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 2015

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1,953,960,000, representing a decrease of approximately RMB55,102,000 when compared to 2014.
- Gross profit margin was 2.0%, representing an increase of approximately 0.6 percentage points when compared to 2014.
- The loss for the year attributable to owners of the Company amounted to approximately RMB302,130,000, representing an increase of approximately RMB82,954,000 when compared to 2014.
- Basic loss per share attributable to owners of the Company was approximately RMB11.07 cents, representing an increase of approximately RMB2.35 cents when compared to 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**1,953,960**	2,009,062
Cost of sales and services		**(1,915,857)**	(1,982,006)
Gross profit		**38,103**	27,056
Other income and gains	5	**46,971**	26,732
Selling and distribution costs		**(33,706)**	(23,681)
Administrative expenses		**(305,689)**	(165,836)
Other expenses		**(2,562)**	(3,894)
Share of results of:			
Joint ventures		**(11,596)**	(12,422)
Associates		**9**	3,618
Gain on acquisition of an associate		**—**	3,421
Impairment loss recognized on goodwill		**(7,385)**	—
Impairment loss recognized on investment in an associate		**—**	(33,548)
Impairment loss recognized on available-for-sale investment	13	**(11,428)**	—
Finance costs	6	**(58,119)**	(53,643)
LOSS BEFORE TAX	7	**(345,402)**	(232,197)
Income tax expense	8	**(8,528)**	(7,548)
LOSS FOR THE YEAR		**(353,930)**	(239,745)
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**8,828**	867
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(345,102)**	(238,878)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(302,130)**	(219,176)
Non-controlling interests		**(51,800)**	(20,569)
		(353,930)	(239,745)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(293,302)**	(218,309)
Non-controlling interests		**(51,800)**	(20,569)
		(345,102)	(238,878)
LOSS PER SHARE *(RMB cents)*	9		
— Basic		**(11.07)**	(8.72)
— Diluted		**(11.07)**	(8.72)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,036,606**	1,107,277
Prepaid land lease payments		**167,824**	171,408
Goodwill		**2,525**	9,910
Deposits paid for acquisition of investments		**152,655**	—
Investment in joint ventures	11	**17,934**	29,530
Investment in an associate	12	**48,770**	48,761
Available-for-sale investment	13	**—**	11,428
Other assets		**827**	3,248
Deferred tax assets		**16,116**	26,522
		1,443,257	1,408,084
CURRENT ASSETS			
Inventories		**158,949**	176,808
Trade and bills receivables	14	**775,914**	1,018,694
Prepayments, deposits and other receivables	15	**461,794**	459,435
Prepaid land lease payments		**3,767**	3,777
Pledged deposits		**207,589**	206,446
Cash and cash equivalents		**393,881**	216,007
		2,001,894	2,081,167
Non-current assets held for sale		**—**	350,000
		2,001,894	2,431,167
CURRENT LIABILITIES			
Trade and bills payables	16	**310,222**	339,891
Other payables and accruals	17	**149,699**	186,780
Borrowings	18	**1,044,536**	982,289
Tax payable		**18,202**	14,218
Deferred income		**854**	854
		1,523,513	1,524,032
NET CURRENT ASSETS		**478,381**	907,135
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,921,638**	2,315,219

	Notes	**2015** RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**7,317**	8,171
Borrowings	18	**55,000**	82,500
Deferred tax liabilities		**376**	32,892
		62,693	123,563
NET ASSETS		**1,858,945**	2,191,656
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**238,438**	238,438
Reserves		**1,427,629**	1,708,540
		1,666,067	1,946,978
Non-controlling interests		**192,878**	244,678
Total equity		**1,858,945**	2,191,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 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 2015. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2015, the Group has two (2014: two) reportable segments which comprise pipes business and trading of metal commodity. The pipes business segment produces submerged-arc helical welded pipes, submerged-arc longitudinal welded pipes and cold-formed section steel which are mainly used for the oil and infrastructure industry ("Pipes Business"). The trading of metal commodity business mainly involves trading of electrolytic copper, aluminium ingot and aluminium oxide. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

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

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

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

Segment results represent the profit earned by each segment without allocation of interest income, finance costs, gain on acquisition of an associate, impairment loss recognized on goodwill, impairment loss recognized on investment in an associate, impairment loss recognized on available-for-sale investment 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 2015

	Pipes Business	**Trading of metal commodity**	**Eliminations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	**431,682**	**1,522,278**	**—**	**1,953,960**
Intersegment sales	**13,454**	**—**	**(13,454)**	**—**
Total revenue	**445,136**	**1,522,278**	**(13,454)**	**1,953,960**
Segment results	**(238,066)**	**(7,627)**		**(245,693)**
Interest income				**14,485**
Impairment loss recognized on goodwill				**(7,385)**
Impairment loss recognized on available-for-sale investment				**(11,428)**
Unallocated expenses				**(37,262)**
Finance costs				**(58,119)**
Loss before tax				**(345,402)**

For the year ended 31 December 2014

	Pipes Business	Trading of metal commodity	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*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)

Segment assets

As at 31 December 2015

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

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

Segment liabilities

As at 31 December 2015

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

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

Other segment information

2015

	Pipes Business *RMB'000*	Trading of metal commodity *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Share of results of:				
Joint ventures	**—**	**—**	**(11,596)**	**(11,596)**
Associates	**9**	**—**	**—**	**9**
Write down of inventories	**35,285**	**—**	**—**	**35,285**
Allowance for trade receivables	**79,230**	**29,417**	**—**	**108,647**
Impairment loss recognized on other receivables	**5,764**	**—**	**—**	**5,764**
Depreciation and amortisation	**120,793**	**309**	**116**	**121,218**
Investment in joint ventures	**—**	**—**	**17,934**	**17,934**
Investment in an associate	**48,770**	**—**	**—**	**48,770**
Capital expenditure	**48,201**	**6**	**10**	**48,217**

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 an associate	48,761	—	—	48,761
Capital expenditure	95,024	387	519	95,930

