CHU KONG PETROLEUM AND NATURAL GAS STEEL PIPE HOLDINGS LIMITED
珠江石油天然氣鋼管控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1938)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

AUDITED CONSOLIDATED FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") announces the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Consolidated Financial Statements") together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**1,443,487**	2,539,178
Cost of sales		**(1,361,900)**	(2,131,965)
Gross profit		**81,587**	407,213
Other income and gains	5	**37,564**	29,221
Selling and distribution expenses		**(144,423)**	(171,695)
Administrative expenses		**(470,977)**	(439,991)
Exchange loss, net		**(86,417)**	(53,558)
Finance costs	7	**(237,142)**	(237,111)
Impairment of property, plant and equipment and goodwill		**(516,250)**	–
Other expenses		**(105,283)**	(17,469)
Fair value gains on investment property		**–**	627,882
Share of a loss of a joint venture		**(1,460)**	(582)
(LOSS)/PROFIT BEFORE TAX	6	**(1,442,801)**	143,910
Income tax expense	8	**(56,197)**	(118,399)
(LOSS)/PROFIT FOR THE YEAR		**(1,498,998)**	25,511

	2016	2015
	RMB'000	*RMB'000*
(Loss)/Profit attributable to:		
Owners of the parent	**(1,495,804)**	18,794
Non-controlling interests	**(3,194)**	6,717
	(1,498,998)	25,511
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	**RMB(1.48)**	RMB0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(1,498,998)**	25,511
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(133,018)**	(94,725)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(133,018)**	(94,725)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(133,018)**	(94,725)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,632,016)**	(69,214)
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(1,628,822)**	(75,931)
Non-controlling interests	**(3,194)**	6,717
	(1,632,016)	(69,214)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,315,315**	3,721,360
Properties under development		**1,196,775**	–
Investment property		**1,138,221**	2,306,804
Long term prepayments and deposits		**144,582**	204,937
Prepaid land lease payments		**1,211,764**	1,083,448
Goodwill		**–**	4,075
Investment in a joint venture		**37,335**	38,790
Available-for-sale investment		**800**	800
Deferred tax assets		**–**	80,497
Pledged deposits		**95,570**	431,924
Total non-current assets		**7,140,362**	7,872,635
CURRENT ASSETS			
Properties under development		**1,036,362**	808,127
Inventories		**411,001**	816,115
Trade and bills receivables	*10*	**618,421**	921,143
Prepayments, deposits and other receivables		**657,497**	950,785
Pledged and restricted bank balances		**562,390**	418,425
Cash and bank balances		**439,067**	286,135
Due from a related party		**90,726**	–
Total current assets		**3,815,464**	4,200,730
CURRENT LIABILITIES			
Trade and bills payables	*11*	**790,348**	1,062,085
Interest-bearing bank and other borrowings	*12*	**4,374,936**	2,853,246
Other payables and accruals		**1,185,524**	590,609
Provision		**29,268**	24,348
Fixed rate bonds	*13*	**87,911**	–
Due to a director		**5,563**	–
Due to a related party		**3,927**	–
Tax payable		**62,042**	64,198
Total current liabilities		**6,539,519**	4,594,486

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NET CURRENT LIABILITIES		**(2,724,055)**	(393,756)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,416,307**	7,478,879
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**592,201**	616,970
Interest-bearing bank and other borrowings	*12*	**1,389,904**	2,914,481
Fixed rate bonds	*13*	**496,609**	541,651
Government grants		**369,707**	205,875
Total non-current liabilities		**2,848,421**	4,278,977
Net assets		**1,567,886**	3,199,902
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**88,856**	88,856
Reserves		**1,464,024**	3,092,846
		1,552,880	3,181,702
Non-controlling interests		**15,006**	18,200
Total equity		**1,567,886**	3,199,902

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

- property development and investment

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

2. BASIS OF PREPARATION

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

2.1 Going concern basis

The Group recorded a consolidated loss of RMB1,498,998,000 (2015: profit of RMB25,511,000) for the year ended 31 December 2016. Excluding the impairment of RMB615,505,000, the Group recorded a consolidated net loss of RMB883,493,000 for the year, which included (i) provision for impairment of trade and other receivables amounting to RMB72,124,000 (2015: write-back of RMB15,452,000), (ii) provision for inventories in respect of the write-down to net realisable value amounting to RMB27,131,000 (2015: RMB10,779,000); and (iii) impairment of property, plant and equipment and goodwill amounting to RMB516,250,000 (2015: nil). These non-cash items had not affected the Group's operating cash flows. The Group had net cash inflows in operating activities of approximately RMB963,118,000 (2015: RMB100,845,000).

As at 31 December 2016, the Group recorded net current liabilities of RMB2,724,055,000 (2015: RMB393,756,000), included therein was the bank and other borrowings of RMB4,374,936,000 (2015: RMB2,853,246,000) which were due for repayment or renewal within the next twelve months after 31 December 2016.

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(1) Active negotiations with banks to obtain adequate bank borrowings to finance the Group's operations

Subsequent to 31 December 2016 and up to the date of this announcement, the Group repaid bank loans of RMB10,000,000, obtained new short term bank loans of RMB840,977,000 and renewed the existing loans with the banks which amounted to RMB270,327,000.

The Group will continue to actively negotiate with the banks for the renewal of the Group's borrowings when they fall due or obtain additional source of finance to meet the Group's working capital and financial requirements in the near future. The Directors have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the banks which will enhance the Group's ability to renew the Group's loans upon expiry.

(2) Active negotiations with debtors on outstanding receivables

The management is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

(3) Exploring alternative source of capital

The management is considering co-operation with business partners to further develop and promote derived products or services which have high gross margins and thus generate stronger positive cash flows.

(4) Improvement of the Group's operating cash flows

The Group is taking measures to tighten cost control over various production costs and expenses with the aim to attain profitable and positive cash flow operations.

The Directors have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, coupled with the rebound of the market demand of the Group's major products since the second half of 2016 and up to the date of this announcement and the pre-sale of the second phase of Golden Dragon City Fortune Plaza ("GDC") which is expected to commence in late 2017, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The application of these new and revised standards in the current year has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the steel pipes segment engages in the manufacture and sale of welded steel pipes and the provision of related manufacturing services; and

(b) the property development and investment segment engages in property development for sale of properties and property investment for its rental income potential.

