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 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,155,750,000, representing a decrease of approximately RMB969,528,000 when compared to 2016.
- Gross profit margin was approximately 5.3%, representing an increase of approximately 1.9 percentage points when compared to 2016.
- The loss for the year attributable to owners of the Company amounted to approximately RMB250,831,000, representing an increase of approximately RMB40,338,000 when compared to 2016.
- Basic loss per share attributable to owners of the Company was approximately RMB7.66 cents, representing an increase of approximately RMB0.92 cents when compared to 2016.

The board (the "Board") of directors (the "Directors") of Shengli Oil & Gas Pipe Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year under Review") prepared in accordance with the International Financial Reporting Standards together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
REVENUE	5	**2,155,750**	3,125,278
Cost of sales and services		**(2,041,103)**	(3,017,488)
Gross profit		**114,647**	107,790
Other income and gains	5	**18,843**	24,656
Selling and distribution costs		**(81,267)**	(37,239)
Administrative expenses		**(206,389)**	(213,684)
Other expenses		**(1,263)**	(6,183)
Share of losses of:			
Joint ventures		**(2,376)**	(9,015)
Associates		**(2,596)**	(12,414)
Impairment loss recognised		**(88,504)**	(76,698)
Loss on disposal of investments, net		**(8,197)**	—
Gain on bargaining purchase of associates		**9,966**	—
Finance costs	6	**(46,484)**	(41,945)
LOSS BEFORE TAX	7	**(293,620)**	(264,732)
Income tax (expense)/credit	8	**(1,694)**	9,923
LOSS FOR THE YEAR		**(295,314)**	(254,809)
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**436**	—
Exchange differences on translation of financial statements of foreign operations		**(15,938)**	23,039
		(15,502)	23,039
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(310,816)**	(231,770)

	Notes	**2017** *RMB'000*	2016 *RMB'000*
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(250,831)**	(210,493)
Non-controlling interests		**(44,483)**	(44,316)
		(295,314)	(254,809)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(266,333)**	(187,454)
Non-controlling interests		**(44,483)**	(44,316)
		(310,816)	(231,770)
LOSS PER SHARE *(RMB cents)*	9		
— Basic		**(7.66)**	(6.74)
— Diluted		**(7.66)**	(6.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**882,774**	922,711
Prepaid land lease payments		**249,299**	162,713
Goodwill		**2,525**	2,525
Deposits paid for acquisition of investments		**203,214**	197,505
Investment in joint ventures	11	**—**	5,647
Investment in associates	12	**386,865**	36,356
Deferred tax assets		**22,927**	26,788
		1,747,604	1,354,245
CURRENT ASSETS			
Inventories		**169,906**	196,158
Trade and bills receivables	13	**523,612**	982,103
Prepayments, deposits and other receivables	14	**213,978**	504,699
Prepaid land lease payments		**6,193**	3,769
Pledged deposits		**20,096**	18,398
Cash and cash equivalents		**36,065**	228,350
		969,850	1,933,477
CURRENT LIABILITIES			
Trade and bills payables	15	**152,104**	345,080
Other payables and accruals	16	**189,564**	172,205
Borrowings	17	**891,883**	946,500
Tax payable		**15,014**	19,397
Deferred income		**854**	854
		1,249,419	1,484,036
NET CURRENT (LIABILITIES)/ASSETS		**(279,569)**	449,441
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,468,035**	1,803,686

