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

2017
Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ji Rongdi (alias Jee Rongdee)
(Chairman)
Mr. Zhang Bizhuang
(Chief Executive Officer)
Mr. Jiang Yong *(Vice President)*
Mr. Wang Kunxian *(Vice President)*
Ms. Han Aizhi *(Vice President)*
Mr. Song Xichen *(Vice President)*

Independent non-executive Directors

Mr. Chen Junzhu *ACCA , CICPA*
Mr. Wu Geng
Mr. Qiao Jianmin

AUDIT COMMITTEE

Mr. Chen Junzhu *(Chairman) ACCA , CICPA*
Mr. Wu Geng
Mr. Qiao Jianmin

REMUNERATION COMMITTEE

Mr. Wu Geng *(Chairman)*
Mr. Ji Rongdi (alias Jee Rongdee)
(appointed as member of the remuneration committee on 25 March 2017)
Mr. Chen Junzhu *ACCA , CICPA*
Mr. Zhang Bizhuang
(resigned as member of the remuneration committee on 25 March 2017)

NOMINATION COMMITTEE

Mr. Qiao Jianmin *(Chairman)*
(appointed as chairman and member of the nomination committee on 25 March 2017)
Mr. Zhang Bizhuang
Mr. Wu Geng
Mr. Ji Rongdi (alias Jee Rongdee)
(resigned as chairman and member of the nomination committee on 25 March 2017)

COMPANY SECRETARY

Mr. Hong Kam Le

AUTHORISED REPRESENTATIVES

Ms. Han Aizhi
Mr. Hong Kam Le

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS IN CHINA

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the PRC
Postal Code: 255082

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL BANKERS

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

LEGAL ADVISER AS TO HONG KONG LAW

Li & Partners

AUDITORS

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

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

LISTING EXCHANGE INFORMATION

Main Board

The Stock Exchange of Hong Kong Limited

STOCK CODE

1080

COMPANY WEBSITE

www.slogp.com

Financial Highlights

- Revenue was approximately RMB1,177,300,000, representing an increase of approximately 33.9% when compared to the corresponding period in 2016.
- Gross profit margin was approximately 3.8%, representing an increase of approximately 0.8 percentage points when compared to the corresponding period in 2016.
- Loss attributable to owners of the Company amounted to approximately RMB120,262,000, while loss attributable to owners of the Company for the corresponding period in 2016 amounted to approximately RMB102,463,000.
- Basic loss per share attributable to owners of the Company amounted to approximately RMB3.67 cents, while basic loss per share attributable to owners of the Company for the corresponding period in 2016 amounted to approximately RMB3.45 cents.
- The Board does not recommend the declaration of any interim dividend for the six months ended 30 June 2017.

Chief Executive Officer's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Shengli Oil & Gas Pipe Holdings Limited (the "Company"), I hereby present to you the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 (the "Period under Review").

During the first half of 2017, downside pressure persisted in the global economy despite improving sentiments, while emerging economies, including China and others, continued to lead worldwide economic growth. China reported stable economic growth rates within a reasonable range on the back of its strong effort to drive supply-side structural reforms and improve quality and efficiency by trimming excessive production capacity. According to the Global Energy Weekly published by Bank of America Merrill Lynch, the growth rate of global oil demand in the first half of 2017 fell short of expectations. Underperformance during the first quarter was attributable mainly to the substantial decrease in demand from major oil consumption regions such as the Americas and Asia (excluding China), coupled with the slowdown in growth of demand from emerging markets. Going into the second quarter, there were no signs of a market rebound, as demand from Europe, China, Korea and certain regions in the Middle East also turned sluggish.

For the domestic market, 2017 has been a year of acceleration and expansion in the pilot hybrid reforms of China's energy sector. As the three leading petroleum companies, namely, China National Petroleum Corporation ("CNPC"), China Petroleum & Chemical Corporation ("Sinopec") and China National Offshore Oil Corporation ("CNOOC") (the "Three Barrels"), focused on structural reforms of the oil and gas industry during the first half of 2017, the construction of domestic oil and gas trunk line networks continued to grow at a slower pace. With the steady progress of the respective 13th Five-Year Plans for the development of petroleum and the development of natural gas (collectively the "Oil and Gas 13th FYPs"), however, we are hopeful of a turnaround to healthy and sustainable growth for the domestic oil industry. In view of the current status of the industry, the Group vigorously promoted sales in local markets during the first half of 2017 to seize business opportunities presented by the market of local pipeline construction in China, while adopting effective cost-saving measures and streamlining business structure to enhance its operating efficiency in general.

VIGOROUS DRIVE OF SALES IN LOCAL MARKETS TO SEIZE NEW OPPORTUNITIES AFFORDED BY EXPEDITED CONSTRUCTION OF LOCAL PIPELINE NETWORKS

Even though the number of large-scale transnational and domestic pipeline projects commencing construction remained below the benchmark, and CNPC and Sinopec continued to adopt measures to protect their internal business segments, the construction of domestic local pipeline networks for crude oil, refined petroleum and natural gas was nevertheless gaining pace, as such development was policy-driven under the Oil and Gas 13th FYPs. The Group's business development was focused on the local markets during the Period under Review, as it set sight on business opportunities leveraging its strengths in brand, quality, technology and equipment as the largest manufacturer of oil and natural gas pipelines in China, as well as its extensive experience in and proven track record for delivering a host of the country's major large-scale pipeline projects. The Group has participated in a number of local pipeline projects and successfully expanded its local customer base. As at 30 June 2017, the Group had outstanding manufacturing orders for an aggregate volume of approximately 40,000 tonnes, all of which were derived from local markets.

Although there was little breakthrough in the Group's endeavour to expand its business in large-scale pipeline projects during the Period under Review owing to constraints relating to the general environment of the industry, the Group believes that the demand for oil and gas pipelines will remain robust given rallying international oil prices, ongoing enforcement of the OPEC agreement for production cuts and the increasing number of national large-scale pipeline projects commencing construction. Fully prepared for the bidding of national large-scale pipeline projects following the completion of network entry procedures in connection with the Three Barrels last year by Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司) ("Hunan Shengli Steel Pipe"), the Group's domestic subsidiary, and boasting formidable strengths on the back of sound reputation, cutting-edge technologies and premium product quality, the Group is confident of seizing opportunities in the domestic and overseas markets for major pipeline projects in further consolidation of its leading position in the industry.

ACTIVE DIVERSIFICATION OF REVENUE SOURCES WHILE ACHIEVING COST REDUCTION AND EFFICIENCY ENHANCEMENT WITH PROACTIVE MEASURES

The Group faced pressure in the development of its core businesses during the Period under Review given the general tendency in the industry to tighten budgets. In order to enhance its cash flow to support the future expansion of its core businesses and to sustain healthy development, the Group was actively exploring new opportunities for income to diversify its source of revenue. Further to the establishment of Shanghai Shengguan New Energy Technology Co., Ltd.* (上海勝管新能源科技有限公司) ("Shanghai Shengguan") during the first half of 2016 for the development of new energy businesses and bulk trading business, the Group entered into an lease agreement on 29 December 2016 to lease the rooftop of the pre-welding and precision-welding plant of Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("Shandong Shengli Steel Pipe") for the construction of distributed photovoltaic power generation projects, which is expected to generate additional rental income for the Group.

