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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1080)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014 (THE "ANNOUNCEMENT")

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,009,062,000, representing a decrease of approximately 21.4% when compared to 2013.
- Gross profit margin was approximately 1.4%, representing a decrease of approximately 2 percentage points when compared to 2013.
- The loss for the year attributable to owners of the Company amounted to approximately RMB219,176,000 (2013: profit of approximately RMB17,826,000).
- Basic loss per share attributable to owners of the Company were approximately RMB8.72 cents, representing a decrease of approximately RMB9.44 cents when compared to 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	**2,009,062**	2,556,717
Cost of sales and services		**(1,982,006)**	(2,470,787)
Gross profit		**27,056**	85,930
Other income and gains	5	**26,732**	135,433
Selling and distribution costs		**(23,681)**	(31,075)
Administrative expenses		**(165,836)**	(96,625)
Other expenses		**(3,894)**	(1,326)
Share of results of:			
Joint ventures		**(12,422)**	(3,104)
Associates		**3,618**	(6,786)
Gain on acquisition of an associate		**3,421**	—
Impairment loss recognized on investment in an associate		**(33,548)**	—
Finance costs	6	**(53,643)**	(58,367)
(LOSS)/PROFIT BEFORE TAX	7	**(232,197)**	24,080
Income tax expense	8	**(7,548)**	(11,699)
(LOSS)/PROFIT FOR THE YEAR		**(239,745)**	12,381
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**867**	(693)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(238,878)**	11,688
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	9	**(219,176)**	17,826
Non-controlling interests		**(20,569)**	(5,445)
		(239,745)	12,381
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(218,309)**	17,133
Non-controlling interests		**(20,569)**	(5,445)
		(238,878)	11,688
(LOSS)/EARNINGS PER SHARE *(RMB cents)*	10		
— Basic		**(8.72)**	0.72
— Diluted		**(8.72)**	0.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,107,277**	1,100,509
Prepaid land lease payments		**171,408**	175,212
Goodwill		**9,910**	9,910
Deposits paid for acquisition of investments		**—**	33,928
Investment in joint ventures	12	**29,530**	50,952
Investment in associates	13	**48,761**	230,270
Available-for-sale investment		**11,428**	15,000
Derivative financial instrument	13	**—**	183,000
Other assets		**3,248**	941
Deferred tax assets		**26,522**	31,046
		1,408,084	1,830,768
CURRENT ASSETS			
Inventories		**176,808**	195,374
Trade and bills receivables	14	**1,018,694**	1,111,883
Prepayments, deposits and other receivables	15	**459,435**	435,831
Prepaid land lease payments		**3,777**	3,749
Pledged deposits		**206,446**	591,744
Cash and cash equivalents		**216,007**	202,720
		2,081,167	2,541,301
Non-current assets held for sale		**350,000**	—
		2,431,167	2,541,301
CURRENT LIABILITIES			
Trade and bills payables	16	**339,891**	338,487
Other payables and accruals	17	**186,780**	78,362
Borrowings	18	**982,289**	1,475,618
Tax payable		**14,218**	10,511
Deferred income		**854**	1,058
		1,524,032	1,904,036
NET CURRENT ASSETS		**907,135**	637,265
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,315,219**	2,468,033
NON-CURRENT LIABILITIES			
Deferred income		**8,171**	9,026
Borrowings	18	**82,500**	84,000
Deferred tax liabilities		**32,892**	32,909
		123,563	125,935
NET ASSETS		**2,191,656**	2,342,098

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

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Segment revenue and results

For the year ended 31 December 2014

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

For the year ended 31 December 2013

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

Note:

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

Segment assets

As at 31 December 2014

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

As at 31 December 2013

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

Segment liabilities

As at 31 December 2014

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

As at 31 December 2013

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

Note:

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

Other segment information

2014

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

2013

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

Note:

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

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

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

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

Information about major customers

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

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

6. FINANCE COSTS

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

7. (LOSS)/PROFIT BEFORE TAX

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

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

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

8. INCOME TAX EXPENSE

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

(a) Basic (loss)/earnings per share

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

(b) Diluted (loss)/earnings per share

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

11. DIVIDEND

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

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

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

12. INVESTMENT IN JOINT VENTURES

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

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

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

\# *The English name is for identification only*

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

(a) Shenzhen Taihe

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

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

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

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

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

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

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

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

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

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

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

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

(b) Dome (BVI)

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

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

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

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

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

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

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

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

13. INVESTMENT IN ASSOCIATES AND DERIVATIVE FINANCIAL INSTRUMENT

(a) Investment in associates

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

Details of the Group's associates are as follows:

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

The English name is for identification only

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

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

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

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

(b) Derivative financial instrument

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

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

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

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

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

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

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

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

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

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

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

14. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

Reconciliation of allowance for trade receivables:

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

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

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

Notes

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

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

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

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

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

16. TRADE AND BILLS PAYABLES

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

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

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

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

17. OTHER PAYABLES AND ACCRUALS

	2014 *RMB'000*	2013 *RMB'000*
Receipt in advances from customers	**11,489**	25,112
Payable on acquisition of property, plant and equipment	**50,541**	30,954
Security deposits received from employees *(note 15(d))*	**710**	920
Deposits received from disposal of an associate	**100,000**	—
Other tax payables	**3,178**	3,159
Others	**20,862**	18,217
	186,780	78,362

18. BORROWINGS

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

The borrowings are repayable as follows:

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

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

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

Notes:

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

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

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

19. EVENT AFTER THE REPORTING PERIOD

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

Disposal of Golden Fortune and Optimisation of Resource Allocation

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

Well–Organization of Production and Staff Training

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

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

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

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

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

Emphasizing on Technological Research, Development and Innovation to Drive Up the Productivity

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

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

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

Focusing on National Key Projects to Improve the Results of Our Principal Business

Looking forward to 2015, the economy will gain a stronger momentum toward recovery. The construction of oil and gas pipes in the PRC will still be in a period of stable growth in the coming ten to twenty years. Auxiliary facilities such as pipes and storage facilities for natural gas will be the focus for future development. It is expected that by 2020, the total mileage of oil and gas pipes in the PRC will reach 160,000 kilometers, 1.6 times the length of the currently completed pipelines.