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

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

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

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

Year ended 31 December 2016

	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	**1,443,487**	**–**	**1,443,487**
Segment results:	**(1,234,235)**	**(162,772)**	**(1,397,007)**
Reconciliation:			
Corporate and other unallocated expenses			**(10,773)**
Finance costs			**(35,021)**
Loss before tax			**(1,442,801)**
Segment assets:	**5,044,720**	**3,913,325**	**8,958,045**
Reconciliation:			
Elimination of intersegment receivables			**(145,114)**
Corporate and other unallocated assets			**2,142,895**
Total assets			**10,955,826**
Segment liabilities:	**7,197,724**	**1,745,315**	**8,943,039**
Reconciliation:			
Elimination of intersegment payables			**(145,114)**
Corporate and other unallocated liabilities			**590,015**
Total liabilities			**9,387,940**
Other segment information:			
Share of a loss of a joint venture	**(1,460)**	**–**	**(1,460)**
Impairment losses recognised in the statement of profit or loss	**(547,126)**	**(70,510)**	**(617,636)**
Impairment losses reversed in the statement of profit or loss	**2,131**	**–**	**2,131**
Depreciation and amortisation	**(202,268)**	**(424)**	**(202,692)**
Investment in a joint venture	**37,335**	**–**	**37,335**
Capital expenditure*	**442,893**	**28,833**	**471,726**

Year ended 31 December 2015

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

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

Information about steel pipe products and services

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

	2016	2015
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**949,426**	1,455,874
SSAW steel pipes	**108,259**	361,869
ERW steel pipes	**148,376**	176,615
Steel pipe manufacturing services:		
LSAW steel pipes	**43,149**	64,399
SSAW steel pipes	**13,170**	47,393
ERW steel pipes	**2,306**	2,565
Others*	**178,801**	430,463
	1,443,487	2,539,178

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

Geographical information

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

	2016	2015
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**622,453**	1,193,051
America	**327,045**	871,025
Middle East	**274,307**	268,511
Other Asian countries	**100,484**	120,551
Oceania	**105,133**	44,561
Africa	**–**	37,939
European Union	**14,065**	3,383
Others	**–**	157
	1,443,487	2,539,178

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

Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A	**235,670**	694,694
Customer B	**169,750**	*

* Less than 10%

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Manufacture and sale of welded steel pipes and the provision of related manufacturing services	**1,443,487**	2,539,178
Other income and gains		
Bank interest income	**16,116**	17,433
Subsidy income from the PRC government	**20,691**	11,323
Compensation	**332**	57
Rental income	**–**	15
Others	**425**	393
	37,564	29,221

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

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2016** **RMB'000**	2015 *RMB'000*
Cost of inventories sold		**1,096,000**	1,865,000
Depreciation		**176,661**	144,250
Share of a loss of a joint venture		**1,460**	582
Amortisation of prepaid land lease payments		**26,031**	23,124
Minimum lease payments under operating leases		**7,278**	9,503
Auditor's remuneration		**3,420**	2,667
Exchange (gain)/loss, net:			
Realised		**19,839**	(6,851)
Unrealised		**66,578**	60,409
		86,417	53,558
Finance costs	*7*	**237,142**	237,111
Employee benefit expenses (including directors' remuneration)			
Wages and salaries		**188,996**	242,999
Retirement benefit scheme contributions		**23,160**	40,548
Impairment/(reversal of impairment) of trade receivables		**1,614**	(17,865)
Impairment of deposits and other receivables*		**70,510**	2,413
Write-down of inventories to net realisable value*		**27,131**	10,779
Impairment of property, plant and equipment		**512,175**	–
Impairment of goodwill		**4,075**	–
Changes in fair value of investment property		**–**	(627,882)
Bank interest income	*5*	**(16,116)**	(17,433)
Research and development costs		**84,717**	102,485

* Included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings (including bonds and short term notes)	**271,891**	285,913
Interest on finance leases	**14,959**	22,887
Interest on discounted bills	**1,918**	2,001
Total interest expense on financial liabilities not at fair value through profit or loss	**288,768**	310,801
Less: Interest capitalised	**(51,626)**	(73,690)
	237,142	237,111

8. INCOME TAX

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

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

	2016	2015
	RMB'000	*RMB'000*
Current – Mainland China		
Charged for the year	**469**	3,754
Overprovision in prior years	**–**	(7,243)
Deferred	**55,728**	121,888
Total tax charge for the year	**56,197**	118,399

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

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,011,142,000 (2015: 1,011,142,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilutions as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

10. TRADE AND BILLS RECEIVABLES

	2016 ***RMB'000***	2015 *RMB'000*
Trade receivables	**608,491**	912,410
Impairment	**(12,712)**	(11,098)
Trade receivables, net	**595,779**	901,312
Bills receivables*	**22,642**	19,831
	618,421	921,143

* As at 31 December 2016, the Group's bills receivables of RMB1,000,000 (2015: nil) were pledged to secure the Group's banking facilities.

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

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

	2016	2015
	RMB'000	*RMB'000*
Within 60 days	**206,449**	351,437
61 to 90 days	**20,122**	43,034
91 to 180 days	**88,491**	85,475
181 to 365 days	**52,332**	203,946
1 to 2 years	**135,429**	162,347
2 to 3 years	**78,347**	33,893
Over 3 years	**14,609**	21,180
	595,779	901,312

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**11,098**	28,963
Impairment losses recognised	**3,745**	1,166
Impairment losses reversed	**(2,131)**	(19,031)
At 31 December	**12,712**	11,098

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB12,712,000 (2015: RMB11,098,000) with a carrying amount before provision of RMB12,712,000 (2015: RMB11,098,000).

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

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**428,396**	602,919
Past due but not impaired		
1 to 180 days	**75,895**	149,953
181 to 365 days	**25,634**	100,767
Over 365 days	**65,854**	47,673
	595,779	901,312

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

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

11. TRADE AND BILLS PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**309,447**	353,210
91 to 180 days	**52,683**	60,472
181 to 365 days	**149,595**	92,767
1 to 2 years	**88,756**	33,059
2 to 3 years	**20,748**	16,041
Over 3 years	**17,562**	9,676
	638,791	565,225
Bills payables	**151,557**	496,860
	790,348	1,062,085