While vigorously developing new sources for revenue, the Group also sought to achieve effective cost savings through proactive efforts during the first half of 2017. Apart from rigorous measures for the collection of trade receivables, the Group also acquired Bayston Investments Limited during the Period under Review to cut its rental expenses for further reductions in operating costs.

The diversification of revenue sources and implementation of effective cost-saving measures will enable the Group to generate sufficient financial and other resources for the continuous growth and expansion of its core businesses.

REALIGNING AND OPTIMISING OUR INDUSTRIAL MIX TO ASSURE STABLE DEVELOPMENT IN THE LONG TERM

In recent years, the Group has been exploring new opportunities for business development and seeking to identify premium joint venture projects by tapping upstream and downstream customer resources in a bid to diversify the risk associated with the offering of a single product and broaden its revenue sources, taking into account national industrial policies as well as its own characteristics. During the Period under Review, the Group was engaged in vigorous efforts to realign and optimise the industrial mix of its business as it moved to dispose of non-performing assets based on careful consideration of market developments and the operating conditions of our investment projects, aiming to stabilise the Group's earnings, protect shareholders' interests and assure the Group's stable development in the long term.

Shandong Shengli Steel Pipe had been leasing premises and facilities required for its production and office operations, such as land sites, office buildings and plants, from Shengli Steel Pipe Co., Ltd* (勝利鋼管有限公司) ("Shengli Steel Pipe") since 1 January 2009 for a lease term of 20 years. On 2 June 2017, the Group acquired 100% equity interests in Bayston Investments Limited, the parent company of Shengli Steel Pipe, in order to acquire the rights of use and ownership for all the properties of Shengli Steel Pipe, for a consideration of RMB180 million, with the aim of reducing rental expenses and operating costs so as to minimise the uncertainty of rental expenses, as well as expanding its financing sources, in a further move to assure the stability of the Group's principal operations.

The Group was also actively engaged in the development of its bulk trading business for fuel oil, chemical feedstock, oil products and related finished products, aiming to diversify the risk associated with the offering of a single product and assure the Group's stable development. On 10 August 2017, the Group participated in the capital increase of Shanghai Guoxin Industrial Co., Ltd.* (上海國心實業有限公司) ("Shanghai Guoxin") and acquired 45% equity interests in Shanghai Guoxin for a consideration of RMB225 million. Shanghai Guoxin is principally engaged in the sales of nonferrous metals, metal materials, petroleum products, fuel products, mineral products, chemical feedstock and products, coal and charcoal. The acquisition of Shanghai Guoxin was in line with the development strategy of the Group and was expected to broaden the Group's revenue sources with continuous contribution of stable income.

Moreover, the management of the Company continued in the realignment and disposal of Group assets during the Period under Review, including the disposals of Shengli Investment Company ("Shengli Investment") and Dome Integration Housing Industrial Holding Co. Ltd ("Dome BVI"), a joint venture in which the Group had held 40% shares. Shengli Investment was established by the Group for the purpose of investing in well exploration and drilling projects in the early years. Owing to the impact of developments in the global oil industry, the investment had incurred expenses for the Group but had not been able to enhance its profitability, and was unlikely to be recouped in the near future. In order to reduce its costs and expenses, the Group disposed of Shengli Investment's equity interests in full for a price of USD1 on 20 June 2017. Dome BVI and its subsidiaries were principally engaged in the production, installation and sales of integrated modular houses. Owing to constraints in the national economic environment and technologies for integrated houses, the company had been experiencing great difficulties in its production operations over the years, with continued losses since its commencement of production. To reduce the Group's loss, the Group signed an agreement for transfer on 27 June 2017 to dispose of Dome BVI's equity interests held by it in full for a price of USD80. The aforesaid disposals of Shengli Investment and Dome BVI are not deemed as discloseable transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and relevant transfer procedures have been completed.

WELL-POSITIONED FOR THE UPCOMING GROWTH CYCLE ON THE BACK OF OUR BRAND REPUTATION AND OUTSTANDING TRACK RECORDS

Going forward, oil demand is expected to increase in the second half of 2017 given the rebound in oil prices and a narrowing gap between demand and supply, while there are also anticipations for oil companies to increase their investment budget and engage in more robust exploration and development activities. Compared with 2016, the international market for oil services is expected to see generally improving conditions, although there will still be uncertainties. With the support of favourable policies such as the Oil and Gas 13th FYPs and the Medium-/Long-term Planning for Oil and Gas Pipeline Networks, the number of large-scale domestic pipeline projects commencing construction is expected to pick up gradually, while the number of small and medium local pipeline projects will continue to rise, thereby presenting new business opportunities to the Group. As one of China's largest oil and gas pipe manufacturers, the Group is fully prepared to engage in active development of new markets to enhance its influence. On the back of our brand reputation and outstanding track records, we are well-positioned to embrace booming business, with the firm belief that our profitability will return to the path of stable growth in the near future as we capitalise on the industry's new expansionary cycle.

Last but not least, I would like to express gratitude to our shareholders and customers, as well as all members of our management and staff for their solidarity and dedication. With timely moves to seize business opportunities and proactive planning, the Group will continue to deliver long-term value to shareholders.

Zhang Bizhuang
Executive Director & Chief Executive Officer

* *For identification purpose only*

Management Discussion and Analysis

BUSINESS REVIEW

The Group remained confident in the prospects of the oil and gas pipeline industry. Nevertheless, given the slackened progress of large-scale international pipeline projects and the lack of new large-scale pipeline projects in the domestic market, the Group continued to focus its business on domestic local markets during the Period under Review, seeking to consolidate its existing customer base on the back of first-rate quality and premium services, as well as develop new customers by enhancing information collection. During the Period under Review, the Group secured orders from domestic pipeline projects amounting to 130,000 tonnes in aggregate. As at 30 June 2017, we had outstanding manufacturing orders for a total volume of close to 40,000 tonnes.

As at 30 June 2017, the Group's annual production capacity for submerged-arc helical welded pipes ("SAWH pipes"), submerged-arc longitudinal welded pipes ("SAWL pipes") and the supporting anti-corrosion production line was 1.45 million tonnes, 0.4 million tonnes and 10.80 million square meters, respectively, as it continued to assume a leading position in the industry.

During the Period under Review, the Group reported stable development in its trading business, as it continued to consolidate the advantageous position of its core business, while actively exploring domestic local markets in a strategic change to its sales strategy to ensure the Group's sustainable development during an unusual period for the industry.

While vigorously developing new sources for revenue, the Group was equally focused on efficiency enhancement, as it proactively sought to achieve cost savings in an effective way. On 2 June 2017, the Group announced the acquisition for a consideration of RMB180 million of Bayston Investments Limited, a company which held, through its wholly-owned subsidiary Shengli Steel Pipe, the properties used by Shandong Shengli Steel Pipe, a wholly-owned subsidiary of the Group, for manufacturing, research and development and catering purposes. The Group believes that the acquisition will allow the Group to reduce its rental expenses and operating costs, while such properties can be used as security for future bank loans of the Group if necessary.