	Notes	**2017** **RMB'000**	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**5,609**	6,463
Borrowings	17	**—**	27,500
Deferred tax liabilities		**343**	359
		5,952	34,322
NET ASSETS		**1,462,083**	1,769,364
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**283,911**	283,911
Reserves		**1,078,072**	1,336,891
		1,361,983	1,620,802
Non-controlling interests		**100,100**	148,562
Total equity		**1,462,083**	1,769,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The Group incurred loss attributable to owners of the Company of approximately RMB250,831,000 for the year ended 31 December 2017, the Group had net current liabilities of approximately RMB279,569,000 as at 31 December 2017. These conditions indicate that the existence of a material uncertainty may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the major shareholders, at a level sufficient to finance the working capital requirements of the Group. The major shareholders have agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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 2017. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current 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 2017, the Group has two (2016: two) reportable segments which comprise of pipes business and trading business. The pipes business segment produces submerged-arc helical welded pipes, submerged-arc longitudinal welded pipe and cold-formed section steel which are mainly used for the oil and infrastructure industry ("Pipes Business"). The trading business mainly involve trading of electrolytic copper, aluminum ingot, aluminum oxide, nickel, polyethylene, lead minerals, lead concentrate, zinc minerals, zinc concentrate, zinc oxide and zinc calcine ("Trading Business"). 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 taking into account the allocation of interest income, finance costs, impairment loss recognised on investment in a joint venture, impairment loss recognised on advance to a joint venture, impairment loss recognised on investment in an associate, gain on disposal of subsidiaries, loss on disposal of an associate, gain on disposal of a joint venture and central administration costs including directors' fees, share-based payments, foreign currency exchange gains/losses, share of results of joint ventures and associates and items not directly related to the core business of the segments.

Segment revenue and results

For the year ended 31 December 2017

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Sales to external customers	**915,189**	**1,240,561**	**—**	**2,155,750**
Intersegment sales	**38,399**	**—**	**(38,399)**	**—**
Total revenue	**953,588**	**1,240,561**	**(38,399)**	**2,155,750**
Segment results	**(61,350)**	**(108,062)**		**(169,412)**
Interest income				**885**
Impairment loss recognised on advance to a joint venture				**(8,943)**
Impairment loss recognised on investment in an associate				**(10,428)**
Gain on disposal of subsidiaries, net				**3,892**
Loss on disposal of an associate				**(12,090)**
Gain on disposal of a joint venture				**1**
Unallocated expenses				**(51,041)**
Finance costs				**(46,484)**
Loss before tax				**(293,620)**

For the year ended 31 December 2016

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

Segment assets

As at 31 December 2017

	Pipes Business ***RMB'000***	**Trading Business** ***RMB'000***	**Eliminations** ***RMB'000***	**Consolidated** ***RMB'000***
Segment assets	**1,997,203**	**35,841**	**—**	**2,033,044**
Unallocated assets				**684,410**
Total consolidated assets				**2,717,454**

As at 31 December 2016

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

Segment liabilities

As at 31 December 2017

	Pipes Business ***RMB'000***	**Trading Business** ***RMB'000***	**Eliminations** ***RMB'000***	**Consolidated** ***RMB'000***
Segment liabilities	**340,111**	**3,665**	**—**	**343,776**
Unallocated liabilities				**911,595**
Total consolidated liabilities				**1,255,371**

As at 31 December 2016

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

Other segment information

2017

	Pipes Business *RMB'000*	Trading Business *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Share of loss of:				
Joint ventures	**—**	**—**	**(2,376)**	**(2,376)**
Associates	**—**	**—**	**(2,596)**	**(2,596)**
Write down of inventories	**1,518**	**—**	**—**	**1,518**
(Reversal of allowance)/ allowance for trade receivables	**(52,391)**	**32,764**	**—**	**(19,627)**
Impairment loss recognised on advance to a joint venture	**—**	**—**	**8,943**	**8,943**
Impairment loss recognised on other receivables	**8,086**	**51,073**	**—**	**59,159**
Impairment loss recognised on investment in an associate	**—**	**—**	**10,428**	**10,428**
Gain on disposal of subsidiaries, net	**—**	**—**	**(3,892)**	**(3,892)**
Loss on disposal of an associate	**—**	**—**	**12,090**	**12,090**
Gain on disposal of a joint venture	**—**	**—**	**(1)**	**(1)**
Depreciation and amortisation	**124,009**	**304**	**117**	**124,430**
Investment in associates	**—**	**—**	**386,865**	**386,865**
Capital expenditure	**183,559**	**2**	**—**	**183,561**