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

All the bills payables have maturity dates within 180 days.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Finance lease payables	**4.61-8.43**	**2017**	**96,076**	4.61-8.43	2016	72,631
Bank loans						
– secured	**1.00-6.16**	**2017**	**707,682**	2.07-7.59	2016	393,060
– unsecured	**2.85-6.09**	**2017**	**1,023,033**	2.30-7.59	2016	1,232,162
Other borrowings						
– unsecured	**2.94-18.00**	**2017**	**368,578**	–	–	–
Government loans						
– secured	**4.90**	**2017**	**17,600**	–	–	–
– unsecured	**3.15-5.50**	**2017**	**200,000**	4.20-6.33	2016	99,500
Current portion of long term loans						
– secured	**2.30-5.96**	**2017**	**1,818,847**	2.34-7.04	2016	674,839
– unsecured	**2.50**	**2017**	**143,120**	6.15-7.04	2016	381,054
			4,374,936			2,853,246
Non-current						
Finance lease payables	**4.61-8.43**	**2018-2020**	**149,998**	4.61-8.43	2017-2020	235,541
Bank loans						
– secured	**2.30-5.96**	**2018-2028**	**718,006**	2.07-6.40	2017-2028	566,767
– unsecured	**–**	**–**	**–**	1.85-6.15	2017-2020	1,502,173
Government loans						
– secured	**4.75-4.90**	**2018-2023**	**521,900**	4.90-5.40	2023	410,000
– unsecured	**–**	**–**	**–**	5.50	2017	200,000
			1,389,904			2,914,481
			5,764,840			5,767,727

	2016 *RMB'000*	2015 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**3,692,682**	2,681,115
In the second year	**140,556**	1,354,970
In the third to fifth years, inclusive	**439,450**	565,970
Beyond five years	**138,000**	148,000
	4,410,688	4,750,055
Government loans repayable:		
Within one year	**217,600**	99,500
In the second year	**143,500**	200,000
In the third to fifth years, inclusive	**246,400**	–
Beyond five years	**132,000**	410,000
	739,500	709,500
Other borrowings repayable:		
Within one year	**464,654**	72,631
In the second year	**97,319**	89,948
In the third to fifth years, inclusive	**52,679**	145,593
	614,652	308,172
	5,764,840	5,767,727

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

(a) the pledge of certain property, plant and equipment of the Group with a net carrying amount of approximately RMB1,512,480,000 (2015: RMB582,846,000) as at the end of the reporting period;

(b) the pledge of certain leasehold lands of the Group with a net carrying amount of approximately RMB1,061,802,000 (2015: RMB650,234,000) as at the end of the reporting period;

(c) the pledge of certain of the Group's deposits amounting to RMB410,160,000 (2015: RMB491,150,000) as at the end of the reporting period; and

(d) the pledge of certain of the Group's properties under development amounting to RMB442,742,000 (2015: Nil) as at the end of the reporting period.

Except for the bank loans of RMB161,566,000 (2015: RMB236,803,000) and RMB1,986,000,000 (2015: RMB2,194,929,000) as at 31 December 2016, which are denominated in Hong Kong dollars and United States dollars, respectively, all borrowings are in RMB.

The Group had the following undrawn banking facilities:

	2016	2015
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year*	**1,944,563**	1,365,867

* Pursuant to the relevant contract, certain of the Group's undrawn banking facilities of RMB1,200,000,000 (2015: nil) can only be used for property development projects and are repayable based on the progress of such properties' pre-sale.

13. FIXED RATE BONDS

US$72,000,000 5.6% bonds due 2018

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

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

HK$100,000,000 5% bonds due 2017

On 2 May 2014, the Group issued bonds with a principal amount of HK$100,000,000, which were subscribed at a price equal to HK$86,500,000 and the bonds will be repayable in full by 9 May 2017 (the "2014 Bonds"). The bonds may be redeemed at the option of the Group in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the bonds, at their principal amount, together with the interest accrued to the date fixed for redemption. The bonds bear interest at a fixed coupon interest rate of 5% per annum for three years payable semi-annually, commencing on 2 November 2014. The bonds are unsecured.

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

2013 Bonds

	2016	2015
	RMB'000	*RMB'000*
Carrying amount as at 1 January	**462,965**	434,632
Amortisation	**2,184**	1,915
Exchange realignment	**31,460**	26,418
Carrying amount as at 31 December	**496,609**	462,965

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

2014 Bonds

	2016	2015
	RMB'000	*RMB'000*
Carrying amount as at 1 January	**78,686**	70,542
Amortisation	**3,858**	3,613
Exchange realignment	**5,367**	4,531
Carrying amount as at 31 December	**87,911**	78,686
Less: Current portion	**(87,911)**	–
Carrying amount as at 31 December	**–**	78,686

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of RMB1,498,998,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by RMB2,724,055,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I would like to present to you the audited consolidated annual results of the Group for the year ended 31 December 2016. In the difficult and challenging year of 2016, the Group recorded a turnover of approximately RMB1,443.5 million, down by approximately 43.2% as compared with that of 2015 (2015: RMB2,539.2 million). Loss for the year was approximately RMB1,499.0 million. Loss per share attributable to ordinary equity holders of the parent was approximately RMB1.48 (2015: profit per share RMB0.02). The Board did not recommend the payment of final dividend for the year ended 31 December 2016.

Excluding the impairment of RMB615,505,000, which included (i) provision for impairment of trade and other receivables amounting to RMB72,124,000 (2015: write-back of RMB15,452,000), (ii) provision for inventories in respect of the write-down to net realisable value amounting to RMB27,131,000 (2015: RMB10,779,000); and (iii) impairment of property, plant and equipment and goodwill amounting to RMB516,250,000 (2015: Nil), the Group recorded a consolidated net loss of RMB883,493,000 for the year. These non-cash items had not affected the Group's operating cash flows. The Group had net cash inflows in operating activities of approximately RMB963,118,000 (2015: RMB100,845,000).

It was a difficult year for the steel pipe industry in 2016 in light of the low oil price, the depreciation of Renminbi and the political instability across the globe etc. These factors have made substantial impacts on the oil and gas industry as well as the global economy. Apart from the impairment of RMB615.5 million, the poor results of the Group was the result of the drop in both domestic and overseas sales due to the slowdown in the rolling out of major oil and gas projects.

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

1. Residential units of Phase One of Golden Dragon City Fortune Plaza has been fully released for sale

2. The construction of Phase Two of Golden Dragon City Fortune Plaza has kicked off

3. Established a joint venture company with Fangyang Group to build a new plant to develop bimetal composite plate business

4. We are in the final stage of the research and development for deep sea welded steel pipes for use at 3,500m under water

5. The production plant in Saudi Arabia has obtained the relevant international certificates

6. Participated in large scale overseas offshore projects

Following the conversion of the Panyu land in 2013, the Group grasped the opportunity of asset appreciation to convert the land use right of the Panyu production plant from industrial use to commercial use. The property project, named Golden Dragon City Fortune Plaza（金龍城財富廣場）(“GDC”), is a large scale integrated commercial complex, the first phase was publicly launched in late 2015. The land area of the converted land accounted for approximately 25% of the total land area of the Panyu factory site. The first phase of the development has a permitted construction area (including the underground construction area) of approximately 135,000 square metres. The construction of the second phase, with approximately 191,000 square metres, has already kicked off. The total permitted construction area of GDC (including underground construction area) is approximately 550,000 square metres. We believe GDC will become one of our stable income sources and provide a solid financial support to our steel pipe business in the long run. It will also help improving our financial position with its steady cash flow.