For the first six months of 2017, the Group's gross revenue amounted to approximately RMB1,177,300,000, representing a significant increase as compared to the corresponding period of last year (For the six months ended 30 June 2016: approximately RMB879,316,000). Gross profit margin was approximately 3.8%, representing a slight increase as compared to the corresponding period of last year. Loss attributable to owners of the Company during the Period under Review amounted to approximately RMB120,262,000, representing an increase by approximately RMB17,799,000 compared to approximately RMB102,463,000 for the corresponding period of 2016. The Board does not recommend the payment of any interim dividend.

Pipes business

As one of China's largest oil and gas pipe manufacturers with top-rated facilities, advanced technique and a comprehensive quality check and assurance system, the Group is one of the few suppliers of large-diameter pipes designed to sustain the high pressure in long-distance transportation of crude oil, refined petroleum and natural gas. It is also the only privately-owned enterprise qualified to supply to major oil and natural gas pipeline projects in China.

As at 30 June 2017, pipes produced by the Group with a cumulative total length of approximately 27,900 kilometres were used in the world's oil and gas pipelines, of which 94.6% were installed in China, while the remaining 5.4% were installed overseas.

During the Period under Review, major SAWH pipes projects that the Group participated in were, amongst others, West-East Gas Pipeline III Zhongwei — Jingbian Connection Line (西氣東輸三線中衛 — 靖邊聯絡線工程), Hanggin Banner — Yinchuan Natural Gas Pipeline Connection Line (杭錦旗至銀川天然氣管道聯絡線), Gas Pipeline Project in North Outer Ring, Linyi City (臨沂市北外環輸氣管道工程), 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) and Duanshi — Zhangzi Gas Pipeline Project (端氏 — 長子輸氣管道工程).

Major anti-corrosion pipeline projects undertaken by the Group included West-East Gas Pipeline III Zhongwei — Jingbian Connection Line (西氣東輸三線中衛 — 靖邊聯絡線工程), Hanggin Banner — Yinchuan Natural Gas Pipeline Connection Line (杭錦旗至銀川天然氣管道聯絡線), 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), Duanshi — Zhangzi Gas Pipeline Project (端氏 — 長子輸氣管道工程) and High-Pressure Natural Gas Pipeline Transportation and Distribution Project of Shandong Jihua Gangrun Gas Co., Ltd. (山東濟華港潤燃氣有限公司天然氣高壓管道輸配工程).

SAWL pipes manufactured by the Group were used in Lanshan — Ju County Oil Pipeline Project (嵐山 —莒縣輸油管線工程), 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), Hanggin Banner — Yinchuan Natural Gas Pipeline Connection Line (杭錦旗至銀川天然氣管道聯絡線) and Wenchuan — Tibet Bridge Project (汶川至西藏公路大橋項目).

For the Period under Review, total revenue of the Group's pipes business amounted to approximately RMB424,659,000 (for the six months ended 30 June 2016: approximately RMB193,282,000), accounting for approximately 36.1% of the Group's total revenue. This revenue comprised: (1) revenue from the sale of SAWH pipes of approximately RMB309,775,000 (for the six months ended 30 June 2016: approximately RMB148,014,000), representing an increase of approximately 109.3% as compared with the corresponding period last year; (2) revenue from the sale of SAWL pipes of approximately RMB75,597,000 (for the six months ended 30 June 2016: approximately RMB21,801,000), representing an increase of approximately 246.8% as compared with the corresponding period last year; (3) revenue from the anti-corrosion processing service of approximately RMB39,244,000 (for the six months ended 30 June 2016: approximately RMB23,195,000), representing an increase of approximately 69.2% as compared with the corresponding period last year; and (4) revenue from the cold-formed section steel business of approximately RMB43,000 (for the six months ended 30 June 2016: approximately RMB272,000), which was attributable to inventory clearance.

Trading business

Total revenue of the Group's trading business amounted to approximately RMB752,641,000 for the Period under Review, representing an increase of approximately 9.7% as compared to approximately RMB686,034,000 for the corresponding period last year.

FUTURE PROSPECT

Looking to the future, the rally of oil prices which began in 2017 is expected to rekindle investments in oil and gas exploration. The analysts of Thomson Reuters Research and Forecasts are also of the view that stronger global economic growth will drive the resurgence in oil demand in the second half of 2017. Estimates of the International Energy Agency indicate that, with the support of major developing economies, the demand for petroleum will continue to grow up to 2022. Currently, the market is in the process of restoring its balance, and we might not have seen the petroleum market returning completely to undersupply in the first quarter of the year, but at least the process of restoring balance will gain pace in the short term. Therefore, the Group remains optimistic about the prospects of the oil and gas industry.

In connection with the domestic oil and gas industry, the Oil and Gas 13th FYPs have provided an important policy guide for the development of China's oil and gas industry. The Oil and Gas 13th FYPs have indicated plans for the total length of pipelines for refined petroleum, crude oil and natural gas to increase by 57%, 18.5% and 62.5% to 33,000 kilometres, 32,000 kilometres and 104,000 kilometres, respectively. In the meantime, the four major import routes, namely, the northwest, northeast, southwest and offshore corridors, should be basically completed.

Further to 5-year guidance for industry development provided in the Oil and Gas 13th FYPs, the Medium-/Long-term Planning for Oil and Gas Pipeline Networks was published by the National Development and Reform Commission ("NDRC") and the National Energy Administration on 12 July 2017 to provide crucial guidelines for the construction of oil and gas pipeline networks in the coming 5 to 15 years. By 2025, the total length of nationwide oil and gas pipeline networks is expected to reach 240,000 kilometres, comprising 37,000 kilometres, 40,000 kilometres and 163,000 kilometres for crude oil, refined petroleum and natural gas, respectively.

The government's successive implementation of favourable policies indicates its strong support for the development of the oil and gas industry and active effort to drive the construction of pipeline networks. Large-scale international pipeline projects are expected to be implemented at a faster pace, while the number of large-scale domestic pipeline projects commencing construction is also expected to pick up gradually. The restructuring of the oil and gas sector, meanwhile, will provide more opportunities for private enterprises and foster new niches for development. As one of China's largest oil and gas pipe manufacturers, the Company will fully equip itself and leverage the strengths afforded by its production capacity, the advantageous geographic location of its subsidiaries and its pre-welding and precision-welding technologies to cement the leading position of its core businesses in the industry, in order to seize new opportunities arising from the industry's return to a growth cycle and to ensure stable growth in the Group's earnings in the future. In the meantime, the Group will continue to explore novel businesses as a means to diversify its source of revenue, so as to enhance its ability to avoid the risk of decline in results owing to the monotonous business environment. With sustainable, stable and healthy development, the Group will strive to deliver stronger returns to shareholders.