2016

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

Geographical information

(a) Revenue from external customers

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Mainland China	**2,141,735**	3,111,538
Other countries	**14,015**	13,740
	2,155,750	3,125,278

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

(b) Non-current assets

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Mainland China	**1,482,350**	1,129,704
Hong Kong	**242,327**	197,753
	1,724,677	1,327,457

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

Information about major customers

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

		2017	2016
	Segment	***RMB'000***	*RMB'000*
Customer A	Trading business	**225,050**	333,319
Customer B	Trading business	**239,409**	325,739
Customer C	Trading business	—*	316,613
Customer D	Trading business	—*	334,685

* Revenue from these customers did not exceed 10% of total revenue in the respective years.

5. REVENUE, OTHER INCOME AND GAINS

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sales of steel pipes	**836,113**	673,798
Trading business	**1,240,561**	2,376,898
Rendering of services related to pipe business	**79,076**	74,582
	2,155,750	3,125,278
Other income		
Interest income	**885**	7,293
Rental income	**1,107**	6,525
Others	**7,820**	1,943
	9,812	15,761
Other gains		
Gain on sales of materials	**4,333**	7,192
Gain on disposal of property, plant and equipment, net	**11**	66
Others	**4,687**	1,637
	9,031	8,895
	18,843	24,656

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest of borrowings	**46,484**	41,945

7. LOSS BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold*	**1,982,410**	2,965,588
Cost of services	**58,693**	51,900
Employees benefits expenses (including directors' remuneration):		
Wages, salaries and bonus	**73,343**	63,692
Performance related bonus	**—**	—
Pension scheme contributions	**5,542**	4,128
Welfare and other expenses	**1,175**	1,155
Equity-settled share option expense	**12,535**	14,865
	92,595	83,840
Depreciation of property, plant and equipment	**119,280**	122,023
Amortisation of prepaid land lease payments	**5,150**	3,738
Reversal of allowance for trade receivables	**(19,627)**	(6,515)
Impairment loss recognised on investment in a joint venture	**—**	3,270
Impairment loss recognised on property, plant and equipment	**9,973**	22,773
Impairment loss recognised on advance to a joint venture	**8,943**	48,224
Impairment loss recognised on other receivables	**59,159**	2,431
Impairment loss recognised on investment in an associate	**10,428**	—
Gain on disposal of property, plant and equipment, net	**(11)**	(66)
Gain on disposal of subsidiaries, net	**(3,892)**	—
Loss on disposal of an associate	**12,090**	—
Gain on disposal of a joint venture	**(1)**	—
Operating lease payments	**12,736**	8,372
Exchange loss, net	**4,465**	19,378
Auditors' remuneration	**1,776**	1,540

* Included in the cost of inventories sold is an amount of approximately RMB1,518,000 (2016: approximately RMB3,034,000) related to the write down of inventories for the year ended 31 December 2017.

8. INCOME TAX (EXPENSE)/CREDIT

	2017	2016
	RMB'000	*RMB'000*
Current — PRC Enterprise Income Tax ("EIT")		
— Charge for the year	**1,309**	662
Current — Hong Kong		
— Charge for the year	**—**	104
— Over-provision in prior years	**(3,460)**	—
Deferred tax	**3,845**	(10,689)
Income tax expense/(credit)	**1,694**	(9,923)

Hong Kong profits tax is calculated at 16.5% (2016: 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 expense/(credit) applicable to loss before tax at the statutory rates for the jurisdictions in which the Group's principal operations are domiciled to the income tax expense/(credit) at the Group's effective income tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2017	2016
	RMB'000	*RMB'000*
Loss before tax	**(293,620)**	(264,732)
Tax at the applicable tax rate of companies within the Group of 25% (2016: 25%)	**(73,405)**	(66,183)
Expenses not deductible for tax	**207,115**	38,943
Income not taxable for tax	**(177,208)**	(33,644)
Tax loss not recognised	**44,228**	46,039
Effect of different tax rates of subsidiaries	**3,181**	(435)
Tax effect of losses attributable to joint ventures and associates	**1,243**	5,357
Over-provision in prior years	**(3,460)**	—
Tax at the Group's effective rate	**1,694**	(9,923)

Notes:

At the end of the reporting period the Group has unused tax losses of approximately RMB573,687,000 (2016: approximately RMB458,048,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB50,608,000 (2016: approximately RMB70,168,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB523,079,000 (2016: approximately RMB387,880,000) due to the unpredictability of future profit streams. All tax losses will expire in 2022.