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

In order to achieve our strategy in “Integration of the production of plates and pipes”, the Group has established a JV company with Fangyang Group, which is wholly-owned by the Government of Lianyungang, for the development of a new bimetal composite plate business in Lianyungang. We believe that the cooperation with Fangyang Group will strengthen the development of the Group in Lianyungang. Fangyang Group is wholly-owned by the Government of Lianyungang, which is capable and experienced infrastructure projects in Lianyungang. The financial injection by Fangyang Group is a sign of the huge potential of the project, and it also helps the project’s development and capital capability. The Group will have its own steel plate production afterwards, which will provide the Group with a stable supply of raw materials at manageable costs. Our steel plate products will also be supplied to local and nearby customers.

We have a strong research and development team with extensive experience. The research and development of deep sea welded steel pipes for use at 3,500m under water has entered into the final stage and the deep sea welded steel pipes product is expected to be launched soon. This new product of deep sea pipes will further broaden our product range and strengthen our reputation in the offshore equipment manufacturing market.

With our PCK brand name, outstanding performance and track record, we have participated in several large scale overseas projects which require high quality pipes. Those projects include the new order from a windfarm in the UK and the PETRONAS Refinery and Petrochemical Integrated Development (RAPID) project. Supplying steel pipes to these sizeable projects will enhance our market position in the global energy markets as well the offshore engineering equipment market.

The development of our production plant in Saudi Arabia is on track. The plant has been accredited with ISO9001 certificate and we expect other certificates will follow. The plant is designed to house a LSAW production line with a capacity of 300,000 tonnes for the demand in the Middle East. We believe following the establishment of the new plant in the Middle East and the business relationships with major oil and gas industry players in the Middle East and our footprints in overseas markets, our PCK brand will obtain more recognition in the region, hence be ready for more business opportunities.

PROSPECT AND GOING FORWARD

There are positive signs of industry recovery starting in 2017 in light of the "13th Five Year Plan – Oil Development" and "13th Five Year Plan – Natural Gas Development" recently announced by the National Development and Reform Commission of the PRC, pursuant to which a total of 17,000km of crude and refined oil pipelines and 40,000km of gas pipelines are targeted to be constructed by 2020; pursuant to the "13th Five Year Plan – Wind Power Development" issued by the National Energy Administration", various construction projects of offshore wind power facilities are planned for the four provinces and a number of first-tier cities; with the One Belt One Road ("OBOR") strategy and the development of offshore engineering equipment manufacturing industry, plus those construction projects for pipelines of offshore platforms, offshore windmills, offshore structure pipes and bridges in China, we expect the worst is already over in view of the green light for upcoming major gas projects.

Owing to delays of bidding activities over the past three years, we anticipate the demand for steel pipes will rebound at a strong pace. In fact, the 13th Five-Year Plan of oil and gas pipeline network was launched, in which it is expected that the pipeline would reach 165,000 km by 2020, representing an extension of 47%. It would be a golden era for the development of oil and gas pipeline during the 13th Five-Year Plan period.

There are 6 crude oil pipelines to be constructed under the plan, including phase II of the Sino-Russian Crude Oil Pipeline, the Yizheng-Changling Dual Pipelines, the Lianyungang-Yizheng, Rizhao-Luoyang, Rizhao-Zhanhua and Dongjiakou-Dongying crude oil pipelines.

There are 8 new refined oil pipelines to be constructed under the plan, including the Zhangshu-Zhuzhou, Zhanjiang-Beihai, Luoyang-Linfen, Sanmenxia-Xian, Yongping-Jinzhong and Hubei-Chongqing refined oil pipelines as well as coal-derived oil transportation pipelines in western and eastern Inner Mongolia. Meanwhile, the Qinghai-Tibet refined oil pipeline will be extended and upgraded.

There are 14 new gas pipelines to be constructed under the plan, including the Central Asia-China Gas Pipeline Line D, Sino-Russian East pipeline, middle part of the West-East Gas Pipeline (Phase III), Phase IV and Phase V of the West-East Gas Pipeline, Phase IV of the Shanxi-Beijing Pipeline, Sichuan-East Gas Pipeline, coal gas transportation pipeline in Sinkiang, Erdos-Anping-Cangzhou, Qingdao-Nanjing, Chongqing-Guizhou-Guangxi, Qinghai-Tibet, Fujian-Guangdong and Haikou-Xuwen gas pipelines etc. Construction of regional pipeline networks will be accelerated and gas storages, transportation pipelines for coalbed methane, shale gas and coal gas will be constructed when necessary.

The Chinese government intends to promote clean energy as one of the major sources of energy in the future, the gas consumption in the cities of China is expected to increase by 33% each year and the increase of transmission pipe is expected to increase by 10.20% each year, which will boost the demand for steel pipes.

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

APPRECIATION

On behalf of the Group, I recognise that it has been a challenging year and would like to extend its appreciation to all staff members, who continue to perform their tasks diligently. I would also like to thank our shareholders for their continuous tremendous support to the Group in this consolidation stage, accumulating strength for the Group to embrace the prosperities in the future. The Board remains confident in the management team and its ability. The future looks bright as we build on stronger foundations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly (i) manufactures and sells longitudinal welded steel pipes, as well as providing manufacturing service for processing raw materials into steel pipes; and (ii) engages in property development and investment.

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

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

In November 2016, the Group entered into a subscription agreement with Fangyang Commerce Trade Company Limited（中國方洋商貿有限公司）("Fangyang"), pursuant to which the Group would inject its existing Land and Equipment at the market value of RMB982 million and Fangyang would inject RMB500 million by cash to the registered capital of the Lianyungang Zhujiang Metal Composite Meterials Co., Ltd.*（連雲港珠江金屬複合材料有限公司）(the "JV Company"). Upon completion of the capital injection, Fangyang held 33.33% of the enlarged registered capital of the JV Company and the Group's equity interest in the JV Company reduced from 100% to 66.67%. The capital injection constituted a major transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Group also entered into a non-legally binding memorandum of understanding with Fangyang, pursuant to which Fangyang would further inject RMB200 million in cash to the registered capital of the JV Company. If this further capital injection materializes, Fangyang would hold 41.2% of the further enlarged registered capital of the JV Company and the Group's equity interest in the JV Company would further reduce to 58.8%. The JV Company also entered into construction agreements for the purchase of bimetal composite plate processing equipment and construction of the processing plant for an aggregate consideration of not more than RMB2.5 billion, which constituted a very substantial acquisition of the Company under the Listing Rules. The Company has obtained a written approval of the capital injection from Mr. Chen Chang and Bournam Profits Limited. The construction agreements for the purchase of bimetal composite plate processing equipment and construction of the processing plant was duly passed by the shareholders of the Company at the extraordinary general meeting held on 25 January 2017. The principal business of the JV Company is the manufacturing and sales of bimetal composite plates. The construction of the processing plant will provide the Group with a stable supply of raw materials located near its production base at costs under its control. The capital injection will provide the start-up capital for the construction plant and the introduction of a reliable partner located in Lianyungang.

