubic metres per year.

As one of the largest oil and natural gas pipeline manufacturers in China, the Group has participated in the construction of almost all long-distance oil and gas pipelines in China, including cross-border pipelines.

While seeking stable development of oil and gas pipeline products, the Group has been actively seeking new opportunities for partnerships. Greater effort will be made to expand the new energy business, with a main focus on providing one-stop integrated solutions which cover the joint development and construction of power station projects, asset management for owner's projects, operation of power stations and financial services to high-end customers of the new energy industry, as well as engaging in investments in green projects featuring low carbon concept. These initiatives aim at realising a reasonable centralised deployment and effective use of resources, maintaining the impetus for growth and strong profitability of the Group.

The Planning for Energy Development during the 13th FYP (《能源發展「十三五規劃」》) and the Planning for Renewable Energy Development during the 13th FYP (《可再生能源發展「十三五」規劃》) officially issued at the end of 2016 expressly indicate that, the 13th FYP will mark the conclusive stage of building a better-off society, and also serve as a propeller of energy reform. Via the concrete establishment and consistent implementation of the development philosophy of innovation, coordination, greening, openness and sharing, the energy reform will step forward with an emphasis on changing the methods of generating and utilising energy. The ultimate goal is to establish a low carbon modern energy system that is clean, safe and highly efficient, which will mark a major milestone on the history of energy reform.

On the national level, the installed wind power capacity in China will reach 210 million kilowatt or above, while the solar photovoltaic power capacity will reach 110 million kilowatt or above in 2020, the end of the 13th FYP. By that time, the utilisation of renewable energy will represent a reduction in carbon dioxide emission of approximately 1.4 billion tonnes, a reduction in sulphur dioxide emission of approximately 10 million tonnes, a reduction in nitrogen oxides emission of approximately 4.3 million tonnes, a reduction in smoke emission of approximately 5.8 million tonnes and a reduction in annual water use of approximately 3.8 billion cubic metres, with over 13 million job vacancies created. The new energy industry has achieved outstanding results in economic, environmental and social aspects, and will continue to uphold its advantages for future development.

On the international level, following the implementation of the "One Belt, One Road" initiative, the development of overseas market of the new energy business will be an upcoming trend. It is also mentioned repeatedly in the Planning for Energy Development during the 13th FYP (《能源發展「十三五」規劃》) and the Planning for Renewable Energy Development during the 13th FYP (《可再生能源發展「十三五」規劃》) that, the new energy industry of China should embrace the trend of economic globalisation and global energy transformation leveraging on its comparative advantages of the renewable energy industry. The "One Belt, One Road" initiative will foster the international development of the renewable energy industry chain and enhance the competitiveness of the renewable energy industry of China on the international stage, encouraging proactive participation in and facilitation of global energy transformation.

The integrated service of the new energy sector is based on the demand for the construction, operation and maintenance of new energy power stations and project withdrawal, as well as the demand for exporting new energy equipment in China to international markets. Most of the domestic and overseas enterprises in the new energy industry only provide some of these services. Accordingly, the Group has established a business philosophy and business model with a core focus on high-end integrated services, which will be bound to achieve robust growth as domestic and overseas demands increase.

The Group has been actively engaged in the bulk trading of fuel oil, chemical feedstock, oil products and related finished products based on its upstream customer resources and favourable geographical location, drawing on its experience in metal trading gained in recent years while utilising bank credit facilities available to its domestic subsidiaries, in a bid to broaden its revenue source and secure continuous and stable income. Business models for bulk commodity trade developed by Shanghai Shengguan and Shandong Shengli Steel Pipe during the Year under Review following diligent research have provided important examples for other Group subsidiaries looking to commence this business in 2017. This business is expected to become another major source of the Group's revenue and profit in 2017.

In addition, on 29 March 2015, the Group entered into an agreement through Gold Apple Holdings Limited to acquire 56% of the allotted and issued share capital of Blossom Time Group Limited. At present, detailed exploration and assessment have been completed and the mining license is pending final approval. For details, please refer to the announcement of the Group dated 24 January 2017.

The Group has streamlined its existing businesses and investment projects by reorganising, terminating and disposing of capital intensive business segments or companies with low profitability and intense market competition in a timely manner, thus enhancing its overall operational ability.