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 2017 and 2016, 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 RMB140,143,000 and RMB286,948,000, respectively. In the opinion of the Directors, it is not probable that its principal operating subsidiary, Shandong Shengli Steel Pipe Co., Ltd.# ("Shandong Shengli Steel Pipe") (山東勝利鋼管有限公司) will distribute such earnings in the foreseeable future.

\# *The English name is for identification only*

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 RMB250,831,000 (2016: approximately RMB210,493,000) and the weighted average number of 3,274,365,600 (2016: 3,122,278,000) 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 2017 and 2016 in respect of a dilution as there was no dilutive potential ordinary shares for the Company's outstanding options.

10. DIVIDEND

The Board of Directors has resolved not to declare a final dividend for the year ended 31 December 2017 (2016: Nil).

11. INVESTMENT IN JOINT VENTURES

	2017	2016
	RMB'000	*RMB'000*
Unlisted investments in the PRC:		
Share of net assets	—	8,917
Impairment losses	—	(3,270)
	—	5,647

Details of the Group's joint ventures at 31 December 2017 are as follows:

Company name	**Place of incorporation/ operations**	**Registered paid-up capital**	**Percentage of equity interests attributable to the Group**	
			2017	2016
Shenzhen Taihe Tiandi Investment Partnership# ("Shenzhen Taihe") (深圳市泰和天地投資合夥企業)	The PRC/The PRC	RMB10,000,000	**N/A**	90%
Dome Integration Housing Industrial Holding Co. Ltd. ("Dome (BVI)") (哆咪集成房屋工業控股有限公司)	The BVI/The PRC	USD200	**N/A**	40%

The English name is for identification only

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)**	
	2017	2016	**2017**	2016
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	**N/A**	90%/50%	**N/A**	40%/40%
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 31 December:				
Non-current assets	—	1,414	—	31,007
Current assets	—	5,857	—	148,407
Current liabilities	—	(3)	—	(173,474)
Net assets	—	7,268	—	5,940
Group's share of net assets	—	6,541	—	2,376
Cash and cash equivalents included in current assets	—	1,055	—	1,395
Current financial liabilities (excluding trade and other payables and provision) included in current liabilities	—	—	—	—
Year ended 31 December:				
Revenue	—	—	**5**	397
Depreciation and amortisation	—	11	**3,648**	—
Interest income	—	—	—	—
Interest expense	—	—	—	—
Income tax expense	—	—	—	—
Loss from continuing operation	—	(32)	**(5,940)**	(22,466)
Loss after tax from discontinued operations	—	—	—	—
Other comprehensive income	—	—	—	—
Total comprehensive loss	—	(32)	**(5,940)**	(22,466)
Dividends received from joint ventures	—	—	—	—

As at 31 December 2017, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to Nil (2016: approximately RMB2,450,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

12. INVESTMENT IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Unlisted investments in the PRC:		
Share of net assets	**386,865**	36,356

Particulars of the associate of the Group are as follows:

Company name	Place of incorporation/ operations	Registered paid-up capital	Percentage of equity interests attributable to the Group		Principal activities
			2017	2016	
Gaoqing Xian Minfu Microfinance Co., Ltd.# ("Minfu Microfinance") (高青縣民福小額貸款有限公司)	The PRC/The PRC	RMB150,000,000	**N/A**	30%	Micro-financing and other financial advisory services
Shanghai Guoxin Industrial Co., Ltd.# ("Shanghai Guoxin") (上海國心實業有限公司)	The PRC/The PRC	RMB500,000,000	**45%**	N/A	Trading of metal commodity
Shanghai Xinfeng Enterprise Group Co., Ltd.# ("Shanghai Xinfeng") (上海新鋒企業集團有限公司)	The PRC/The PRC	RMB820,000,000	**31.88%**	N/A	Designing and Construction of wind farms

\# *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 associates.