Panyu Land Development

In 2013, the Group has converted a piece of land in Panyu (the "Panyu Land") into commercial use. The total land area of the Panyu Land is 125,000m^2 which accounted for 25% of area of the parcels of Land owned by the Group in Panyu Land. The total construction area of the Panyu Land is 550,000m^2. The Panyu Land will be divided into three phases for development.

Project name:	**Golden Dragon City Fortune Plaza* ("GDC")**	
Address: Qinghe Road, Shiji Town, Panyu District, Guangzhou City, Guangdong, PRC		
Usage: large scale of integrated commercial complex of offices, shops, serviced apartments and villas		
Total permitted construction area (including underground construction area)	Phase I	135,000m^2
	Phase II	191,000m^2
	Phase III	224,000m^2

The Group had pre-sold the first phase of GDC and the total contracted sales were approximately RMB525 million as at 31 December 2016. The Group will record the sale of properties in 2017.

In October 2016, the Group also developed the second phase of GDC. The second phase is mainly composed of serviced apartments and shopping centers, and the pre-sale is expected to commence in late-2017.

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

The Group will relocate the production lines in Panyu to the Lianyungang and Zhuhai production sites within three years. The Directors will seek any further development opportunities on the vacated land in Panyu in order to maximise its economic return. The Lianyungang and Zhuhai production bases will be the major production bases of the Group in China, as both production bases are in proximity to the self-operated ports where the Group can minimise its transportation cost.

Order Status

In 2016, the Group received new orders of approximately 230,000 tonnes and approximately 67% were received from overseas customers. Some sizeable overseas orders obtained were related to offshore windfarm project in the United Kingdom, the PETRONAS Refinery and Petrochemical Integrated Development (RAPID) project in Malaysia, Sinopec's natural gas project in Tianjin, PRC and MRC's Northern Gas Pipeline (NGP) project in Queensland, Australia. The Group delivered approximately 334,000 tonnes of welded steel pipes during 2016.

LSAW Steel Pipes

The Group is the largest LSAW steel pipe manufacturer and exporter in the PRC. LSAW steel pipe was the largest revenue contributor to the Group and accounted for approximately 68.7% of our total revenue for the year ended 31 December 2016. For the year ended 31 December 2016, revenue from the sales and manufacturing service of LSAW steel pipes amounted to approximately RMB949.4 million and RMB43.1 million, respectively, representing a decrease of approximately 34.8% and of 33.0%, respectively, as compared to that for the year ended 31 December 2015. The decrease in sales of LSAW steel pipes was mainly due to the decrease in both overseas and domestic orders the Group has received. This was due to the slowdown in the rolling out of major oil and gas projects.

SSAW Steel Pipes

Our SSAW steel pipes produced in our plant in Lianyungang use the pre-welding and precision welding SSAW technique, which is the most advanced standard among all SSAW technologies. Revenue from the sales and manufacturing service of SSAW steel pipes amounted to approximately RMB108.3 million and RMB13.2 million respectively. The total revenue from SSAW steel pipes accounted for approximately 8.4% of the total revenue for the year ended 31 December 2016.

ERW Steel Pipes

Market competition of ERW steel pipes has been very keen due to its relatively low technical and standardised entry requirements. For the year ended 31 December 2016, revenue from the sales and manufacturing service of ERW steel pipes amounted to approximately RMB148.4 million and RMB2.3 million, respectively. The total revenue from ERW steel pipes accounted for approximately 10.5% of the total revenue for the year ended 31 December 2016.

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2016, our revenue was approximately RMB1,443.5 million, representing a decrease of approximately RMB1,095.7 million or 43.2% as compared with that of 2015. The decrease in revenue was mainly due to the decrease in both overseas and domestic orders received by the Group. This was due to the slowdown in the rolling out of major oil and gas projects. In addition, there was a drop in average selling price in 2016 as compared with that of 2015.

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

	2016		2015	
	Revenue		Revenue	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Sales of steel pipes				
LSAW steel pipes	**949,426**	**65.8**	1,455,874	57.3
SSAW steel pipes	**108,259**	**7.5**	361,869	14.2
ERW steel pipes	**148,376**	**10.3**	176,615	7.0
Subtotal	**1,206,061**	**83.6**	1,994,358	78.5
Manufacturing services				
LSAW steel pipes	**43,149**	**2.9**	64,399	2.5
SSAW steel pipes	**13,170**	**0.9**	47,393	1.9
ERW steel pipes	**2,306**	**0.2**	2,565	0.1
Subtotal	**58,625**	**4.0**	114,357	4.5
Others	**178,801**	**12.4**	430,463	17.0
Grand total	**1,443,487**	**100.0**	2,539,178	100.0

	2016			2015		
	Gross profit *RMB'000*	**Sales volume tonnes**	**Average gross profit RMB/tonne**	Gross profit *RMB'000*	Sales volume tonnes	Average gross profit RMB/tonne
Sales of steel pipes						
LSAW steel pipes	**71,963**	**214,000**	**336**	302,833	259,343	1,168
SSAW steel pipes	**4,093**	**32,404**	**126**	45,387	95,017	478
ERW steel pipes	**3,268**	**28,302**	**115**	15,379	33,229	463
Subtotal	**79,324**	**274,706**		363,599	387,589	
Manufacturing services						
LSAW steel pipes	**1,814**	**26,023**	**70**	36,402	32,503	1,120
SSAW Steel pipes	**28**	**30,703**	**1**	6,607	23,679	279
ERW steel pipes	**75**	**2,254**	**33**	315	195	1,615
Subtotal	**1,917**	**58,980**		43,324	56,377	
Others	**346**	**N/A**	**N/A**	290	N/A	N/A
Grand total	**81,587**	**333,686**		407,213	443,966	

The revenue generated from the sales of steel pipes accounted for approximately 83.6% of our total revenue in 2016 as compared with approximately 78.5% in 2015. Steel pipe manufacturing services accounted for approximately 4.0% of our total revenue in 2016 as compared with approximately 4.5% in 2015. The revenue classified as "Others" mainly represented the trading of steel plates, sales of screw thread steel, sales of steel fittings, trading of equipment and sales of scrap materials which accounted for approximately 12.4% of our total revenue in 2016 as compared with approximately 17.0% in 2015.