Geographical information

(a) Revenue from external customers

	For the year ended 31 December	
	2015 *RMB'000*	2014 *RMB'000*
Mainland China	**1,942,967**	2,009,062
Other countries	**10,993**	—
	1,953,960	2,009,062

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

(b) Non-current assets

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Mainland China	**1,274,110**	1,369,646
Hong Kong	**153,031**	488
	1,427,141	1,370,134

The non-current asset information above is based on the location of assets and excludes, 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:

		2015	2014
	Segment	***RMB'000***	*RMB'000*
Customer A	Trading of metal commodity	**—**	263,327
Customer B	Trading of metal commodity	**—**	223,064
Customer C	Trading of metal commodity	**358,530**	240,652
Customer D	Trading of metal commodity	**378,129**	215,635
Customer E	Trading of metal commodity	**373,217**	213,896
Customer F	Trading of metal commodity	**216,276**	103,801[1]
Customer G	Trading of metal commodity	**196,126**	—

1 Revenue from this customer did not exceed 10% of total revenue in the respective years. This amount was shown for comparative purpose.

5. REVENUE, OTHER INCOME AND GAINS

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sales of steel pipes	**386,808**	325,425
Trading of metal commodity	**1,522,278**	1,649,694
Rendering of services related to pipe business	**44,874**	33,943
	1,953,960	2,009,062
Other income		
Interest income	**14,485**	14,203
Rental income	**6,567**	6,620
Penalty income *(note)*	**15,084**	—
Others	**3,875**	4,072
	40,011	24,895
Other gains		
Gain on sales of materials	**4,415**	—
Exchange gains, net	**1,091**	1,438
Gain on disposal of property, plant and equipment, net	**89**	195
Others	**1,365**	204
	6,960	1,837
	46,971	26,732

Note:

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

The English name is for identification only

6. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest of borrowings	**58,119**	69,549
Less: interest capitalised	**—**	(15,906)
	58,119	53,643

7. LOSS BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold*	**1,885,952**	1,953,485
Cost of services	**29,905**	28,521
Employees benefits expenses (including directors' remuneration):		
Wages, salaries and bonus	**60,241**	56,053
Performance related bonus	**—**	—
Pension scheme contributions	**6,228**	5,808
Welfare and other expenses	**11,324**	6,920
Equity-settled share option expense	**12,391**	3,098
	90,184	71,879
Depreciation of property, plant and equipment	**117,451**	88,176
Amortisation of prepaid land lease payments	**3,767**	3,776
Allowance for trade receivables	**108,647**	50,430
Impairment loss recognized on other receivables	**5,764**	—
Gain on disposal of property, plant and equipment, net	**(89)**	(195)
Operating lease payments	**14,795**	15,085
Exchange gains, net	**(1,091)**	(1,438)
Auditors' remuneration	**1,407**	1,325

* Included in the cost of inventories sold is an amount of RMB35,285,000 (2014: RMB30,447,000) related to the write down of inventories for the year ended 31 December 2015.

8. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current — PRC Enterprise Income Tax ("EIT")		
— Charge for the year	**30**	27
— Under-provision in prior years	**67**	—
Current — Hong Kong		
— Charge for the year	**3,541**	3,014
Current — PRC dividend withholding tax	**27,000**	—
Deferred tax	**(22,110)**	4,507
	8,528	7,548

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year.

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

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

A reconciliation of the income tax expenses applicable to 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:

	2015	2014
	RMB'000	*RMB'000*
Loss before tax	**(345,402)**	(232,197)
Tax at the applicable tax rate of companies within the Group of 25% (2014: 25%)	**(86,351)**	(58,049)
Expenses not deductible for tax	**53,091**	38,951
Income not taxable for tax	**(35,463)**	(6,056)
Tax loss not recognized	**49,142**	32,019
Effect of different tax rates of subsidiaries	**(1,855)**	(1,558)
Profits and losses attributable to joint ventures and associates	**2,897**	2,201
Under-provision in prior years	**67**	—
PRC dividend withholding tax	**27,000**	—
Others	**—**	40
Tax at the Group's effective rate	**8,528**	7,548

Notes:

At the end of the reporting period, the Group has unused tax losses of approximately RMB361,002,000 (2014: RMB198,301,000) available for offset against future profits. No deferred tax assets have been recognized for tax losses for the year ended 31 December 2015, as 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 2015 and 2014, 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 recognized were approximately RMB600,602,000 and RMB765,000,000, respectively. In the opinion of the directors of the Company, it is not probable that its principal operating subsidiary, Shandong Shengli Steel Pipe will distribute such earnings in the foreseeable future.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB302,130,000 (2014: approximately RMB219,176,000) and the weighted average number of 2,728,638,000 (2014: 2,513,201,000) ordinary shares in issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as there was no dilutive potential ordinary share for the Company's outstanding options.

10. DIVIDEND

The board of directors has resolved not to declare a final dividend for the year ended 31 December 2015 (2014: Nil).

11. INVESTMENT IN JOINT VENTURES

	2015	2014
	RMB'000	*RMB'000*
Unlisted investments in the PRC:		
Share of net assets	**17,934**	29,530

Details of the Group's joint ventures at 31 December 2015 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*

(a) Shenzhen Taihe

On 27 January 2011, Shandong Muxin Investment Co., Ltd ("Shandong Muxin"), an indirect wholly-owned subsidiary of the Company entered into a 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 reduce 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 2015 and 2014, the Group's share of loss of Shenzhen Taihe were approximately RMB399,000 and RMB643,000, respectively.