Looking to the future, the Group will continue to bring into play the strengths afforded by its production capacity, the advantageous geographic location of its subsidiaries and its pre-welding and precision-welding technologies, as it strives to seize business opportunities arising from the growth of pipes industry in the future to assure stability in income. Meanwhile, the Group will continue to commit strong efforts to the development of novel businesses, such as the new energy business, in a bid to enrich its revenue source and deliver stronger returns to shareholders while maintaining its core business of pipes manufacturing.

FINANCIAL REVIEW

Revenue

The Group's sales revenue increased from approximately RMB1,953,960,000 for the year ended 31 December 2015 to approximately RMB3,125,278,000 for the year ended 31 December 2016. For the year ended 31 December 2016, amongst the Group's two core business segments, (1) pipes business reported revenue of approximately RMB748,380,000 (2015: approximately RMB431,682,000) mainly due to the increase in provision of anti-corrosion processing business and sales of pipes, as well as the significant increase in the proportion of sales of pipes which have a higher revenue contribution as compared to pipes processing during the Year under Review; and (2) trading business recorded a revenue of approximately RMB2,376,898,000 (2015: approximately RMB1,522,278,000) due to the increase in sales revenue contributed by the newly developed trading business of subsidiaries of the Group.

Cost of sales

The Group's cost of sales increased by approximately 57.5% from approximately RMB1,915,857,000 for the year ended 31 December 2015 to approximately RMB3,017,488,000 for the year ended 31 December 2016. During the year ended 31 December 2016, amongst the Group's principal business segments, (1) cost of sales for pipes business was approximately RMB676,303,000 (2015: approximately RMB424,080,000); and (2) cost of sales for trading business was approximately RMB2,341,185,000 (2015: RMB1,491,777,000).

Gross profit

The gross profit of the Group increased from approximately RMB38,103,000 for the year ended 31 December 2015 to approximately RMB107,790,000 for the year ended 31 December 2016, mainly due to higher gross profit contribution as a result of the increase in sales in pipes business and the decrease in unit processing cost during the Year under Review. Moreover, provision was made on impairment of assets in accordance with relevant accounting policies in the previous year, while such charge for the Year under Review decreased significantly. Meanwhile, the gross profit margin of the Group increased to 3.4% for the year ended 31 December 2016 from 2.0% for the year ended 31 December 2015.

Other income and gains

Other income and gains of the Group decreased from approximately RMB46,971,000 for the year ended 31 December 2015 to approximately RMB24,656,000 for the year ended 31 December 2016, which was mainly due to the fact that one-off compensation was received in connection with the disposal of Beijing Golden Fortune Investment Co., Ltd.* (北京慧基泰展投資有限公司) last year, while there was no such income in the Year under Review. Besides, the Group secured bank loans by pledge of bank deposits and received interest income from deposits last year, while such interest income was no longer available following the end of such business during the Year under Review.

Selling and distribution costs

Selling and distribution costs of the Group increased from approximately RMB33,706,000 for the year ended 31 December 2015 to approximately RMB37,239,000 for the year ended 31 December 2016. Such increase in selling and distribution costs was principally due to the increase in transportation fee as a result of the increase in sales in pipes business during the Year under Review.

Administrative expenses

The Group's administrative expenses decreased by 28.8% from approximately RMB299,925,000 for the year ended 31 December 2015 to approximately RMB213,684,000 for the year ended 31 December 2016. The main reason was that provision was made on impairment of assets in accordance with relevant accounting policies in the previous year, while such charge for the Year under Review decreased significantly.

Finance costs

The Group incurred finance costs of approximately RMB41,945,000 for the year ended 31 December 2016 (2015: approximately RMB58,119,000). The finance costs comprised exclusively interest incurred by bank loans. The change in finance costs was principally due to the gradual decline in interest rates on bank loans during the Year under Review together with the decrease in bank loan facilities as compared to last year.

Income tax expenses

Hong Kong profits tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. The profits tax rate of China Petro Equipment Holdings Pte. Ltd., a subsidiary of the Company incorporated in the Republic of Singapore, is 17% (2015: 17%) for the year. Under the EIT Law and Implementation Regulation of the EIT Law, the profits tax rate of the Company's subsidiaries in the PRC for the year is 25% (2015: 25%). Income tax credit for the year ended 31 December 2016 was approximately RMB9,923,000 (2015: income tax expenses of approximately RMB8,528,000), mainly attributable to the one-off tax expenses of Shandong Shengli Steel Pipe incurred by the accumulated profit distribution for the previous years last year, while there was no such expense during the Year under Review.