Gross profit for 2016 was approximately RMB81.6 million, representing a decrease of approximately 80.0% or RMB325.6 million as compared with approximately RMB407.2 million in 2015. Gross profit margin for 2016 was approximately 5.7% which was lower than that of last year. This was due to (i) the increase of trading of steel materials with lower gross profit margin; (ii) the sale of old stock at loss to enhance our cashflow; and (iii) the decrease in sales cannot cover the fixed cost of the Group.

Our overseas sales accounted for approximately 56.9% of our total revenue in 2016, as compared to approximately 53.0% in 2015.

SALES BY GEOGRAPHICAL AREAS

	2016 Revenue		2015 Revenue	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Overseas sales	**821,034**	**56.9**	1,346,127	53.0
Domestic sales	**622,453**	**43.1**	1,193,051	47.0
Total	**1,443,487**	**100.0**	2,539,178	100.0

CHANGE IN FAIR VALUES OF INVESTMENT PROPERTY

The Group has adopted the accounting policy of measuring investment property by using fair values. Accordingly, gains or losses arising from the changes in the fair values of investment property are reflected as profit or loss for the reporting period. The Group has transferred part of the investment property – Phase I and Phase II to properties under development as at 30 November 2015 and 31 December 2016 respectively. The Group has engaged RHL Appraisal Limited, an independent valuer, to value the investment property. According to the valuation report as at 31 December 2016 issued by RHL Appraisal Limited, the market value of the investment property as at 31 December 2016 was RMB1.14 billion. No gain was resulted from the fair values of investment property in 2016 (2015: the fair value gains on investment property of approximately RMB627.9 million).

OTHER INCOME AND GAINS

Other income and gains in 2016 mainly represented bank interest income. Other income and gains increased by approximately 28.6% or RMB8.3 million from approximately RMB29.2 million in 2015 to approximately RMB37.6 million in 2016. Increase in other income and gains was mainly due to increase in subsidy income from the government during 2016.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 15.9% or RMB27.3 million from approximately RMB171.7 million in 2015 to approximately RMB144.4 million in 2016. The decrease was mainly due to the decrease in sales as discussed above.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 7.0% or RMB31.0 million from approximately RMB440.0 million in 2015 to approximately RMB471.0 million in 2016. The increase in administrative expenses was due to the increase in bank charges and modification charges for our headquarters in Panyu.

FINANCE COSTS

The finance costs for 2016 were similar with that of 2015. The effective interest rate in 2016 was approximately 3.7% (2015: 3.8%).

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

The Group has provided the impairment on property, plant and equipment and goodwill of approximately RMB516.3 million for the year ended 2016 (2015: nil).

OTHER EXPENSES

Other expenses increased by approximately 502.7% or RMB87.8 million from approximately RMB17.5 million in 2015 to approximately RMB105.3 million in 2016. The increase was mainly due to provision for inventories and trade and other receivables of approximately RMB99.3 million.

EXCHANGE LOSS, NET

The Group recorded exchange loss of approximately RMB86.4 million in 2016 as compared to exchange loss of approximately RMB53.6 million in 2015. The increase in exchange loss was mainly due to futher depreciation of RMB against USD.

INCOME TAX EXPENSES

Income tax expenses decreased from RMB118.4 million in 2015 to RMB56.2 million in 2016. The Group recorded loss for 2016 but there were tax expenses of approximately RMB56.2 million mainly due to the reversal of deferred tax assets during the year as the Group recorded operating losses for consecutive years. Panyu Chu Kong Steel Pipe Company Limited ("PCKSP"), Panyu Chu Kong Steel Pipe (Zhuhai) Co. Limited ("PCKSP (Zhuhai)") and Panyu Chu Kong Steel Pipe (Lianyungang) Co. Limited ("PCKSP (Lianyungang)"), wholly-owned subsidiaries of the Company, were qualified as High and New Technology Enterprises and thus entitled to a reduced tax rate of 15% in 2016 (2015: 15%).

LOSS FOR THE YEAR

As a result of the factors discussed above, the Group recorded a loss of approximately RMB1,499.0 million in 2016 (2015: profit RMB25.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2015 and 2016:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net cash flows from operating activities	**963,118**	100,845
Net cash flows used in investing activities	**(428,244)**	(401,180)
Net cash flows used in financing activities	**(459,385)**	(124,392)
Net increase/(decrease) in cash and cash equivalents	**75,489**	(424,727)

NET CASH FLOWS FROM OPERATING ACTIVITIES

The Group's net cash inflows from operating activities increased from approximately RMB100.8 million in 2015 to approximately RMB963.1 million in 2016. The net cash inflows from operating activities were primarily due to the combined effect of (i) loss before taxation; (ii) decrease in inventories, trade receivables, prepayment and other receivables, pledged bank deposit and trade payables, and (iii) increase in other payables and government grants.

NET CASH FLOWS USED IN INVESTING ACTIVITIES

The Group's net cash flows used in investing activities increased from approximately RMB401.2 million in 2015 to approximately RMB428.2 million in 2016. The net cash outflows were mainly due to the capital expenditure for the production bases in Lianyungang and Zhuhai of China during the year.

NET CASH FLOWS USED IN FINANCING ACTIVITIES

The Group's net cash used in financing activities of approximately RMB124.4 million in 2015 increased to approximately RMB459.4 million in 2016. The net cash outflows were mainly resulted from the combined effect of (i) the borrowing of new interest-bearing loans and other borrowings of approximately RMB4,614.9 million and (ii) the repayment of bank loans, government loans, short term note and finance lease rental payment and its associated interest and payment of interest of approximately RMB5,083.7 million.

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in Renminbi except for export sales and overseas borrowings which are mostly denominated in US dollar. Most of its assets and liabilities are denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect that future currency fluctuations would materially impact the Group's operations. The Group did not adopt formal hedging policies nor instruments of foreign currency for managing the exchange risk exposure during the year ended 31 December 2016.

CAPITAL EXPENDITURE

For the year ended 31 December 2016, the Group invested approximately RMB343.3 million for the purchase of property, plant and equipment and land. These capital expenditures were fully financed by internal resources and bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group guaranteed RMB136.6 million (2015: nil) to certain purchasers of the Group's properties for mortgage facilities.