(b) Dome (BVI)

On 17 September 2012, Siu Thai Holdings Limited ("Siu Thai"), a direct wholly-owned subsidiary of the Company, entered into a shareholders' agreement with four other parties of Dome (BVI), according to which Siu Thai and each of the four other parties (collectively referred to as the "JV Shareholders") subscribed for, and Dome (BVI) allotted 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 four other parties subscribed for 35%, 7.75%, 4.75% and 12.5% of the share capital of Dome (BVI) for a consideration of RMB100,000,000, RMB87,500,000, RMB19,375,000, RMB11,875,000 and RMB31,250,000, respectively, payable by way of cash within one year from the date of the shareholders' agreement. Upon completion of the issuance of shares by Dome (BVI) to the JV Shareholders, Siu Thai has 40% interest in Dome (BVI) and Dome (BVI) becomes a joint venture company of the Group.

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

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

Up to the end of the reporting period, the Group has invested approximately RMB37,599,000 (2014: RMB37,599,000) to the JV Group. During the year ended 31 December 2015, the Group's share of loss of JV Group was approximately RMB11,197,000 (2014: RMB11,779,000).

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)**	
	2015	2014	**2015**	2014
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 sale 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	**1,425**	1,533	**38,066**	37,094
Current assets	**5,879**	6,214	**165,192**	200,101
Current liabilities	**(3)**	(3)	**(174,853)**	(180,795)
Net assets	**7,301**	7,744	**28,405**	56,400
Group's share of net assets	**6,571**	6,970	**11,363**	22,560
Cash and cash equivalents included in current assets	**1,076**	1,441	**1,327**	1,681
Current financial liabilities (excluding trade and other payables and provision) included in current liabilities	**—**	—	**—**	—
Year ended 31 December:				
Revenue	**—**	—	**487**	1,939
Depreciation and amortisation	**—**	129	**7,296**	7,296
Interest income	**3**	383	**—**	—
Interest expense	**—**	—	**—**	—
Income tax expense	**—**	—	**—**	—
Loss from continuing operation	**(443)**	(715)	**(27,994)**	(29,447)
Profit after tax from discontinued operations	**—**	—	**—**	—
Other comprehensive income	**—**	—	**—**	—
Total comprehensive loss	**(443)**	(715)	**(27,994)**	(29,447)
Dividends received from joint ventures	**—**	—	**—**	—

As at 31 December 2015, the bank and cash balances of the Group' joint ventures in the PRC denominated in RMB amounted to RMB2,403,000 (2014: RMB3,122,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

12. INVESTMENT IN AN ASSOCIATE

	2015	2014
	RMB'000	*RMB'000*
Unlisted investment in the PRC:		
Share of net assets	**48,770**	48,761

Details of the associate of the Group is as follows:

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

The English name is for identification only

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

	Minfu Microfinance	
	2015	2014
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC
Principal activities	**Micro-financing and other financial consultation services**	
% of ownership interests/voting rights held by the Group	**30%/30%**	30%/30%
	RMB'000	*RMB'000*
At 31 December:		
Non-current assets	**14,342**	14,658
Current assets	**149,078**	151,777
Current liabilities	**(854)**	(3,897)
Non-current liabilities	**—**	—
Net assets	**162,566**	162,538
Group's share of net assets	**48,770**	48,761
Year ended 31 December:		
Revenue	**2,613**	4,185
Profit from continuing operations	**28**	1,156
Profit after tax from discontinued operations	**—**	—
Other comprehensive income	**—**	—
Total comprehensive income	**28**	1,156
Dividends received from the associate	**—**	—

As at 31 December 2015, the bank and cash balances of the Group' associate in the PRC denominated in RMB amounted to approximately RMB916,000 (2014: RMB2,877,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

13. AVAILABLE-FOR-SALE INVESTMENT

	2015	2014
	RMB'000	*RMB'000*
An unlisted equity investment, at cost	—	11,428

It is stated at cost less impairment because the directors of the Company are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose the equity investment in the near future.

Due to changes in market condition, the investment cost has been reduced to its recoverable amount through recognition of an impairment loss of RMB11,428,000 during the year.

14. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**918,558**	1,056,992
Less: allowance for impairment of trade receivables	**(159,077)**	(50,430)
	759,481	1,006,562
Bills receivables	**16,433**	12,132
	775,914	1,018,694

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:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**607,480**	773,899
3 to 6 months	**38,124**	48,804
6 months to 1 year	**46,749**	85,520
1 to 2 years	**47,302**	62,991
Over 2 years	**19,826**	35,348
	759,481	1,006,562

Included in the trade receivables of RMB115,086,000 (2014: RMB143,723,000) are quality guarantee deposits receivable from customers.

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

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**693,265**	875,240
1 to 3 months past due	**8,968**	10,486
3 to 6 months past due	**10,157**	10,080
6 months to 1 year and past due	**7,903**	30,443
1 year to 2 years and past due	**18,893**	74,005
Over 2 years and past due	**20,295**	6,308
	759,481	1,006,562

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:

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**50,430**	—
Allowance for the year	**108,647**	50,430
Balance at end of year	**159,077**	50,430

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2015	2014
	RMB'000	*RMB'000*
Advance to suppliers *(note a)*	**65,892**	55,276
Trade deposits paid to metal commodity suppliers *(note b)*	**218,000**	219,366
Advance to a joint venture *(note c)*	**54,242**	80,854
Loan to employees *(note d)*	**690**	690
Tender deposits to customers	**3,402**	3,657
Other tax receivables *(note e)*	**68,375**	63,451
Rent prepaid	**3,834**	7,668
Advances to entities *(note f)*	**18,567**	—
Prepayment	**2,920**	3,124
Others	**25,872**	25,349
	461,794	459,435

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 RMB224,353,000 (2014: RMB220,537,000) 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 RMB34,664,000 (2014: RMB26,714,000) which is unsecured, interest bearing at 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 was paid to the joint venture for the supply of raw materials during the year ended 31 December 2014 and is fully settled during the year 2015. An impairment loss of approximately RMB1,286,000 has been recognized during the year 2015.

(d) Loan to employees are unsecured, interest bearing at 6% (2014: 6%) per annum and have no fixed repayment term.

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

(f) Included in the advances is a loan of RMB9,000,000, which is unsecured, interest bearing at 4.5% per annum and repayable within one year and a loan of RMB9,567,000, which is secured, interest bearing at 3% per annum and repayable within one year.

16. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**310,222**	322,543
Bills payables	**—**	17,348
	310,222	339,891

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**257,804**	268,909
3 to 6 months	**26,746**	13,889
6 months to 1 year	**6,759**	29,429
1 to 2 years	**15,859**	9,130
Over 2 years	**3,054**	1,186
	310,222	322,543

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

	2015	2014
	RMB'000	*RMB'000*
Receipt in advances from customers	**69,188**	11,489
Payable on acquisition of property, plant and equipment	**55,407**	50,544
Security deposits received from employees	**710**	710
Deposits received from disposal of an associate	**—**	100,000
Other tax payables	**3,067**	3,178
Others	**21,327**	20,859
	149,699	186,780

18. BORROWINGS

		2015			2014		
	Notes	**Effective interest rate** *(%)*	**Maturity** *(year)*	*RMB'000*	Effective interest rate *(%)*	Maturity *(year)*	*RMB'000*
Bank loans — Unsecured		**4.95%–5.88%**	**2016**	**565,000**	6.00%–6.30%	2015	540,000
Bank loans — Secured	(a)	**1.54%–6.50%**	**2016**	**272,036**	2.73%–6.44%	2015	279,789
Bank loans — Secured and guaranteed	(b)	**5.06%–5.89%**	**2016**	**130,000**	—	—	—
Bank loans — Guaranteed	(c)	**4.78%–6.80%**	**2016–2018**	**132,500**	6.30%–6.60%	2015–2018	245,000
				1,099,536			1,064,789

The borrowings are repayable as follows:

	RMB'000	*RMB'000*
On demand or within one year	**1,044,536**	982,289
In the second year	**27,500**	27,500
In the third to fifth years, inclusive	**27,500**	55,000
	1,099,536	1,064,789
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,044,536)**	(982,289)
Amount due for settlement after 12 months	**55,000**	82,500

Notes:

(a) The Group's bank loans were secured by pledge of bank deposits of RMB179,000,000 (2014: RMB173,900,000).

(b) The Group's bank loans were secured by pledge of certain of the Group's properties, plant and equipment amounting to RMB323,575,000 and an amount of RMB52,000,000 out of bank loans of RMB130,000,000 were guaranteed by a non-controlling shareholder of a subsidiary.

(c) As at 31 December 2015 and 2014, an amount of RMB58,300,000 (2014: RMB83,600,000) out of bank loans of RMB132,500,000 (2014: RMB245,000,000) were guaranteed by a non-controlling shareholder of a subsidiary.

19. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a subsidiary of the Company entered into a capital increase agreement with an entity, pursuant to which, the subsidiary has conditionally agreed to contribute RMB15,625,000 to the entity's share capital, resulting in the subsidiary obtaining 20% of the equity interest in that entity. The completion is conditionally upon certain condition precedent. Please refer to the Company's announcement dated 8 March 2016 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 2015 (the "Year under Review") to the shareholders.

In 2015, the global economy trod on a delicate recovery path. The disparity of major economies aggravated while the growth momentum of emerging economies slowed down, hinting at a difficult resuscitation of global economy. In parallel, the international petroleum price was caught in the downdraft, and further slump is inferred as it stands. However, against the backdrop of "The Belt and Road Initiative" strategy, crude oil corporates, trading corporates and energy-related corporates can take this opportunity to tie up with more overseas companies during the implementation of the strategy. Besides, while the state-owned companies are undergoing a round of reform, the oil and gas pipeline separation reform agrees with the general direction of oil and gas industry reform and is instrumental in dismantling the monopoly that oil and petrochemical businesses are controlled by the same industry in order to augment industrial competitiveness. In this light, it will be beneficial to the Group's business development.

BOOSTING GLOBAL SALES AND SEIZING MARKET OPPORTUNITIES

The Group has been striving to diversify its product and service portfolio and expand overseas markets in recent years. During the Year under Review, Shandong Shengli Steel Pipe Co., Ltd.* (山東勝利鋼管有限公司) ("Shandong Shengli Steel Pipe") completed the production and delivery for the Pakistan Large-Diameter Gas Pipeline Project (巴基斯坦大口徑輸氣管線項目) and took up the entire Venezuela Pipeline Project (委內瑞拉管道工程), which represent the first overseas project completed by the Group alone and allowed the Company to take solid steps forward in our pursuit of international presence and greater market share. At the same time, following the success of its pipeline project in Venezuela, Shandong Shengli Steel Pipe has been formally listed as a national supplier of the country.

On the other hand, Hunan Shengli Xianggang Steel Pipe Co., Ltd.* (湖南勝利湘鋼鋼管有限公司) ("Hunan Shengli Steel Pipe") also actively participated in overseas pipeline tenders, including pipeline projects in Pakistan and Turkmenistan, thereby gaining relevant experience of overseas pipeline tender and laying the solid foundation for its future expansion in the overseas markets.

SEEKING TECHNOLOGY INNOVATION AND UPHOLDING MARKET LEADERSHIP OF WELDED PIPE TECHOLOGY

As technological advancement is a driving force for the growth of a corporate and core technologies are vital for a corporate to maintain its competitiveness, the Group has always attached great importance to technological investment and pursued technology innovation over the years.

During the Year under Review, the Group was more adept at the pre-welding and precision-welding technology and made new headway in terms of technological research and domestic production for the consumables and quick wear parts for the equipment imported. The Group refined the precision-welding technology to reduce consumption of wires and improve weld surface quality. Moreover, the Group's self-designed extrusion rollers were processed by the engaged processing company in the PRC and the quality of which is comparable to those imported. The Group also refined and designed the conductive nozzle by itself, which completely replaced imported parts. Lastly, the Group recently applied the consumables for plasma-cutting machines produced in the PRC to a small scale trial use and achieved a satisfactory result.