Total comprehensive loss for the year

Due to the combined effect of the above factors, the audited total comprehensive loss of the Group for the year ended 31 December 2016 was approximately RMB231,770,000, compared to the audited total comprehensive loss of the Group of approximately RMB345,102,000 for the year ended 31 December 2015.

Capital expenditure

The Group incurred capital expenditure for the acquisition of property, plant and equipment, expansion of production facilities and purchase of machinery for the manufacture of steel pipe products. Capital expenditure during each of the two years ended 31 December 2015 and 2016 were primarily related to the purchase of property, plant and equipment.

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

	2016	2015
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**30,923**	48,044
Prepaid land lease payments	**—**	173
	30,923	48,217

Indebtedness

Borrowings

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

	2016	2015
	RMB'000	*RMB'000*
Borrowings:		
Bank loans — Unsecured	**590,000**	565,000
Bank loans — Secured	**—**	272,036
Bank loans — Secured and guaranteed	**335,000**	130,000
Bank loans — Guaranteed	**49,000**	132,500
Total	**974,000**	1,099,536

Included in the borrowings is approximately RMB946,500,000 repayable within one year. The following table sets forth the annual interest rates of the Group's bank loans:

	2016	2015
	%	*%*
Effective interest rate per annum	**4.35–4.79**	1.54–6.80

As at 31 December 2016, the borrowings of the Group amounted to approximately RMB974,000,000 (2015: approximately RMB1,099,536,000).

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

Financial management and fiscal policy

During the year ended 31 December 2016, the Group's revenue, expenses, assets and liabilities were primarily denominated in Renminbi. The Directors consider that the Group currently has limited foreign exchange exposure and has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

Utilisation of the proceeds of initial public offering

The net proceeds obtained by the Group from the initial public offering were approximately RMB1,098,500,000. After the exercise of the over-allotment option on 13 January 2010, the net proceeds of the initial public offering increased to approximately RMB1,269,900,000. As at 31 December 2016, approximately RMB851,363,000 out of the total net proceeds from the initial public offering has been utilised in the manner specified in the Company's prospectus dated 9 December 2009 (the "Prospectus") and the balance of approximately RMB418,537,000 remains unutilised. The Group intends to continue to apply the proceeds in the same manner as disclosed in the Prospectus except for upgrading a cold-formed section steel production line as this project has been suspended.

As at 31 December 2016, the accumulated use of the capital raised is set out below:

	Amount allocated *RMB'000*	Actual expenditure as at 31 December 2016 *RMB'000*
Projects		
Construction of one set of SAWH pre-welding and precision welding production lines with total production capacity of 360,000 tonnes per annum and two anti-corrosion coating production lines	440,000	523,442
Construction of one SAWL pipe production line with production capacity of 200,000 tonnes per annum and one anti-corrosion coating production line	650,000	255,000
Upgrade of one cold-formed section steel production line to an ERW pipe production line with production capacity of 100,000 tonnes per annum	50,000	the project has been suspended
Working capital and other general corporate purposes	129,900	72,921
Total	1,269,900	851,363

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

Use of Subscription Proceeds from the Issue of Shares under General Mandate

As at 31 December 2016, the actual use of proceeds from the fund raising activity carried out by the Company in April 2016 is as follows:

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
23 March 2016	Subscription in relation to the issue of 545,727,600 shares at the subscription price of HK$0.28 per share under the general mandate to not less than six subscribers. The completion of the subscription took place on 12 April 2016 and 545,727,600 subscription shares had been issued to the subscribers.	Approximately HK$152,400,000	Approximately 60% will be used for expansion of the Group's businesses, in particular, new-energy business development; and approximately 40% will be used for capital commitment for the acquisition of 56% of the allotted and issued share capital of Blossom Time Group Limited as disclosed in the announcements of the Company dated 29 March 2015, 29 September 2015, 27 May 2016 and 24 January 2017.	As at 31 December 2016, approximately HK$101,900,000 was used for expansion of the Group's business, being new-energy business development and approximately HK$50,500,000 was used for the acquisition of the related share capital of Blossom Time Group Limited.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB228,350,000 (2015: approximately RMB393,881,000). As at 31 December 2016, the Group had borrowings of approximately RMB974,000,000 (2015: approximately RMB1,099,536,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables and other payables and accruals, net of cash and cash equivalents and pledged deposits) divided by total equity plus net debt. As at 31 December 2016, the gearing ratio of the Group was 41.3% (2015: 34.0%).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (2015: nil).