FINANCIAL REVIEW

Revenue

The Group's unaudited revenue for the six months ended 30 June 2017 was approximately RMB1,177,300,000, representing an increase of approximately 33.9% when compared to that of approximately RMB879,316,000 for the corresponding period last year. For the six months ended 30 June 2017, amongst the Group's two core business segments, (1) the pipes business recorded a revenue of approximately RMB424,659,000 (for the six months ended 30 June 2016: approximately RMB193,282,000), representing an increase of approximately 119.7% when compared to the corresponding period last year, mainly due to the increase in anti-corrosion processing business and sales of pipes, the increase in the proportion of sales of pipes which have a higher revenue contribution as compared to pipes processing, as well as the inclusion of transportation fees and service fees borne by the Group in the selling prices of certain pipes during the Period under Review; (2) the trading business recorded a revenue of approximately RMB752,641,000 (for the six months ended 30 June 2016: approximately RMB686,034,000), due to the increase in revenue contributed by the expansion in trading business of oil products.

Cost of sales and services

The Group's cost of sales and services increased year-on-year by approximately 32.8% from approximately RMB852,643,000 for the six months ended 30 June 2016 to approximately RMB1,132,460,000 for the six months ended 30 June 2017.

Gross profit

Gross profit for the six months ended 30 June 2017 was approximately RMB44,840,000. The Group's gross profit margin rose from approximately 3.0% for the six months ended 30 June 2016 to approximately 3.8% for the six months ended 30 June 2017, which was mainly due to higher gross profit contribution as a result of the increase in production volume of pipes business and the decrease in unit processing cost, as well as the inclusion of transportation fees and service fees borne by the Group in the selling prices of certain pipes during the Period under Review.

Other income and gains

Other income and gains of the Group decreased year-on-year from approximately RMB13,410,000 for the six months ended 30 June 2016 to approximately RMB3,356,000 for the six months ended 30 June 2017. The decrease was mainly due to the significant decrease in rental income and interest income during the Period under Review as compared to that in the corresponding period last year.

Selling and distribution costs

Selling and distribution costs of the Group increased from approximately RMB9,697,000 for the six months ended 30 June 2016 to approximately RMB31,043,000 for the six months ended 30 June 2017. Such increase was principally due to the increase in transportation fees and services fees in pipes business during the Period under Review as compared to that in the corresponding period last year.

Administrative expenses

The Group's administrative expenses increased from approximately RMB116,458,000 for the six months ended 30 June 2016 to approximately RMB122,581,000 for the six months ended 30 June 2017. The increase was mainly attributable to the increase in amortisation charge of share options as compared with that in the corresponding period last year as a result of grant of new share options to qualified participants by the Group during the Period under Review, as well as the increase in office lease payments, staff cost and other expenses due to the expansion of new businesses during the Period under Review.

Allowance for Trade Receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade receivables conducted in accordance with the management system of the Group. The Group's allowance for trade receivables amounted to approximately RMB3,752,000 for the six months ended 30 June 2016. The Group's reversal of allowance for trade receivables amounted to approximately RMB5,490,000 for the six months ended 30 June 2017.

Impairment loss recognised on advance to a joint venture

Included in the Group's advance to a joint venture is the accrued RMB amounts advanced to Dome (BVI), comprising a loan of approximately RMB48,919,000 which is unsecured and bears an interest rate of 3% per annum, and other amounts of approximately RMB26,360,000 which are unsecured and non-interest bearing. Over the years, Dome (BVI) and its subsidiaries have been facing difficulties in production operation due to the constraints in national economic environment and technologies for integrated houses. Given the immature integrated housing market, the commencement time of housing projects of Dome (BVI) is uncertain, casting uncertainty on the future development of Dome (BVI). Accordingly, the management of the Group has carefully determined to recognise impairment loss on the Group's balances with Dome (BVI) taking into account the liabilities and net realised value of assets of Dome (BVI) and based on the assumption that it is impossible to recover such impairment loss considering the continuous loss recorded by Dome (BVI) since its incorporation. Impairment loss of approximately RMB8,943,000 was recognised by the Group for the reporting period and impairment losses of approximately RMB1,286,000 and approximately RMB48,224,000 were recognised for 2015 and 2016, respectively, resulting in an accumulated impairment losses of approximately RMB58,453,000 as at 30 June 2017. On 27 June 2017, the Group entered into a transfer agreement to dispose of all of the equity interests in Dome (BVI) held by it.

Finance costs

The Group's finance costs increased by approximately 6.5% from approximately RMB21,573,000 for the six months ended 30 June 2016 to approximately RMB22,973,000 for the six months ended 30 June 2017. All the finance costs came from interests on bank loans.

Total comprehensive loss for the period

The Group's total comprehensive loss for the period increased from a loss of approximately RMB111,498,000 for the six months ended 30 June 2016 to a loss of approximately RMB151,930,000 for the six months ended 30 June 2017, mainly due to the exchange differences on translation of financial statements of foreign operations as a result of fluctuation in foreign exchange rates, the decrease in other income and gains as compared to the corresponding period last year, as well as impairment loss recognised on property, plant and equipment and impairment loss recognised on advance to a joint venture during the Period under Review.

Assets and liabilities

As at 30 June 2017, the Group's total assets amounted to approximately RMB3,029,479,000 (31 December 2016: approximately RMB3,287,722,000) and the Group's net assets amounted to approximately RMB1,628,517,000 (31 December 2016: approximately RMB1,769,364,000). Net assets per share amounted to approximately RMB0.46, representing a decrease of approximately RMB6 cents when compared to that of 31 December 2016. As at 30 June 2017, the Group's total liabilities amounted to approximately RMB1,400,962,000 (31 December 2016: approximately RMB1,518,358,000). The decrease in total liabilities was mainly attributable to the decrease in borrowings.

Liquidity and financial resources

As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately RMB49,583,000 (31 December 2016: approximately RMB228,350,000). As at 30 June 2017, the Group had borrowings of approximately RMB876,723,000 (31 December 2016: approximately RMB974,000,000).

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 30 June 2017, the gearing ratio of the Group was approximately 44.6% (31 December 2016: approximately 41.3%).

Financial management and fiscal policy

During the six months ended 30 June 2017, 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.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (for the six-month period ended 30 June 2016: nil).

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

As at 30 June 2017, the interests or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interests in issued shares and underlying shares

Name of Director	Capacity	Number of issued ordinary shares held	Number of shares subject to options granted under the Share Option Scheme	Percentage of the issued share capital of the Company as at 30 June 2017
Ji Rongdi (alias Jee Rongdee)	Interest in controlled corporation(1)	620,000,000		18.935%
	Beneficial owner		1,200,000(7)	0.037%
Zhang Bizhuang	Interest in controlled corporation(2)	153,130,224		4.677%
	Beneficial owner	79,800,000(3)	19,500,000(7)	3.033%
Jiang Yong	Beneficial owner		2,400,000(7)	0.073%
Wang Kunxian	Interest in controlled corporation(4)	26,708,760		0.816%
	Beneficial owner		11,460,000(7)	0.350%
Han Aizhi	Interest in controlled corporation(5)	26,708,760		0.816%
	Beneficial owner		13,200,000(7)	0.403%
Song Xichen	Interest in controlled corporation(6)	26,708,760		0.816%
	Beneficial owner		11,460,000(7)	0.350%
Chen Junzhu	Beneficial owner		2,400,000(7)	0.073%
Wu Geng	Beneficial owner		2,400,000(7)	0.073%
Qiao Jianmin	Beneficial owner		2,400,000(7)	0.073%

Notes:

(1) MEFUN GROUP LIMITED acquired 620,000,000 shares of the Company (representing 18.935% of the issued shares of the Company) held by Zhongheng International Investment Limited at an average price of HK$0.295 on 2 February 2016. Mr. Ji Rongdi owns 88% of the issued share capital of RXJ HOLDING LIMITED, which in turn owns 42.5% of the issued share capital of MEFUN GROUP LIMITED. Accordingly, Mr. Ji Rongdi is deemed to be interested in the shares of the Company held by MEFUN GROUP LIMITED by virtue of the SFO.