	Shanghai Guoxin 2017	**Shanghai Xinfeng 2017**	**Minfu Microfinance 2017**	Minfu Microfinance 2016
Principal place of business/ country of incorporation	**PRC/PRC**	**PRC/PRC**	**PRC/PRC**	PRC/PRC
Principal activities	**Trading of metal commodity**	**Designing and Construction of wind farms**	**Micro-financing and other financial advisory services**	
% of ownership interests/ voting rights held by the Group	**45%/45%**	**31.88%/31.88%**	**N/A**	30%/30%
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
At 31 December:				
Non-current assets	**23,490**	**423,064**	**—**	8,096
Current assets	**838,848**	**1,116,981**	**—**	113,848
Current liabilities	**(425,035)**	**(658,616)**	**—**	(758)
Non-current liabilities	**—**	**(285,197)**	**—**	—
Net assets	**437,303**	**596,232**	**—**	121,186
Group's share of net assets	**196,786**	**190,079**	**—**	36,356
Year ended 31 December:				
Revenue	**501,257**	**8,058**	**185**	441
Profit/(loss) from continuing operations	**2,767**	**2,052**	**(14,985)**	(41,380)
Profit after tax from discontinued operations	**—**	**—**	**—**	—
Other comprehensive income	**—**	**—**	**—**	—
Total comprehensive income/(loss)	**2,767**	**2,052**	**(14,985)**	(41,380)
Dividends received from the associate	**—**	**—**	**—**	—

As at 31 December 2017, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to approximately RMB9,465,000 (2016: approximately RMB590,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

13. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**629,243**	1,124,815
Less: allowance for impairment of trade receivables	**(132,069)**	(152,883)
	497,174	971,932
Bills receivables	**26,438**	10,171
	523,612	982,103

The Group's trading terms with its customers are mainly on credit generally ranging from 90 to 180 days. All 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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**336,443**	833,662
3 to 6 months	**84,075**	65,224
6 months to 1 year	**33,832**	16,797
1 to 2 years	**34,804**	19,225
Over 2 years	**8,020**	37,024
	497,174	971,932

Included in the trade receivables of approximately RMB27,773,000 (2016: approximately RMB90,505,000) 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:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**438,067**	854,876
1 to 3 months past due	**5,397**	45,903
3 to 6 months past due	**10,729**	22,429
6 months to 1 year past due	**35,271**	13,332
1 year to 2 years past due	**5,802**	4,200
Over 2 years past due	**1,908**	31,192
	497,174	971,932

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

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

Reconciliation of allowance for trade receivables:

	2017	2016
	RMB'000	*RMB'000*
Balance at beginning of the year	**152,883**	159,077
Reversal of allowance for the year	**(19,627)**	(6,515)
Exchange differences	**(1,187)**	321
Balance at end of year	**132,069**	152,883

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2017	2016
	RMB'000	*RMB'000*
Advance to a joint venture *(note a)*	**—**	25,516
Advance to suppliers *(note b)*	**73,372**	125,510
Advances to entities *(note a)*	**12,703**	3,717
Advances to shareholders of an entity *(note c)*	**30,000**	30,000
Loan to employees *(note d)*	**690**	690
Other tax receivables *(note e)*	**62,326**	62,655
Prepayment	**3,436**	2,905
Prepayment to metal commodity suppliers *(note f)*	**—**	53,547
Tender deposits to customers	**8,315**	2,936
Trade deposits paid to metal commodity suppliers *(note g)*	**—**	170,100
Others	**23,136**	27,123
	213,978	504,699

Notes:

(a) At 31 December 2016, included in the advance to a joint venture is a loan of approximately RMB47,962,000 which is unsecured, bears an interest rate of 3% per annum and repayable within one year. The remaining balance is unsecured, non-interest bearing and repayable within one year. An impairment loss of approximately RMB8,943,000 has been recognised during the year (2016: approximately RMB48,224,000). In 2017, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose 40% of the issued share capital of a joint venture, representing 100% of the investment in a joint venture. The amount has been reclassified to advance to entities during the year. At 31 December 2016, included in the advances to entities is a loan of approximately RMB3,700,000 which was unsecured, bears an interest rate of 4.35% per annum and repayable within one year. An impairment loss of approximately RMB 8,086,000 (2016: Nil) has been recognised on advances to entities during the year.