Moreover, technicians of the Group strived for technological research and development ("R&D") as well as modification of equipment and obtained two national invention patents, namely "high-shear three-ply polyolefin anti-corrosion and insulated steel pipes and the relevant production technique" and "submerged-arc helical welded pipes ("SAWH pipes") manufacturing technique", and five national utility model patents, namely " water recycling system for high pressure water pump", "a type of fabrication device of arc striking and extinguishing plate for submerged-arc longitudinal welded pipes ("SAWL pipes")", "a type of cleansing equipment for upper and lower surface of steel plate" , "a type of outer welding and submerged arc welding equipment for SAWL pipes" and "a type of automatic submerged arc welding production line for inner and outer steel plate". This fully illustrates that the welded pipe of the Group forges ahead its peers.

LAYING FOUNDATION IN PREPARATION FOR MAJOR PROJECTS

Looking ahead, the Group will further its effort on deepening the mechanism and system of oil and gas industry for the formation of an effective and competitive market structure and system. The reform of oil and gas industry will further unravel the administrative monopoly and keep natural monopoly on a short leash. Moreover, this will open up the market for fair competition. Check and balance in the development of oil and gas storage and transport industry will be gradually unrolled according to the philosophy of separation of networks from transportation and independent pipeline companies will be established once conditions are ripe. As one of the largest pipe equipment manufacturers in the PRC, the Group will largely benefit from the incremental investment from the reform of separation of network.

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.

During the Year under Review, Hunan Shengli Steel Pipe held the project assessment meeting of "R&D and application of SAWL pipes JCOE production line, SAWH pipes production line and anti-corrosion production line" and reaped fruitful result. The project gained recognition from Li Helin, a member of Chinese Academy of Engineering and several experts of welded pipe industry. The expert team is of opinion that this project is up to internationally advanced standard to meet the production requirements of welded pipeline for oil and gas transportation with high performance and wide application. This signifies that Hunan Shengli Steel Pipe possesses the capability to produce high-grade steel pipe for oil and gas transportation, laying a solid foundation to undertake major oil and gas pipeline production project home and abroad in the future.

In addition, authorized by the project department of Outbound Synthetic Natural Gas Pipeline from Xinjiang ("New Gas Pipeline", formerly known as "Xinjiang-Guangdong-Zhejiang Pipeline") of China Petrochemical Corporation ("Sinopec"), Shandong Shengli Steel Pipe, Xinjiang Shengli Steel Pipe Co., Ltd.* (新疆勝利鋼管有限公司) ("Xinjiang Shengli Steel Pipe") and Hunan Shengli Steel Pipe of the Group conducted trial production of SAWH pipes of Φ1219×18.4×80M; Hunan Shengli Steel Pipe also conducted trial production of SAWL pipes of Φ1219×22×80M, Φ1219×27.5×80M, Φ1219×26.4×80M and Φ1219×33×80M in well preparation for the steel pipe production of New Gas Pipeline in the future.

EXPLORING NEW PARTNERSHIPS AND BROADENING INCOME SOURCES

In order to generate stable income and to mitigate the risk of fluctuations in the welded pipe 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 its strategy for a sustainable, stable and healthy development. The Company entered into an agreement through Gold Apple Holdings Limited, a wholly owned subsidiary of the Company, to acquire 56% of the allotted and issued share capital of Blossom Time Group Limited ("Blossom Time") at US$32,000,000 during the Year under Review. Blossom Time indirectly holds certain titanium — zirconium ore deposits in Vietnam. Under the current mineral resources price trough, this acquisition will broaden the revenue source of the Group and create higher returns for the shareholders. In addition, with the national development plan for the industry and the actual circumstance of the Group, the Group also strengthened the regulation and disposal of investments and proactively explored appropriate industry and products to maximise returns for shareholders.

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

Given the slow global economic recovery and the divergence over the monetary and fiscal policies of major economies in 2015, the downward pressure on the PRC's economy increased. Meanwhile, the oil and gas industry in the world has entered the trough, resulting in a continued oversupply of crude oil, refined petroleum product and natural gas and the downtrend in both oil and gas prices.

According to the anticipation of *the Outlook of the Oil Industry of China and the World of 2015* (《2015年國內外油氣行業發展報告》) by the Economics and Technology Research Institute of China National Petroleum Corporation, the year of 2016 is the starting year of "13th Five-Year" Plan whereby the oil and gas industry and oil companies will undergo low oil price reform with new starting point, new pattern and new challenge.

During the Year under Review, the State Council's *Opinions on Key Work on Deepening Economic System Reform in 2015* (《關於2015年深化經濟體制改革重點工作的意見》) for the approval of National Development and Reform Commission clearly stated the overall plan for the reform of oil and gas industry and lowered the access threshold of the industry chain in all aspects. The separation reform of oil and gas pipes not only fulfills the general direction of the reform of oil and gas industry, but also serves as one of the main focuses. The aim of which is to fully realise pipe independence and marketization while small and medium oil and gas companies can leverage their respective advantages not associated with business scale to engage in fair competition with "Three barrels of oil" (i.e. CNPC, Sinopec and CNOOC) of enormous scale, which is in turn beneficial to the long term development of oil and gas industry in the PRC.

In addition, Line 2 of the Sino-Russian Crude Oil Pipeline (中俄原油管道二線項目) will be completed in 2017 to satisfy the increase in demand for Russian crude oil of 15 million tons per annum from 2018. Coupled with the commencement of construction of the high-profile Sino-Russian Natural Gas Project during the year, Russia will be supplying gases to the PRC from 2019 for a term of 30 years, with an annual gas supply of 38 billion cubic meters. Both China and Russia can actively explore and create cooperation model under low oil price environment, facilitate and speed up the construction of oil and gas pipes, and bring benefit to the industry.

BUSINESS REVIEW

Being one of the largest oil and gas pipeline manufacturers in the PRC with leading product quality, as at 31 December 2015, the Group's production capacity of SAWH pipes reached 1.45 million tonnes per annum, and that of SAWL pipes was 400,000 tonnes per annum, and that of a supporting anti-corrosion production line was 10.80 million square meters.