(2) Goldmics Investments Limited ("Goldmics Investments") holds 153,130,224 shares of the Company, representing 4.677% of the issued shares of the Company. Mr. Zhang Bizhuang holds 40% interest of the issued share capital of Goldmics Investments, and Ms. Du Jichun, his spouse, holds the remaining 60% interest. Therefore, Mr. Zhang Bizhuang is deemed to be interested in the shares of the Company held by Goldmics Investments by virtue of the SFO.

(3) On 17 September 2015, Mr. Zhang Bizhuang acquired 79,800,000 shares of the Company at an average consideration of HK$0.25 per share from the market and is therefore deemed to be interested in the above 79,800,000 shares by virtue of the SFO.

(4) Glad Sharp Limited ("Glad Sharp") holds 26,708,760 shares of the Company, representing 0.816% of the issued shares of the Company. Mr. Wang Kunxian owns the entire issued share capital of Glad Sharp and is therefore deemed to be interested in the shares of the Company held by Glad Sharp by virtue of the SFO.

(5) Crownova Limited ("Crownova") holds 26,708,760 shares of the Company, representing 0.816% of the issued shares of the Company. Ms. Han Aizhi owns the entire issued share capital of Crownova and is therefore deemed to be interested in the shares of the Company held by Crownova by virtue of the SFO.

(6) Winfun Investments Limited ("Winfun") holds 26,708,760 shares of the Company, representing 0.816% of the issued shares of the Company. Mr. Song Xichen holds 50% interest of the issued share capital of Winfun, and Ms. Xu Li, his spouse, holds the remaining 50% interest. Therefore, Mr. Song Xichen is deemed to be interested in the shares of the Company held by Winfun by virtue of the SFO.

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

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executives of the Company had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, the bank loans of RMB127,000,000 (31 December 2016: nil) were secured by pledge of certain of the property and plant amounting to approximately RMB75,609,000 (31 December 2016: nil) and certain of the land use rights amounting to approximately RMB97,406,000 (31 December 2016: nil).

As at 30 June 2017, an amount of RMB141,350,000 (31 December 2016: RMB147,400,000) out of bank loans of the Group of RMB321,250,000 (31 December 2016: RMB335,000,000) was guaranteed by a non-controlling shareholder of a subsidiary. At the same time, the bank loans were secured by pledge of certain of the property, plant and equipment amounting to approximately RMB299,940,000 (31 December 2016: RMB319,792,000) and certain of the land use rights amounting to approximately RMB18,919,000 (31 December 2016: RMB19,126,000).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any contingent liabilities (31 December 2016: nil).

FOREIGN EXCHANGE RISK

As at 30 June 2017, the Group's businesses have been mainly transacted and settled in functional currency of subsidiaries, so the Group has had limited 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 practices and assessments of the performance of the Group and individual employees. As at 30 June 2017, the Group has employed a work force of 1,157 employees (including Directors). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB38,965,000 (30 June 2016: approximately RMB31,524,000).

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 May 2016, the shareholders of the Company approved and adopted a new share option scheme (the "New Scheme") and terminated the then existing share option scheme (the "Old Scheme"). The Old Scheme was adopted on 21 November 2009, which was valid for a period of 10 years from the date of adoption. The Company has granted all share options under the Old Scheme, and all outstanding share options granted prior to the termination of the Old Scheme will remain in force.

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

Participants referred to below are the "Eligible Persons" under the New Scheme, which include:

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

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

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

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

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

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

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

The principal terms of the New Scheme are summarized as follows:

The New Scheme was adopted for a period of 10 years commencing from 20 May 2016 and will remain in force until 19 May 2026. The Company may at any time terminate the operation of the New Scheme by resolution in general meeting. Upon termination of the New Scheme as aforesaid, no further options shall be granted but the provisions of the New Scheme shall remain in force and effect in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Scheme. An offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1.0 in total by the grantee. The exercise period of the share options granted is determined by the Board, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options. The subscription price in respect of any particular share option shall be such price as the Board may in its discretion determine at the time of grant of the relevant share option (and shall be stated in the letter containing the offer of the grant of the share option) but shall not be less than whichever is the highest of:

(a) the nominal value of a share;

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

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Group shall not in aggregate exceed 327,436,560 shares, being 10% of the shares in issue as of the date of adoption (the "Scheme Mandate Limit"), provided that:

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

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

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

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

On 10 February 2010, the Board granted 24,000,000 share options to 19 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including three Directors of the Company, at an exercise price of HK$2.03 per share under the Old Scheme. 1,500,000 share options held by a member of the senior management were lapsed following his departure in 2011. 300,000 share options held by an employee were lapsed following his departure in 2017.

On 3 January 2012, the Board granted 24,000,000 share options to 81 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including four Directors of the Company, at an exercise price of HK$0.80 per share under the Old Scheme. 1,260,000 share options held by three members of the management were lapsed following their departure in 2013. 300,000 share options held by two employees were lapsed following their departure in 2014. 300,000 share options held by two employees were lapsed following their departure in 2015. 600,000 share options held by four employees were lapsed following their departure in 2016. 420,000 share options held by two employees were lapsed following their departure in 2017.

On 23 September 2014, the Board granted 74,400,000 share options to 57 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including four Directors of the Company, at an exercise price of HK$0.50 per share under the Old Scheme. 840,000 share options held by two employees were lapsed following their departure in 2015. 960,000 share options held by two employees were lapsed following their departure in 2016. 2,760,000 share options held by three employees were lapsed following their departure in 2017.

On 28 January 2015, the Board granted 60,000,000 share options to 24 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including four Directors of the Company, at an exercise price of HK$0.40 per share under the Old Scheme. 2,700,000 share options held by two employees were lapsed following their departure in 2017.

On 26 April 2016, the Board granted 57,600,000 share options to 36 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including four Directors of the Company at an exercise price of HK$0.40 per share under the Old Scheme.

On 11 October 2016, the Board granted 184,843,500 share options to 58 directors and senior management of the Company and its subsidiaries and other personnel approved by the Board, including nine Directors of the Company, at an exercise price of HK$0.415 per share under the New Scheme.