(b) 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.

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

(d) Loan to employees are unsecured, bearing interests at 6% (2016: 6%) per annum and have no fixed repayment term.

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

(f) At 31 December 2016, prepayment to metal commodity suppliers amounted to approximately RMB53,547,000. An impairment loss of approximately RMB51,072,000 has been recognised during the year (2016: Nil).

(g) These trade deposits were paid to metal commodity suppliers to secure trade payables of approximately RMB176,051,000 as at 31 December 2016. The deposits were interest-free and refundable within one year. These metal commodity suppliers were independent third parties of the Group.

15. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**132,104**	340,418
Bills payables	**20,000**	4,662
	152,104	345,080

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**73,836**	303,336
3 to 6 months	**33,759**	24,517
6 months to 1 year	**17,790**	6,684
1 to 2 years	**4,365**	2,293
Over 2 years	**2,354**	3,588
	132,104	340,418

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

16. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Receipt in advances from customers	**70,348**	80,182
Payable on acquisition of property, plant and equipment	**52,322**	56,136
Security deposits received from employees	**690**	710
Interest payable on other borrowings	**3,478**	—
Other tax payables	**1,771**	8,416
Others	**60,955**	26,761
	189,564	172,205

17. BORROWINGS

		2017			2016		
	Notes	**Effective interest rate** ***(%)***	**Maturity** ***(year)***	***RMB'000***	Effective interest rate *(%)*	Maturity *(year)*	*RMB'000*
Bank loans — Unsecured		**4.57%–4.95%**	**2018**	**289,003**	4.35%–4.57%	2017	590,000
Bank loans — Secured	(a)	**4.60%–5.01%**	**2018**	**177,000**	—	—	—
Bank loans — Secured and guaranteed	(b)	**4.79%–4.81%**	**2018**	**307,500**	4.75%–4.79%	2017–2018	335,000
Bank loans — Guaranteed		**4.52%**	**2018**	**49,000**	4.52%	2017	49,000
Other loans — Unsecured	(c)	**10.00%**	**2018**	**69,380**	—	—	—
				891,883			974,000

The borrowings are repayable as follows:	***RMB'000***	*RMB'000*
On demand or within one year	**891,883**	946,500
In the second year	**—**	27,500
In the third to fifth years, inclusive	**—**	—
	891,883	974,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(891,883)**	(946,500)
Amount due for settlement after 12 months	**—**	27,500

Notes:

(a) The Group's bank loans were secured by pledge of certain of the Group's properties, plant and equipment amounting to approximately RMB243,274,000 (2016: Nil) and prepaid land lease amounting to approximately RMB170,687,000 (2016: Nil).

(b) The Group's bank loans were secured by pledge of certain of the Group's properties, plant and equipment amounting to approximately RMB342,077,000 (2016: approximately RMB319,792,000), prepaid land lease amounting to approximately RMB41,237,000 (2016: approximately RMB19,126,000) and an amount of approximately RMB72,800,000 (2016: approximately RMB147,400,000) out of bank loans of approximately RMB307,500,000 (2016: approximately RMB335,000,000) were guaranteed by a non-controlling shareholder of a subsidiary.