In order to realize its strategy for a sustainable, stable and healthy development, 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.

Analysis of the operation performance by segments is as follows:

Pipes business

Being one of the largest oil and gas pipeline manufacturers in the PRC with leading product quality, top facilities, advanced technique and a comprehensive quality check and assurance system, the Group is one of the few local suppliers of pipes designed with large diameter which can sustain the high pressure in long-distance transportation of, amongst others, crude oil, refined petroleum and natural gas. It is also the only privately-owned enterprise among the handful of suppliers in the PRC who were qualified to supply to major oil and natural gas pipeline projects.

The Group focuses on the design, manufacturing, anti-corrosion processing and servicing of pipes (including SAWH pipes and SAWL pipes) which are used to transport crude oil, refined petroleum products and natural gas. Major customers include large state-owned oil and natural gas companies such as CNPC and Sinopec, and their subsidiaries.

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 SAWH pipes 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 SAWH pipes technology) with production capacity of 360,000 tonnes per annum, as well as external anti-corrosion production lines and internal coating production lines with total production capacity of 4.80 million square meters per annum. Shengli Steel Pipe (Dezhou) Co., Ltd. has SAWH pipes 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 SAWH pipes 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 SAWH pipes production lines with total production capacity of 300,000 tonnes per annum, a SAWL pipes production line with total production capacity of 400,000 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 2015, pipes produced by the Group comprised approximately 25,600 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 2015, the Group took part in the production of a number of major national SAWH pipeline projects, including, amongst others, the Zhongyuan-Kaifeng Gas Pipeline Project (中原 — 開封輸氣管道工程), the Pakistan Large-Diameter Gas Pipeline Project (巴基斯坦大口徑輸氣管線項目), the Venezuela Pipeline Project (委內瑞拉管道工程), the Yizheng-Changling Oil Pipeline (Yizheng-Jiujiang section) (儀征 — 長嶺原油管線儀征 — 九江段), the Tianjin LNG transportation trunk Project (天津液化天然氣項目輸氣幹線工程) and the Luning Oil Pipeline Project Phase II (魯寧原油管線二期工程). Major regional pipeline projects that the Group participated in were, amongst others, the Heat Supply Pipeline Network Project for the Combined Heat and Power Project of Shandong Xingda New Energy (山東興達新能源熱電聯產項目熱力管網工程), the Westbound Pipeline Project for Combined Heat and Power of the Shengli Oilfield Base (勝利油田基地熱電聯供西主幹線工程), the Connecting Pipeline Project from 300,000-tonne Crude Oil Port at the West Port section of Yantai Port to Phase I storage (煙台港西港區30萬噸級原油碼頭至一期庫區連接管線工程), the Dongguan Oil Depot Project (東莞油庫工程), the Jinan Thermal Power Project (濟南熱電), Weidong Natural Gas Pipeline Project (Dongying section) (濰東天然氣管道東營段管線工程), Daji 6 to Daji 7 Gas Exploitation Project (大吉6 — 大吉7採氣幹線工程), Fuping Railway Project (福平鐵路項目), Guang-Fo-Jiang Expressway Project (Jiangmen section) (廣佛江快速通道江門段項目), Zhaohua Bridge Project (昭華大橋工程). Major anti-corrosion projects it undertook were, amongst others, the Zhongyuan-Kaifeng Gas Pipeline Project (中原 — 開封輸氣管道工程), the Venezuela Pipeline Project (委內瑞拉管道工程), the Yizheng-Changling Oil Pipeline (Yizheng-Jiujiang section) (儀征 — 長嶺原

油管線儀征 — 九江段), the Tianjin LNG transportation trunk Project (天津液化天然氣項目輸氣幹線工程) and the Luning Oil Pipeline Project Phase II (魯寧原油管線二期工程), the Heat Supply Pipeline Network Project for the Combined Heat and Power Project of Shandong Xingda New Energy (山東興達新能源熱電聯產項目熱力管網工程) Daji 6 to Daji 7 Gas Exploitation Project (大吉6 — 大吉7採氣幹線工程) and Fuping Railway Project (福平鐵路項目). Projects using SAWL pipelines produced by the Group were, amongst others, the Huaneng Suzhou Natural Gas Pipeline Project (華能蘇州天然氣管道專線工程), the Xinchu Qingtian Plaza Project (新楚擎天廣場項目), the Exhibition Center Project in Changsha (長沙會展中心項目), the Xiangtan North Station Project (湘潭北站項目), the First-grade Hydropower Station at Lishiluo River in Fugong County (福貢縣力士洛河一級水電站項目) and the Water Supply Project at Diaodong Reservoir in Danzhai County, Guizhou (貴州丹寨縣吊洞水庫供水工程項目). In addition, trial production of SAWH and SAWL pipes were also successfully completed for the new gas pipeline projects during the year.

During the Year under Review, the total revenue of the Group's pipe business was approximately RMB431,682,000 (for the year ended 31 December 2014: approximately RMB359,368,000), accounting for approximately 22.1% (2014: approximately 17.9%) of the Group's total revenue. This revenue comprised the followings: (1) revenue from the sale of SAWH pipes of approximately RMB362,605,000 (2014: approximately RMB325,164,000), representing an increase of approximately 11.5% as compared with last year; (2) revenue from the sale of SAWL pipes for the period of approximately RMB24,141,000 subsequent to the completion and operation of the SAWL pipes production line; (3) revenue from the sales of anti-corrosion processing business of approximately RMB44,874,000 (2014: approximately RMB33,943,000), representing an increase of approximately 32.2% as compared with the last year; and (4) revenue from the cold-formed section steel business of approximately RMB62,000 (2014: approximately RMB261,000), representing a decrease of approximately 76.2% as compared with last year.

Metal commodity trading business

In order to fully utilize the business network of its current customers and other existing resources, 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 2015, revenue of this business was approximately RMB1,522,278,000 (2014: approximately RMB1,649,694,000) and the gross profit was approximately RMB30,501,000 (2014: approximately RMB38,308,000). 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.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in note 19 of the consolidated financial statements in this announcement.