For the six months ended 30 June 2017, movements of options granted under the Old Scheme are set out below:

Name	Capacity	Exercise price	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2017	Approximate percentage of the issued share capital of the Company as at 30 June 2017	Notes
Directors									
Ji Rongdi (alias Jee Rongdee)	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Zhang Bizhuang	Beneficial owner	HK$2.03	7,200,000	0	0	0	7,200,000	0.220%	(1)
Zhang Bizhuang	Beneficial owner	HK$0.80	1,200,000	0	0	0	1,200,000	0.037%	(2)
Zhang Bizhuang	Beneficial owner	HK$0.50	5,700,000	0	0	0	5,700,000	0.174%	(3)
Zhang Bizhuang	Beneficial owner	HK$0.40	4,200,000	0	0	0	4,200,000	0.128%	(4)
Zhang Bizhuang	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Jiang Yong	Beneficial owner	HK$0.40	1,200,000	0	0	0	1,200,000	0.037%	(5)
Jiang Yong	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Wang Kunxian	Beneficial owner	HK$2.03	1,500,000	0	0	0	1,500,000	0.046%	(1)
Wang Kunxian	Beneficial owner	HK$0.80	960,000	0	0	0	960,000	0.029%	(2)
Wang Kunxian	Beneficial owner	HK$0.50	4,500,000	0	0	0	4,500,000	0.137%	(3)
Wang Kunxian	Beneficial owner	HK$0.40	3,300,000	0	0	0	3,300,000	0.101%	(4)
Wang Kunxian	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Han Aizhi	Beneficial owner	HK$2.03	3,000,000	0	0	0	3,000,000	0.092%	(1)
Han Aizhi	Beneficial owner	HK$0.80	1,200,000	0	0	0	1,200,000	0.037%	(2)
Han Aizhi	Beneficial owner	HK$0.50	4,500,000	0	0	0	4,500,000	0.137%	(3)
Han Aizhi	Beneficial owner	HK$0.40	3,300,000	0	0	0	3,300,000	0.101%	(4)
Han Aizhi	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Song Xichen	Beneficial owner	HK$2.03	1,500,000	0	0	0	1,500,000	0.046%	(1)
Song Xichen	Beneficial owner	HK$0.80	960,000	0	0	0	960,000	0.029%	(2)
Song Xichen	Beneficial owner	HK$0.50	4,500,000	0	0	0	4,500,000	0.137%	(3)
Song Xichen	Beneficial owner	HK$0.40	3,300,000	0	0	0	3,300,000	0.101%	(4)
Song Xichen	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Chen Junzhu	Beneficial owner	HK$0.40	1,200,000	0	0	0	1,200,000	0.037%	(5)
Chen Junzhu	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Wu Geng	Beneficial owner	HK$0.40	1,200,000	0	0	0	1,200,000	0.037%	(5)
Wu Geng	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Qiao Jianmin	Beneficial owner	HK$0.40	1,200,000	0	0	0	1,200,000	0.037%	(5)
Qiao Jianmin	Beneficial owner	HK$0.415	1,200,000	0	0	0	1,200,000	0.037%	(6)
Employees									
Employees	Beneficial owner	HK$2.03	9,300,000	0	0	300,000	9,000,000	0.275%	(1)
Employees	Beneficial owner	HK$0.80	17,220,000	0	0	420,000	16,800,000	0.513%	(2)
Employees	Beneficial owner	HK$0.50	53,400,000	0	0	2,760,000	50,640,000	1.547%	(3)
Employees	Beneficial owner	HK$0.40	45,900,000	0	0	2,700,000	43,200,000	1.319%	(4)
Employees	Beneficial owner	HK$0.40	52,800,000	0	0	0	52,800,000	1.613%	(5)
Employees	Beneficial owner	HK$0.415	174,043,500	0	0	0	174,043,500	5.315%	(6)
Total			419,083,500	0	0	6,180,000	412,903,500	12.610%	

Notes:

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

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

(3) The share options granted by the Company are exercisable for 6 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 23 September 2014), respectively. These share options are exercisable at HK$0.50 each according to the rules of the Old Scheme during the period from 23 September 2014 to 22 September 2020.

(4) The share options granted by the Company are exercisable for 6 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 28 January 2015), respectively. These share options are exercisable at HK$0.40 each according to the rules of the Old Scheme during the period from 28 January 2015 to 27 January 2021.

(5) The share options granted by the Company are exercisable for 5 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 26 April 2016), respectively. These share options are exercisable at HK$0.40 each according to the rules of the Old Scheme during the period from 26 April 2016 to 25 April 2021.

(6) The share options granted by the Company are exercisable for 5 years. The grantees may exercise up to one-third, two-thirds and 100% of the respective total share options granted from the first, second and third anniversaries of the date of grant (i.e. 11 October 2016), respectively. These share options are exercisable at HK$0.415 each according to the rules of the New Scheme during the period from 11 October 2016 to 10 October 2021.

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

As at 30 June 2017, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Name of shareholder	Capacity	Number of issued ordinary shares/ underlying shares held	Percentage of the issued share capital of the Company
MEFUN GROUP LIMITED	Beneficial owner(1)	620,000,000	18.935%
HZJ Holding Limited	Interest in controlled corporation(2)	620,000,000	18.935%
RXJ Holding Limited	Interest in controlled corporation(2)	620,000,000	18.935%
Waynew Investments Limited	Beneficial owner(3)	248,058,000	7.576%

Notes:

(1) MEFUN GROUP LIMITED acquired 620,000,000 shares of the Company (representing 18.935% of the issued shares of the Company) held by Zhongheng International Investment Limited at an average price of HK$0.295 on 2 February 2016.

(2) HZJ Holding Limited and RXJ Holding Limited hold 42.5% and 42.5% of the issued share capital of MEFUN GROUP LIMITED respectively. These two companies are therefore deemed to be interested in the shares of the Company held by MEFUN GROUP LIMITED.

(3) On 3 November 2014, the Company issued shares to Waynew Investments Limited under general mandate. Waynew Investments Limited holds 248,058,000 shares of the Company, representing 7.576% of the issued shares of the Company.

Save as disclosed above, as at 30 June 2017, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance had been entered into between the Company and the controlling shareholders or any of their subsidiaries during the six months ended 30 June 2017.

COMPETING BUSINESS

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

PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the Directors, as at 30 June 2017, the Company has maintained a public float of not less than 25% as required under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

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

EVENT AFTER THE REPORTING PERIOD

The relevant event of the Group after the reporting period is set out in the note 20 to the condensed consolidated interim financial statements.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

By order of the Board
Zhang Bizhuang
Chief Executive Officer

15 September 2017

Corporate Governance

OVERVIEW

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Board strives to uphold good corporate governance and adopts sound corporate governance practices. The Company has applied the principles and code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

During the period from 1 January 2017 to 24 March 2017, 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 has complied with the code provision A.5.1 of the Code and all other provisions set out in the Code. For details, please refer to the announcement of the Company dated 26 March 2017.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that for the six months ended 30 June 2017, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions.

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 unaudited financial statements for the six months ended 30 June 2017 as well as the risk management and internal control system and its implementation.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the unaudited interim financial statements for the Interim Period with the management and external auditor. The external auditor has reviewed the interim financial information for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period under Review.