FOREIGN EXCHANGE RISK

In 2016, the Group's businesses have been mainly transacted and settled in functional currency of subsidiaries, so the Group has had minimal exposure to foreign currency risk. The Group did not utilise any forward contracts or other means to hedge its foreign exchange exposure. However, the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts are in place.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2016, the Group employed a work force of 1,204 employees (including Directors). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB83,840,000 (2015: approximately RMB90,184,000).

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

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

From Tuesday, 13 June 2017 to Friday, 16 June 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 June 2017.

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

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Board continues to strive to uphold good corporate governance and adopt sound corporate governance practices.

The Company has applied the principles and code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year ended 31 December 2016, the Company has complied with all other provisions set out in the Code with the exception of code provision A.5.1.

According to code provision A.5.1, a nomination committee shall comprise a majority of independent non-executive directors. Given that the Company had undergone some shareholding changes involving change of substantial shareholders in February 2016, the Board considered that it is necessary to have a greater involvement of Mr. Ji Rongdi (alias Jee Rongdee), the chairman of the Board and an executive Director, with the work of the nomination committee of the Company and the continuing support from Mr. Zhang Bizhuang, who has been an executive Director for many years and has a thorough understanding of the structure, business strategy and daily operation of the Company. The Board considered such arrangement with the participation of more executive Directors in the nomination committee was beneficial to the Company in reviewing the board composition to complement the Company's corporate strategy at that time.

Following the change of composition of the nomination committee of the Company with effect from 25 March 2017, the Company will comply with the code provision A.5.1 of the Code. For details, please refer to the paragraph headed "Change of Composition of the Board Committees" below.

CHANGE OF COMPOSITION OF THE BOARD COMMITTEES

The Board hereby announces the following changes with effect from 25 March 2017:

1. Mr. Ji Rongdi (alias Jee Rongdee), the chairman of the Board and an executive Director, ceased to act as the chairman and a member of the nomination committee of the Company and was appointed as a member of the remuneration committee of the Company;

2. Mr. Qiao Jianmin, an independent non-executive Director, was appointed as the chairman and a member of the nomination committee of the Company; and

3. Mr. Zhang Bizhuang, an executive Director and the chief executive officer of the Company, ceased to act as a member of the remuneration committee of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that during the year ended 31 December 2016, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of their respective securities during the year ended 31 December 2016.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT OPINION FROM ZHONGHUI ANDA CPA LIMITED

ZHONGHUI ANDA CPA Limited has expressed an unqualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.slogp.com). The annual report for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION AND STRIVING FOR THE GOALS

Finally, on behalf of all Directors, I would like to take this opportunity to express my gratitude to all shareholders, customers and employees of the Company for their continuous support and encouragement for the Company to overcome difficulties and achieve a success. The Company is positioned in the oil and gas and related equipment and pipeline industry, and has a close connection with the economic and strategic development of the PRC. With the highest quality and technical standards, unwavering efforts and unswerving dedication to corporate philosophy, we are committed to capturing each and every opportunity, with a view to engaging in vigorous effort to develop new energy business while assuring stable operations of our core pipes business, thereby creating maximum values and returns for our shareholders.

* *For identification purpose only*

By Order of the Board
SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
Zhang Bizhuang
Executive Director & Chief Executive Officer

Zibo, Shandong, 26 March 2017

As at the date of this announcement, the Directors of the Company are:

Executive Directors:	*Mr. Ji Rongdi (alias Jee Rongdee), Mr. Zhang Bizhuang, Mr. Jiang Yong, Mr. Wang Kunxian, Ms. Han Aizhi and Mr. Song Xichen*
Independent non-executive Directors:	*Mr. Chen Junzhu, Mr. Wu Geng and Mr. Qiao Jianmin*