As at 31 December 2016, the Group guaranteed RMB231.8 million (2015: RMB215.9 million) to joint venture for banking facilities in Saudi Arabia of which RMB185.4 million (2015: RMB172.7 million) was utilized by the joint venture.

PLEDGE OF ASSETS

The Group pledged certain property, plant and equipment, land use rights, time deposits and certain properties under development with an aggregate net book value of approximately RMB1,512.5 million (2015: RMB582.8 million), RMB1,061.8 million (2015: RMB650.2 million), RMB410.2 million (2015: RMB491.2 million) and RMB442.7 million (2015: nil) respectively as at 31 December 2016 to secure bank loans granted to the Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing ratio is calculated based on the sum of bank loans, other borrowings and short term notes divided by total assets. The gearing ratio of the Group as at 31 December 2016 and 2015 were approximately 58.0% and 52.3%, respectively.

In December 2016, the Group entered into a loan agreement with the Industrial and Commercial Bank of China ("ICBC") in respect of a 8-year loan (the "ICBC Loan") of RMB1.5 billion at the interest rate of 5.39% per annum, which represents a 10% premium over the prevailing RMB commercial base lending rate of 4.9% per annum published by the People's Bank of China. As security for the ICBC Loan, PCKSP, one of the Company's wholly-owned subsidiaries, has pledged its shareholding in 廣東珠鋼投資管理有限公司 (Guangdong Pearl Steel Investment Management Co. Ltd.*) ("Guangdong Pearl Steel") and provided a corporate guarantee, and Guangdong Pearl Steel has pledged its land and properties under development in favour of ICBC.

As at 31 December 2016, the Group's total borrowings amounted to approximately RMB6,349.4 million, of which approximately 30% (2015: 55%) were long term borrowings and approximately 70% (2015: 45%) were short term borrowings. Approximately 60% of total borrowings of the Group were for financing working capital of the Group, and approximately 40% of total borrowings of the Group were financing capital expenditure of the Group. The Group had to finance its working capital by short term borrowings as around 90% of the cost of sales was incurred on the procurement of steel plate and steel coil. Once the Group received sales proceeds from its customers, it would then repay the short term borrowings. Taking into account the Group's cash in hand and the available banking facilities of RMB1,945 million, the Group had sufficient liquidity and was in strong financial position to repay its short term borrowings.

As at 31 December 2016, the current liabilities of the Group exceeded its current assets by approximately RMB2,724.1 million. Phase I of GDC has been pre-sold and it is planned that phase II of GDC will be pre-sold in late 2017 in order to increase the cashflow to the Group. In addition, the ICBC Loan can reduce the short term borrowing of the Group. The Group has sufficient cashflow to meet its short term obligations.

As at 31 December 2016, approximately 43% (2015: 37%) of the total borrowings were denominated in Renminbi, which carried interest rates linked to the benchmark lending rate published by the People's Bank of China; approximately 15% (2015: 16%) of the total borrowings were denominated in Renminbi which carried fixed interest rate; approximately 9% (2015: 15%) of the total borrowings were denominated in US dollar and HK dollar with interest rates linked to the London interbank offered rates for US dollar loans and Hong Kong interbank offered rates for HK dollar loans, and approximately 33% (2015: 32%) of the total borrowings were denominated in US dollar which carried fixed interest rate.

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

In November 2016, the Group entered into a subscription agreement with Fang Yang Commerce Trade Company Limited（中國方洋商貿有限公司）("Fangyang"), pursuant to which the Group would inject its existing Land and Equipment at the market value of RMB982 million and Fangyang would inject RMB500 million by cash to the registered capital of the Lianyungang Zhujiang Metal Composite Meterials Co., Ltd.*（連雲港珠江金屬複合材料有限公司）(the "JV Company"). Upon completion of the capital injection, Fangyang held 33.33% of the enlarged registered capital of the JV Company and the Group's equity interest in the JV Company reduced from 100% to 66.67%. The Group also entered into a non-legally binding memorandum of understanding with Fangyang, pursuant to which Fangyang would further inject RMB200 million by cash to the registered capital of the JV Company. If this further capital injection materializes, Fangyang would hold 41.2% of the further enlarged registered capital of the JV Company and the Group's equity interest in the JV Company would further reduce to 58.8%. The JV Company also entered into construction agreements for the purchase of bimetal composite plate processing equipment and construction of the processing plant for an aggregate consideration of not more than RMB2.5 billion. The Company has obtained a written approval of the capital injection from Mr. Chen Chang and Bournam Profits Limited. The construction agreements for the purchase of bimetal composite plate processing equipment and construction of the processing plant was duly passed by the shareholders of the Company at the extraordinary general meeting on 25 January 2017. The principal business of the JV Company is the manufacturing and sales of bimetal composite plates. The construction of the processing plant will provide the Group with a stable supply of raw materials located near its production base at costs under its control. The capital injection will provide the start-up capital for the construction plant and the introduction of a reliable partner located in Lianyungang. The JV Company will be consolidated in the Company's financial statements.

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

LITIGATION

As at 31 December 2016, the Group had four outstanding lawsuits as follows:

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

Nanjing Yuanchang Investment Guarantee Development Co., Ltd.* ("Yuanchang Investment")（南京源昌投資擔保發展有限公司）alleged Nanjing Rongyu and Qixia Hill of breaching and repudiating counter guarantee contract in the amount of RMB5.6 million. The concerned counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group (collectively, Nanjing Rongyu, Qixia Hill and Nanjing Rongyu Group Market Management Company Limited*（南京鎔裕集團市場管理有限公司）) prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu and Qixia Hill have to pay compensatory amount of RMB5.6 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Qixia Hill applied for a retrial to the

Jiangsu Province Higher People's Court in respect of the above judgement. In July 2015, the Group was served with a notice of action from Jiangsu Province Higher People's Court informing it the case was under file transfer and pre-filing review procedures. As of the date of this announcement, the court was still undergoing the pre-filing review process on the application for retrial of the case.

(ii) Nanjing Rongyu

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

(iii) Nanjing Rongyu

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

(iv) Nanjing Rongyu and Qixia Hill

Yuancheng Investment alleged Nanjing Rongyu and Qixia Hill of breaching and repudiating a counter guarantee contract in the amount of RMB4.2 million. Such counter guarantee contract was signed by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such counter guarantee contract at the time of acquisition. According to the second instance judgement made by the Nanjing Intermediate People's Court, Nanjing Rongyu Group has to pay compensatory amount of RMB4.2 million and damages to Yuancheng Investment. On 29 May 2015, Nanjing Rongyu and Qixia Hill applied for a retrial to the Jiangsu Province Higher People's Court against the above judgement.