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

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

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

Zhang Bizhuang
Chairman of the Board & Chief Executive Officer

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

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

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

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

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

BUSINESS REVIEW

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

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

Analysis of the operation performance by segments is as follows:

Pipes business

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

The pipes business mainly consisted of production, processing of and provision of relevant anti-corrosion services for pipes used in transmission of oil and natural gas. Major customers include large state-owned oil and gas companies such as CNPC and Sinopec and their subsidiaries. To accommodate the "12th Five-Year" Plan on pipeline construction, efforts have been made by the Group in progressively expanding its production capacity since 2010. By the end of 2014, it had attained an SSAW pipes production capacity of 1.45 million tonnes per annum and an LSAW pipes production capacity of 200,000 tonnes per annum.

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

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

During the year 2014, the Group took part in the production of a number of major national SSAW pipeline projects, including, amongst others, the Jinan-to-Qingdao Gas Dual Pipeline (濟南 — 青島輸氣復線管道工程), the Guangxi LNG Project Pipeline (廣西液化天然氣(LNG)項目輸氣管道工程), the Shandong LNG Project Main Pipeline (山東液化天然氣(LNG)項目輸氣幹線工程), the Zhongtianhechuang External Water Pipeline Project (中天合創廠外輸水管線項目), the Western Guangdong Branch of the Guangxi LNG Project Pipeline (廣西液化天然氣（LNG）項目輸氣管道工程粵西支線), the rectification of potential risk issues of the Donghuang Oil Dual Pipeline and the Donglin Oil Pipeline (東黃(復)線和東臨線安全隱患整治工程), the Western Dual Main Pipeline in the Daniudi gas field (大牛地氣田西幹線復線工程). The major regional pipeline projects that it participated in were, amongst others, the Lanxian-to-Taiyuan Gas Pipeline (嵐縣 — 太原輸氣管道工程), the Huairen-to-Zuoyun-to-Youyu Gas Pipeline Construction Project (懷仁 — 左雲 — 右玉輸氣管道建設項目), the Licheng-to-Dongyangguan Gas Pipeline (黎城 — 東陽關輸氣管道工程), the Towngas China's project in Jinan (濟南港華燃氣), the Jinan Shengyang Pipeline (濟南盛陽管道), the South-to-North Water Diversion Project of the Bureau of Hydraulic Engineering of Shandong Province (山東省水利工程局南水北調工程). The major anti-corrosion projects it undertook were, amongst others, the Jinan-to-Qingdao Gas Dual Pipeline (濟南 — 青島輸氣復線管道工程), the Huangdao-to-Dongjiakou-to-Lanshan Crude Oil Pipeline (黃島 — 董家口 — 嵐山原油管道工程), the Huairen-to-Zuoyun-to-Youyu Gas Pipeline Construction Project (懷仁 — 左雲 — 右玉輸氣管道建設項目), the Licheng-to-Dongyangguan Gas Pipeline (黎城 — 東陽關輸氣管道工程), the Towngas China's project in Jinan (濟南港華燃氣) and the construction project in Changji, Xinjiang (新疆昌吉建設).

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

Metal commodity trading business

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

FUTURE PROSPECT

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit

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

Other income and gains

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

Total comprehensive (loss)/income for the year

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

Capital expenditure

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

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

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

Indebtedness

Borrowings

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

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

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

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

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

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

Financial management and fiscal policy

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

Utilisation of IPO proceeds

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CHARGES AND CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK

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

EMPLOYMENT AND REMUNERATION POLICIES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees.

As at 31 December 2014, the Group employed a work force of 1,362 employees (including Directors). The total salaries and related costs (including the Directors' fees) for the year ended 31 December 2014 amounted to approximately RMB71,879,000 (2013: approximately RMB73,787,000), including approximately RMB3,098,000 (2013: approximately RMB2,025,000) of the share-based expenses due to the grant of share options.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

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

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

During the year ended 31 December 2014, the Company has complied with all provisions as set out in the Code with the exception of code provision A.2.1. According to code provision A.2.1, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities should be clearly established and set out in writing. The roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Zhang Bizhuang, as the Board considers this arrangement is beneficial to the Company's daily operations, while splitting the two roles will involve a separation of power and authority under the existing structure. The Board will review the existing structure from time to time and make necessary arrangements as and when necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that for the year ended 31 December 2014, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

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

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited. These figures were the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in respect of this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT OPINION FROM ZHONGHUI ANDA CPA LIMITED

ZHONGHUI ANDA CPA Limited has expressed an unqualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014.

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. Guo Changyu and Mr. Wu Geng. Mr. Chen Junzhu serves as the chairman of the Audit Committee.

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

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

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.slogp.com). The annual report for the year ended 31 December 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION AND STRIVING FOR THE GOALS

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

By Order of the Board
SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
Zhang Bizhuang
Chairman

Zibo, Shandong, 30 March 2015

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

Executive Directors:	Mr. Zhang Bizhuang, Mr. Jiang Yong, Mr. Wang Kunxian, Ms. Han Aizhi and Mr. Song Xichen
Independent non-executive Directors:	Mr. Guo Changyu, Mr. Wang Xueyou, Mr. Chen Junzhu and Mr. Wu Geng