Independent Review Report

TO THE BOARD OF DIRECTORS OF
SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 44 which comprises the condensed consolidated statement of financial position of Shengli Oil & Gas Pipe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Practising Certificate Number P06353
Hong Kong

26 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	4	**1,177,300**	879,316
Cost of sales and services		**(1,132,460)**	(852,643)
Gross profit		**44,840**	26,673
Other income and gains		**3,356**	13,410
Selling and distribution costs		**(31,043)**	(9,697)
Administrative expenses		**(122,581)**	(116,458)
Reversal of allowance/(allowance) for trade receivables		**5,490**	(3,752)
Other expenses		**(839)**	(362)
Share of results of:			
Joint ventures		**(2,375)**	(4,551)
An associate		**(4,432)**	(70)
Gain on disposal of a joint venture		**1**	—
Loss on disposal of a subsidiary	5	**(516)**	—
Impairment loss recognised on property, plant and equipment		**(9,973)**	—
Impairment loss recognised on investment in a joint venture		**—**	(3,271)
Impairment loss recognised on advance to a joint venture	14	**(8,943)**	—
Finance costs	6	**(22,973)**	(21,573)
LOSS BEFORE TAX	7	**(149,988)**	(119,651)
Income tax credit/(expense)	8	**4,696**	(1,075)
LOSS FOR THE PERIOD		**(145,292)**	(120,726)
Other comprehensive (loss)/income that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(6,638)**	9,228
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(151,930)**	(111,498)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(120,262)**	(102,463)
Non-controlling interests		**(25,030)**	(18,263)
		(145,292)	(120,726)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(126,900)**	(93,235)
Non-controlling interests		**(25,030)**	(18,263)
		(151,930)	(111,498)
LOSS PER SHARE *(RMB cents)*	9		
— Basic		**(3.67)**	(3.45)
— Diluted		**(3.67)**	(3.45)

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	941,096	922,711
Prepaid land lease payments	12	252,988	162,713
Goodwill		2,525	2,525
Deposits paid for acquisition of investments		197,505	197,505
Investment in joint ventures		3,272	5,647
Investment in an associate		31,924	36,356
Deferred tax assets		28,560	26,788
		1,457,870	1,354,245
CURRENT ASSETS			
Inventories		259,226	196,158
Trade and bills receivables	13	841,108	982,103
Prepayments, deposits and other receivables	14	399,569	504,699
Prepaid land lease payments		6,217	3,769
Pledged deposits		15,906	18,398
Cash and cash equivalents		49,583	228,350
		1,571,609	1,933,477
CURRENT LIABILITIES			
Trade and bills payables	15	271,786	345,080
Other payables and accruals	16	230,097	172,205
Borrowings	17	862,973	946,500
Tax payable		15,115	19,397
Deferred income		854	854
		1,380,825	1,484,036
NET CURRENT ASSETS		190,784	449,441
TOTAL ASSETS LESS CURRENT LIABILITIES		1,648,654	1,803,686
NON-CURRENT LIABILITIES			
Deferred income		6,036	6,463
Borrowings	17	13,750	27,500
Deferred tax liabilities		351	359
		20,137	34,322
NET ASSETS		1,628,517	1,769,364

Condensed Consolidated Statement of Financial Position (cont'd)

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**283,911**	283,911
Reserves		**1,221,074**	1,336,891
		1,504,985	1,620,802
Non-controlling interests		**123,532**	148,562
Total equity		**1,628,517**	1,769,364

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Issued capital	Share premium*	Statutory surplus reserve*	Share option reserve*	Other reserve*	Foreign currency translation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (Audited)	238,438	1,148,255	62,484	43,328	(9)	9,002	164,569	1,666,067	192,878	1,858,945
Issue of shares (Unaudited)	45,473	81,851	—	—	—	—	—	127,324	—	127,324
Share-based payment (Unaudited)	—	—	—	4,762	—	—	—	4,762	—	4,762
Total comprehensive income/(loss) for the period (Unaudited)	—	—	—	—	—	9,228	(102,463)	(93,235)	(18,263)	(111,498)
At 30 June 2016 (Unaudited)	283,911	1,230,106	62,484	48,090	(9)	18,230	62,106	1,704,918	174,615	1,879,533
At 1 January 2017 (Audited)	**283,911**	**1,230,106**	**62,484**	**58,193**	**(9)**	**32,041**	**(45,924)**	**1,620,802**	**148,562**	**1,769,364**
Share-based payment (Unaudited)	**—**	**—**	**—**	**11,083**	**—**	**—**	**—**	**11,083**	**—**	**11,083**
Total comprehensive loss for the period (Unaudited)	**—**	**—**	**—**	**—**	**—**	**(6,638)**	**(120,262)**	**(126,900)**	**(25,030)**	**(151,930)**
At 30 June 2017 (Unaudited)	**283,911**	**1,230,106**	**62,484**	**69,276**	**(9)**	**25,403**	**(166,186)**	**1,504,985**	**123,532**	**1,628,517**

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**30,316**	(162,253)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(42,352)**	(8,308)
Purchase of prepaid land lease payments	**(43,734)**	—
Change in pledged deposits	**2,492**	175,062
Other investing cash flows	**1,213**	11,536
NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES	**(82,381)**	178,290
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**—**	127,324
New borrowings	**445,473**	490,000
Repayment of borrowings	**(542,750)**	(750,786)
Other financing cash flows	**(22,970)**	(21,573)
NET CASH USED IN FINANCING ACTIVITIES	**(120,247)**	(155,035)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(172,312)**	(138,998)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**228,350**	393,881
EFFECT OF FOREIGN EXCHANGE	**(6,455)**	9,228
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**49,583**	264,111

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 condensed consolidated interim financial statements are presented in Renminbi (the "RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

The Company acts as an investment holding company. The principal activities of the Group 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.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34 ("IAS 34") issued by International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016 ("2016 Annual Report").

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2016 Annual Report of the Company.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current period, 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 2017. 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 and prior periods.