In July 2015, the Group was served with a notice of action from Jiangsu Province Higher People's Court informing it the case was under file transfer and pre-filing review procedures. As of the date of this announcement, the court was still undergoing the pre-filing review process on the application for retrial of the case.

As at 31 December 2016, the Group had made full provision for the claimed amounts for the above lawsuits. The Group had paid RMB10 million to Yuancheng Investment in accordance with the court's judgement.

EVENT AFTER THE REPORTING PERIOD

There were no significant events subsequent to 31 December 2016 which would materially affect the Group's operating and financial performance as of the date of this announcement.

EMPLOYEE AND REMUNERATION POLICY

For the year ended 31 December 2016, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB212.2 million (2015: RMB283.5 million).

The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. Our package includes salaries, medical insurance, discretionary bonuses, on-job training, other benefits as well as mandatory provident funds schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. Pursuant to the Company's share option scheme and share award scheme, options to subscribe respectively for shares in the Company or share awards of the Company may be granted to eligible employees. No share option or share award was granted under the share option scheme or share award scheme during the year ended 31 December 2016.

As at 31 December 2016, the Group had a total of 2,100 full time employees (2015: 2,775 employees). The following set forth the total number of our staff by functions:

	2016	2015
Management	**205**	261
Production and logistics	**1,086**	1,301
Sales and marketing	**54**	63
Finance	**42**	47
Quality control	**127**	307
R&D	**67**	209
Procurement	**32**	29
General administration and others	**487**	558
Total	**2,100**	2,775

FUTURE PLANS AND PROSPECTS

The National Development and Reform Commission of the PRC has recently announced the "13th Five Year Plan – Oil Development" and "13th Five Year Plan – Natural Gas Development", giving the green light for mega projects in the oil and gas industry. The plans mentioned clearly that a total of 17,000km of crude and refined oil pipelines and 40,000km of gas pipelines are targeted to be constructed by 2020.

Moreover, the 13th Five-Year Plan of oil and gas pipeline network was launched, in which it is expected that the pipeline would reach 165,000 km by 2020, representing an extension of 47%. It would be a golden era for the development of oil and gas pipeline during the 13th Five-Year Plan period. There are 6 crude oil pipelines to be constructed under the plan, including phase II of the Sino-Russian Crude Oil Pipeline, the Yizheng-Changling Dual Pipelines, the Lianyungang-Yizheng, Rizhao-Luoyang, Rizhao-Zhanhua and Dongjiakou-Dongying crude oil pipelines. There are 8 new refined oil pipelines to be constructed under the plan, including the Zhangshu-Zhuzhou, Zhanjiang-Beihai, Luoyang-Linfen, Sanmenxia-Xian, Yongping-Jinzhong and Hubei-Chongqing refined oil pipelines as well as coal-derived oil transportation pipelines in western and eastern Inner Mongolia. Meanwhile, the Qinghai-Tibet refined Oil Pipeline will be extended and upgraded.

The Chinese government is keen to promote its clean energy strategy on the foundation built on its last Five-Year Plan. The constructions relating to transport infrastructure is expected to accelerate as the Chinese government is determined to resolve its pollution problems. Pipelines and auxiliary facilities will to be built to support the expected increasing demand of natural gas. According to the "Guidelines on Energy-related works 2017" announced by the National Development and Reform Commission of the PRC, the projects in relation to the Sino-Russian Pipeline East, "New Gas Pipeline" (formerly "Xinjiang-Guangdong-Zhejiang" pipeline) and Shaanxi-Beijing Line 4 will be launched in line with the national policy. There are 14 new gas pipelines to be constructed under the plan, including the Central Asia-China Gas Pipeline Line D, Sino-Russian East pipeline, middle part of the West-East Gas Pipeline (Phase III), Phase IV and Phase V of the West-East Gas Pipeline, Phase IV of the Shanxi-Beijing Pipeline, Sichuan-East Gas Pipeline, coal gas transportation pipeline in Sinkiang, Erdos-Anping-Cangzhou, Qingdao-Nanjing, Chongqing-Guizhou-Guangxi, Qinghai-Tibet, Fujian-Guangdong and Haikou-Xuwen gas pipelines etc. Construction of regional pipeline networks will be accelerated and gas storages, transportation pipelines for coalbed methane, shale gas and coal gas will be constructed when necessary. the Chinese government expects gas will account for over 10 percent of the nation's energy consumption by 2020 at the end of the 13th Five-Year Plan. The Directors believe that given our business relationships with major oil and gas companies, the Group shall benefit from these developments of the country.

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

The Group grasped the opportunity of asset appreciation to convert the land use of the Panyu production plant in 2013 from industrial use to commercial use. The property project, namely GDC, is a large scale integrated commercial complex with a total permitted construction area (including underground construction area) of approximately 550,000m^2. The first phase of the development has a permitted construction area (including the underground construction area) of approximately 135,000m^2 was launched last year and its residential units have been sold out. In the meantime, the construction of the second phase has kicked off. The pre-sale will be launched in late 2017. It will have a permitted construction area (including the underground construction area) of approximately 191,000 square metres. We believe GDC will become one of our stable income sources and a solid financial support to our steel pipe business in the long run. It will also help improving our financial position with its sufficient cash flow.

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

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

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code Practices (the "CG Code") set out in the former Appendix 14 to the Listing Rules for the financial year ended 31 December 2016.

CG CODE A.2.1

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

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

NON-COMPETITION UNDERTAKINGS

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

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Chen Ping, Mr. See Tak Wah and Mr. Tian Xiao Ren. Mr. See Tak Wah is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control and risk management procedures and systems of the Group. The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2016 and the condensed unaudited consolidated interim financial statements for the six months ended 30 June 2016, including the accounting principles and practices adopted by the Company and the Group.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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. Following a specific enquiry, all the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at 7th Floor, W Hong Kong Hotel, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Friday, 23 June 2017 at 11:00 a.m.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, 20 June 2017 to Friday, 23 June 2017, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 June 2017.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk under "Listed Company Information" and the designated website of the Company at http://www.pck.com.cn or http://www.pck.todayir.com, respectively. The annual report of the Company for the year ended 31 December 2016 will be despatched to the shareholders and published on the Stock Exchange's and the Company's websites in due course.

By order of the Board
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited
Chen Chang
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Chang, Ms. Chen Zhao Nian and Ms. Chen Zhao Hua; and three independent non-executive Directors, namely Mr. Chen Ping, Mr. See Tak Wah and Mr. Tian Xiao Ren.