FUTURE PROSPECT

National Development and Reform Commission made the official approval for the new gas pipeline project of Sinopec. Main construction includes 1 main pipeline and 6 straight pipelines with an aggregate length of 8,400 kilometers. The main line will span from Mori in Jizhou, Xinjiang to Shaoguan, Guangdong with a designed annual gas transmission capacity of 30 billion cubic meters.

The feasibility study report on Line 2 of the Sino-Russian Crude Oil Pipeline (中俄原油管道二線項目) was approved by CNPC during the year. The project will be completed in 2017, upon which there will be two oil pipelines between the PRC and Russia, whereby Russia's supply of crude oil will increase by 15 million tons per annum from 2018. In addition, the construction of the PRC section of the Sino-Russian Eastern Natural Gas Pipeline commenced during the year, representing the largest cooperation between the two nations in practice. The project will be conducive to the energy diversification strategy and security of both parties as well as the economic development of the regions along the route. The Russian section of the Sino-Russian Natural Gas Pipeline will have a length of approximately 4,000 kilometers spanning from Irkutsk Oblast in the west to Vladivostok, Russia's coastal city in the Far East. The PRC section will start from the Sino-Russian border in Heihe, Heilongjiang and end at Shanghai. It will run through 9 provinces and municipalities such as Heilongjiang, Jilin, Inner Mongolia, Liaoning, Hebei, Tianjin, Shandong, Jiangsu and Shanghai. The new pipeline is proposed to run 3,170 kilometers while 1,800 kilometers of existing pipeline will be converted and used under this project. It has a diameter of 1,422/1,219 millimeters, a designed pressure of 12/10 MPa and a designed gas transportation capacity of 38 billion cubic meters per year. Matched underground gas storage facilities will also be built. The PRC section will be completed and will commence gas transportation in 2018.

Being one of the largest oil and gas pipeline manufacturers in the PRC, the Company participated in the construction of nearly all long-distance oil and gas pipelines within and beyond the PRC. Looking ahead, the Group will continue to proactively seize business opportunities arising 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 techniques, in order to ensure stable income for the Group in the future.

In order to generate stable income and to mitigate the risk of fluctuations in the pipe industry, the Group has, in addition to developing oil and gas pipeline products, actively explored opportunities to form new partnership with players from the upstream resources industry. In addition, with the national development plan for the industry, the Group proactively explored industry and projects promoted by the PRC so as to realize the Group's strategy for a sustainable, stable and healthy development. Under the current mineral resources price trough, the Company entered into an agreement through Gold Apple Holdings Limited on 29 March 2015 to acquire 56% of the allotted and issued share capital of Blossom Time (the "Acquisition") after extensive visits and negotiations. Blossom Time indirectly holds titanium — zirconium ore deposits in Vietnam. For the time being, exploration and assessment in relation to the project is currently well underway as scheduled. The Group believes that Vietnam enjoys a promising investment environment and ample natural resources. In view of the current mineral resources price trough, the Acquisition will present new business impetus to the Company in the future. Coupled with the all-round economic expansion brought by the "The Belt and Road" initiative, the active market atmosphere in the regions covered by this initiative will provide more opportunities for the Group to diversify its source of revenue and bring better returns to the shareholders through the Acquisition.

FINANCIAL REVIEW

Revenue

The Group's sales revenue decreased by approximately 2.7% from approximately RMB2,009,062,000 for the year ended 31 December 2014 to approximately RMB 1,953,960,000 for the year ended 31 December 2015. For the year ended 31 December 2015, amongst the Group's two core business segments, (1) pipes business reported revenue of approximately RMB431,682,000 (2014: approximately RMB359,368,000) due to the increased proportion of sales of steel pipe which have a higher revenue contribution whereas Hunan Shengli Steel Pipe commenced mass production during the Year under Review, which contributed a slight growth in revenue from pipes business for the Year under Review as compared to 2014; and (2) metal commodity trading business recorded a revenue of approximately RMB1,522,278,000 (2014: approximately RMB1,649,694,000) due to the decrease in revenue for the Year under Review as compared to 2014 as a result of the market fluctuation.

Cost of sales

The Group's cost of sales decreased by approximately 3.3% from approximately RMB1,982,006,000 for the year ended 31 December 2014 to approximately RMB1,915,857,000 for the year ended 31 December 2015. During the year ended 31 December 2015, amongst the Group's principal business segments, (1) cost of sales for pipes business was approximately RMB424,080,000 (2014: approximately RMB370,619,000); and (2) cost of sales for metal commodity trading business was approximately RMB1,491,777,000 (2014: approximately RMB1,611,387,000).

Gross profit

The gross profit of the Group increased from approximately RMB27,056,000 for the year ended 31 December 2014 to approximately RMB38,103,000 for the year ended 31 December 2015. This was attributable to the increased proportion of anti-corrosion services which have a higher gross profit, and the increase in gross profit for the Year under Review as compared to 2014 as a result of the transportation costs assumed by the Group included in the revenue of certain pipeline projects. The gross profit margin of the Group increased to approximately 2.0% for the year ended 31 December 2015 from 1.4% for the year ended 31 December 2014.

Other income and gains

Other income and gains of the Group increased from approximately RMB26,732,000 for the year ended 31 December 2014 to approximately RMB46,971,000 for the year ended 31 December 2015, which was mainly due to the receipt of a one-off reimbursement from the disposal of Golden Fortune project.

Selling and distribution costs

Selling and distribution costs of the Group increased from approximately RMB23,681,000 for the year ended 31 December 2014 to approximately RMB33,706,000 for the year ended 31 December 2015. Such increase in selling and distribution costs was principally due to the increase in transportation costs in pipes business due to the increased proportion of pipeline projects for which the Group assumed the transportation costs, and the increase in selling expense as compared to 2014 due to vigorous expansion of sales and marketing by Hunan Shengli Steel Pipe.