(c) The loan refers to advance from Directors and employees of approximately RMB69,380,000 (2016: Nil) which is unsecured, bears an interest rate of 10% per annum and repayable within one year.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders,

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

In 2017, the global economy experienced accelerated growth and stable recovery. With approximately 75% of state economies achieving positive growth and developed economies maintaining strong growth momentum, the report of the Organization for Economic Cooperation and Development showed that the growth pace of world GDP had reached 3.7%. Given continued efforts on the supply-side structural reform, China realised an economic growth of 6.9% and became the main driver of global economic growth on the back of further optimisation of economic structure and remarkable enhancement of development efficiency. Driven by macro-economy, the global demand for petroleum sustained strong growth, while the oil and gas industry fully rebounded, as evidenced by the steady recovery of international oil and gas prices in 2017.

For the domestic market, since the three leading petroleum companies, namely, China National Petroleum Corporation ("CNPC"), China Petrochemical Corporation ("SINOPEC") and China National Offshore Oil Corporation ("CNOOC") (the "Three Barrels"), mainly focused on the exploration and implementation of the structural reform of the oil and gas industry as well as the reform of state-enterprises during 2017, the number of major transnational and domestic oil and gas pipeline projects commencing construction remained below the benchmark. During the Year under Review, under the backdrop of underwhelming development of large-scale oil and gas pipeline projects, the Group actively adjusted its marketing strategy, made greater efforts on the expansion of local markets, and identified good investment opportunities in a proactive approach to diversify streams of revenue. Meanwhile, the Group took various cost-reducing measures to maintain its overall operating efficiency.

ACHIEVING PROMINENT SALES PERFORMANCE IN LOCAL MARKETS BY CONSOLIDATING CORE BUSINESSES AND EXPANDING INTO NEW BUSINESSES

Driven by the respective 13th Five-Year Plans for the development of petroleum and the development of natural gas (collectively the "Oil and Gas 13th FYPs"), the construction of domestic pipeline networks for crude oil, refined petroleum and natural gas was gaining pace. Local pipeline projects commenced construction in a row, which boosted the demand for products of the Group effectively. As one of the largest manufacturers of oil and natural gas pipelines in China, the Group excelled its peers in terms of brand, quality, technology and equipment, and also possessed extensive experience in and proven track record for the construction of domestic pipeline projects. Accordingly, the Group succeeded in expanding the sales in local markets during the Year under Review. 95% of the sales contracts and orders of Shandong Shengli Steel Pipe Co., Ltd.* (山東

勝利鋼管有限公司) ("Shandong Shengli Steel Pipe") were derived from local markets during the Year under Review, which was a record-high percentage for the local markets component. Shengli Steel Pipe (Dezhou) Co., Ltd.* (勝利鋼管(德州)有限公司) ("Dezhou Shengli Steel Pipe") followed the strategy of consolidating core businesses while developing new businesses, and succeeded in securing 10 new customers while maintaining solid relationship with existing customers.

DIVERSIFICATION OF REVENUE SOURCES WHILE ACHIEVING COST REDUCTION TO ENSURE STABLE OPERATING EFFICIENCY

During the Year under Review, the Group implemented a series of major cost-reducing initiatives to ensure stable operating efficiency.

With regard to cost control of raw material, Shandong Shengli Steel Pipe, Dezhou Shengli Steel Pipe and Xinjiang Shengli Steel Pipe Co., Ltd.* (新疆勝利鋼管有限公司) ("Xinjiang Shengli Steel Pipe") increased its consumption of rolled coils and steel pipes inventories during the opportune time when steel price kept rising, so that the Group could effectively reduce the costs of the procurement of raw materials and expedite the collection of funds. Moreover, the Group centralised the procurement of raw materials from domestic sources and was able to increase bargaining power and enjoy greater discounts with bulk purchases. Thus, the costs of raw material procurement of the Group were efficaciously lowered.

As for labour costs control, the Group further improved the contracting system of certain positions of Shandong Shengli Steel Pipe to form an allocation mechanism that is correlated with efficiency and tallies with the amount of work. Under this system, employees are fully motivated, achieving notable results as to economic and management efficiency. During the Year under Review, through optimising its staff structure and positions setting, the Group greatly improved its working efficiency and managed to maximise efficiency with reduced staff.