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. SEGMENT INFORMATION

Segment revenue and results

For the six months ended 30 June 2017 (Unaudited)

	Pipes Business RMB'000	Trading business RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:				
Sales to external customers	424,659	752,641	—	1,177,300
Intersegment sales	8,855	—	(8,855)	—
Total revenue	433,514	752,641	(8,855)	1,177,300
Segment results	(54,048)	(35,622)		(89,670)
Interest income				1,305
Impairment loss recognised on advance to a joint venture				(8,943)
Gain on disposal of a joint venture				1
Loss on disposal of a subsidiary				(516)
Unallocated expenses				(29,192)
Finance costs				(22,973)
Loss before tax				(149,988)

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2016 (Unaudited)

	Pipes Business RMB'000	Trading business RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:				
Sales to external customers	193,282	686,034	—	879,316
Intersegment sales	—	—	—	—
Total revenue	193,282	686,034	—	879,316
Segment results	(71,476)	8,790		(62,686)
Interest income				4,655
Impairment loss recognised on investment in a joint venture				(3,271)
Unallocated expenses				(36,776)
Finance costs				(21,573)
Loss before tax				(119,651)

Segment assets

As at 30 June 2017 (Unaudited)

	Pipes Business RMB'000	**Trading business RMB'000**	**Eliminations RMB'000**	**Consolidated RMB'000**
Segment assets	**2,246,375**	**455,291**	**—**	**2,701,666**

As at 31 December 2016 (Audited)

	Pipes Business RMB'000	Trading business RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment assets	2,106,021	667,336	—	2,773,357

4. SEGMENT INFORMATION (continued)

Segment liabilities

As at 30 June 2017 (Unaudited)

	Pipes Business RMB'000	Trading business RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment liabilities	**350,018**	**59,443**	**—**	**409,461**

As at 31 December 2016 (Audited)

	Pipes Business RMB'000	Trading business RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment liabilities	343,397	177,851	—	521,248

5. LOSS ON DISPOSAL OF A SUBSIDIARY

Pursuant to an agreement dated 20 June 2017 entered into between Siu Thai Holdings Limited ("Siu Thai"), a subsidiary of the Company, and an independent third party, Siu Thai disposed of its entire 100% interest in Shengli Investment Company at a cash consideration of USD1 resulting in a loss on disposal of a subsidiary of approximately RMB516,000.

6. FINANCE COSTS

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest of borrowings	**22,973**	21,573

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold*	**1,104,324**	838,750
Cost of services	**28,136**	13,893
	1,132,460	852,643
Employees benefits expenses including directors' remunerations	**38,965**	31,524
Depreciation of property, plant and equipment	**58,973**	57,836
Amortisation of prepaid land lease payments	**2,075**	1,881
(Reversal of allowance)/allowance for trade receivables	**(5,490)**	3,752
Impairment loss recognised on property, plant and equipment	**9,973**	—
Impairment loss recognised on other receivables	**—**	2,431
Operating lease payments	**9,193**	8,205

* Included in the cost of inventories sold is an amount of approximately RMB1,085,000 (for the six months ended 30 June 2016: approximately RMB1,500,000) related to the write down of inventories during the six months ended 30 June 2017.

8. INCOME TAX CREDIT/(EXPENSE)

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — PRC Enterprise Income Tax ("EIT")		
— Charge for the period	**(611)**	—
Current — Hong Kong		
— Charge for the period	**—**	(848)
— Over-provision in previous year	**3,527**	—
Deferred tax credit/(charge) for the period	**1,780**	(227)
Income tax credit/(expense)	**4,696**	(1,075)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2017 and 2016. 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 the six months ended 30 June 2017 and 2016. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company established in the PRC was 25% for the six months ended 30 June 2017 and 2016.

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 six months ended 30 June 2017 attributable to owners of the Company of approximately RMB120,262,000 (for the six months ended 30 June 2016: approximately RMB102,463,000) and the weighted average number of 3,274,366,000 (for the six months ended 30 June 2016: 2,968,518,000) ordinary shares in issue during the six months ended 30 June 2017.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2017 and 2016 in respect of a dilution as there was no dilutive potential ordinary shares for the Company's outstanding options.

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment at a total cost of approximately RMB85,168,000 (for the six months ended 30 June 2016: approximately RMB8,308,000).

Property, plant and equipment with a carrying amount of approximately RMB8,000 (for the six months ended 30 June 2016: approximately RMB7,000) were disposed by the Group during the six months ended 30 June 2017.

12. PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2017, the Group acquired prepaid land lease payments at a total cost of approximately RMB94,799,000 (for the six months ended 30 June 2016: Nil).

13. TRADE AND BILLS RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	**933,094**	1,124,815
Less: allowance for impairment of trade receivables	**(147,038)**	(152,883)
	786,056	971,932
Bills receivables	**55,052**	10,171
	841,108	982,103

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:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**619,855**	833,662
3 to 6 months	**74,595**	65,224
6 months to 1 year	**47,301**	16,797
1 to 2 years	**18,025**	19,225
Over 2 years	**26,280**	37,024
	786,056	971,932

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the prepayments, deposits and other receivables is a loan to a joint venture of approximately RMB48,919,000 (31 December 2016: approximately RMB48,672,000) which is unsecured, bears an interest rate of 3% per annum and repayable within one year. In addition, there is an advance to a joint venture of approximately RMB26,360,000 (31 December 2016: approximately RMB26,353,000) which is unsecured, non-interest bearing and repayable within one year. An impairment loss of approximately RMB8,943,000 has been recognised for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

15. TRADE AND BILLS PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	**223,672**	340,418
Bills payables	**48,114**	4,662
	271,786	345,080

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**166,724**	303,336
3 to 6 months	**25,808**	24,517
6 months to 1 year	**27,031**	6,684
1 to 2 years	**638**	2,293
over 2 years	**3,471**	3,588
	223,672	340,418

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

Other payables and accruals included consideration payable mainly on acquisition of property, plant and equipment and prepaid land lease payments of approximately RMB96,033,000 (31 December 2016: Nil) and repayable within 3 months.

17. BORROWINGS

Borrowings included advances from Directors and employees of approximately RMB59,470,000 (31 December 2016: Nil) which is unsecured, bears an interest rate of 10% per annum and repayable within one year.

18. COMMITMENTS

(a) Capital commitments

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for	**23,819**	22,994

(b) Investment commitments

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for	**7,806**	39,927

19. RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

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

Name of related party	Relationship with the Company
Prodigy Dome Integration Housing Production (Shandong) Co., Ltd.# ("Dome (Shandong)") (普帝龍哆咪集成房屋製造（山東）有限公司)	A wholly owned subsidiary of Dome Integration Housing Industrial Holding Co. Ltd., a joint venture of the Group

\# The English name is for identification only

(b) Significant related party transactions

During the six months ended 30 June 2017 and 2016, the Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Rental income received from Dome (Shandong)	—	2,972
Interest income from Dome (Shandong)	—	547
Advances from directors	**2,450**	—

(c) Key management compensation

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Fees	**1,149**	537
Salaries, allowances and other benefits in kind	**5,720**	1,868
Social security contributions	**194**	123
Equity-settled share option expense	**4,721**	1,781
	11,784	4,309

20. EVENT AFTER THE REPORTING PERIOD

On 10 August 2017, 浙江勝管實業有限公司 ("Zhejiang Shengguan"), a wholly-owned subsidiary of the Group incorporated subsequent to the end of the reporting period, entered into the capital increase agreement with 上海國心實業有限公司 ("Shanghai Guoxin"), Mr. Wen and Mr. Chen, independent third parties, pursuant to which each of Zhejiang Shengguan and Mr. Wen agreed to make a capital contribution of RMB225,000,000 to Shanghai Guoxin. Upon completion, the registered capital of Shanghai Guoxin will be owned as to 45% by Zhejiang Shengguan, 51% by Mr. Wen and 4% by Mr. Chen and the total registered capital of the Shanghai Guoxin will be increased from RMB50,000,000 to RMB500,000,000. Shanghai Guoxin will become an associate of the Group.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 26 August 2017.