Administrative expenses

The Group's administrative expenses increased by approximately 84.3% from approximately RMB165,836,000 for the year ended 31 December 2014 to approximately RMB305,689,000 for the year ended 31 December 2015. The main reasons were the shutdown expenses incurred by the lack of production of our pipes business, the provision for the impairment of assets according to the relevant accounting policy, the increase in operating expense following the full operation of Hunan Shengli Steel Pipe, and the increase in share option expense.

Finance costs

The Group incurred finance costs of approximately RMB58,119,000 for the year ended 31 December 2015 (2014: approximately RMB53,643,000). The finance costs comprised exclusively interest incurred by bank loans.

Income tax expenses

Hong Kong profits tax is calculated at the rate of 16.5% (2014: 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% (2014:17%) 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% (2014: 25%). Income tax expenses for the year ended 31 December 2015 was approximately RMB8,528,000, representing an increase of approximately 13.0% from the previous year (2014: approximately RMB7,548,000). The increase was mainly attributable to the one-off tax expenses of Shandong Shengli Steel Pipe incurred by the accumulated profit distribution for the previous years.

Total comprehensive loss for the year

Due to the combined effect of the above factors, the audited total comprehensive loss of the Group for the year ended 31 December 2015 was approximately RMB345,102,000, compared to the audited total comprehensive loss of the Group of approximately RMB238,878,000 for the year ended 31 December 2014.

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 2014 and 2015 were primarily related to the purchase of property, plant and equipment.

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

	2015	2014
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**48,044**	95,930
Prepaid land lease payments	**173**	—
	48,217	95,930

Indebtedness

Borrowings

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

	2015	2014
	RMB'000	*RMB'000*
Borrowings:		
Bank loans — Unsecured	**565,000**	540,000
Bank loans — Secured	**272,036**	279,789
Bank loans — Secured and guaranteed	**130,000**	—
Bank loans — Guaranteed	**132,500**	245,000
Total	**1,099,536**	1,064,789

Included in the borrowings is approximately RMB1,044,536,000 repayable within one year. The following table sets forth the annual interest rates of the Group's bank loans:

	2015	2014
	%	*%*
Effective interest rate per annum	**1.54–6.80**	2.73–6.60

As at 31 December 2015, the borrowings of the Group amounted to approximately RMB1,099,536,000 (2014: approximately RMB1,064,789,000).

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 2015, the Group's revenue, expenses, assets and liabilities were primarily denominated in Renminbi. The directors consider that the Group currently has limited foreign exchange exposure and has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

Utilisation of 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 2015, approximately RMB818,034,000 out of the 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 RMB451,866,000 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 2015, the accumulated use of the capital raised is set out below:

	Amount allocated *RMB'000*	Actual expenditure as at 31 December 2015 *RMB'000*
Projects		
construction of one set of SAWH pre-welding and precision welding production lines with total production capacity of 360,000 tonnes per annum and two anti-corrosion coating production lines	440,000	518,317
construction of one SAWL pipe production line with production capacity of 200,000 tonnes per annum and one anti-corrosion coating production line	650,000	255,000
upgrade of one cold-formed section steel production line to an ERW pipe production line with production capacity of 100,000 tonnes per annum	50,000	the project has been suspended
working capital and other general corporate purposes	129,900	44,717
Total	1,269,900	818,034

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

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

As at 31 December 2015, the actual use of proceeds from the issue of shares under general mandate carried out by the Company in November 2014 is as follows:

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
3 November 2014	Subscription in relation to the issue of 248,058,000 shares at the subscription price of HK$0.45 per share under the general mandate to Waynew Investments Limited (維新投資有限公司) as the subscriber. The completion of the subscription took place on 14 November 2014 and 248,058,000 subscription shares had been issued to the subscriber.	Approximately HK$111.28 million	For the operating expenses for dome integration houses projects operated by Dome Integration Housing Industrial Holding Co. Ltd, a joint venture company of the Group (as disclosed in the announcement of the Company dated 17 September 2012), the operating expenses for oil field development projects operated by Ever Growing Energy Service, LLC (as disclosed in the announcement of the Company dated 28 May 2014) and general working capital of the Group.	As at the date of this announcement, approximately HK$76 million was used for general working capital of the Group and approximately HK$35 million is not yet utilised and is deposited at a bank account and is reserved to be used for the intended purpose as set out in the announcement of the Company dated 3 November 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB393,881,000 (2014: approximately RMB216,007,000). As at 31 December 2015, the Group had borrowings of approximately RMB1,099,536,000 (2014: approximately RMB1,064,789,000).

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 2015, the gearing ratio of the Group was 34.0% (2014: 33.1%).

CHARGES AND CONTINGENT LIABILITIES

Save for the aforesaid secured bank borrowings, as at 31 December 2015, the Group did not have other charges over its assets or any material contingent liabilities.

FOREIGN EXCHANGE RISK

In 2015, the Group's businesses are mainly transacted and settled in functional currency of subsidiaries, so the Group has minimal exposure to foreign currency risk. The Group did not utilise any forward contracts or other means to hedge its foreign exchange exposure. However, the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts are in place.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2015, the Group employed a work force of 1,328 employees (including Directors). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB90,184,000 (2014: approximately RMB71,879,000).

DIVIDENDS

The board does not recommend the payment of final dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

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

From Wednesday, 18 May 2016 to Friday, 20 May 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 May 2016.

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

CODE ON CORPORATE GOVERNANCE

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

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

During the year ended 31 December 2015, the Company has complied with all other 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 when the Board considers necessary.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that during the year ended 31 December 2015, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of their respective securities during the year ended 31 December 2015.

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 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT OPINION FROM ZHONGHUI ANDA CPA LIMITED

ZHONGHUI ANDA CPA Limited has expressed an unqualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015.

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 2015.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED

This annual results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.slogp.com). The annual report for the year ended 31 December 2015 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, 20 March 2016

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. Chen Junzhu and Mr. Wu Geng*