In addition, on 2 June 2017, the Group acquired the entire equity interests of Bayston Investments Limited, the parent company of Shengli Steel Pipe Co., Ltd.* (勝利鋼管有限公司) ("Shengli Steel Pipe") for a consideration of RMB180,000,000, in order to secure the rights of use and ownership of all the properties of Shengli Steel Pipe, so as to reduce rental expenses and operating costs. The properties owned by Shengli Steel Pipe are used by Shandong Shengli Steel Pipe mainly for production and operation purposes and as offices. Through this acquisition, the Group minimised the uncertainty of rental expenses, increased the stability of principal operations, and expanded the financing sources.

While various production and operating costs were effectively controlled and saw gradual decline, the Group put greater efforts on the collection of overdue receivables and achieved satisfactory results during the Year under Review. For customers having prolonged overdue amounts without any repayment plan, the Group resorted to legal proceedings to effectively protect its legal rights. During the Year under Review, the Group collected 91% of the receivables overdue for more than 3 years.

Furthermore, Shandong Shengli Steel Pipe leased the rooftop of the pre-welding and precision-welding plant and the anti-corrosion plant (line 1) to a photovoltaic solar technology company, which allowed efficient use of idle resources and generated stable rental income for the Group.

ADHERING TO INNOVATION TO MAINTAIN LEADING POSITION IN PIPE TECHNOLOGY

With the firm belief that an enterprise can only fight off its rivalries amid intensifying competition and remain competitive and vigorous with the predominance in core technologies, the Group has been adhering to innovation and attaching great importance to technological investment over the years.

During the Year under Review, 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 single furnace trial production of X80-grade submerged-arc longitudinal welded pipes (the "SAWL pipes") with two specifications for Sino-Russian Eastern Natural Gas Pipeline Project (the "Sino-Russian Eastern Pipeline") in April 2017. It demonstrated Hunan Shengli Steel Pipe's leading SAWL pipes technology in the industry and its capability to produce X80-grade SAWL pipes of large-diameter and high wall thickness used in Sino-Russian Eastern Pipeline, adding to its technological reserve for producing same type of pipes in the future.

Besides, the Group obtained authorisation from the State Patent Office for two utility model patents, namely, "polishing head for pipe-end of small-diameter welded pipes" (小管徑焊接鋼管管端修磨機頭) and "application device of helical steel pipes" (螺旋鋼管套用裝置), during the Year under Review, while two applications for invention patents and two applications for utility model patents were successfully submitted and accepted. Furthermore, the Group published 20 theses in Welded Pipe and Tube (《焊管》), Steel Pipe (《鋼管》) as well as international academic conferences, in addition to taking part in the formulation and revision of 3 industry standards in the oil and natural gas industry. These standards not only contribute to the regulation of the development of domestic pipes industry and the enhancement of the technology standard of products, but also strengthen the Group's influence in the industry and highlight its leading technology of welded pipes well ahead of its domestic peers.

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

With a view to strengthening its resistance to risks and viability, the Group has been exploring and attempting new opportunities for business development in recent years in a bid to avoid the risk associated with the offering of a single product and broaden its revenue sources, providing sufficient cash flow for future expansion of core businesses.

On 27 September 2017, Zhejiang Shengguan Industrial Co., Ltd.* (浙江勝管實業有限公司) ("Zhejiang Shengguan"), an indirect wholly-owned subsidiary of the Company, entered into equity transfer and capital increase agreement with Shanghai Xinfeng Enterprise Group Co., Ltd.* (上海新鋒企業集團有限公司) ("Shanghai Xinfeng"), Xinfeng Holdings (Beijing) Co., Ltd.* (新鋒控股(北京)有限公司), Shanghai Xinfeng Tianyuan Investment Centre (Limited Partnership)* (上海新鋒天源投資中心(有限合夥)) and Beijing Zhongdian Jieneng Investment Centre (Limited Partnership)* (北京中電潔能投資中心(有限合夥)) to acquire 31.88% equity interests of Shanghai Xinfeng for a consideration of RMB261,420,000. Shanghai Xinfeng is principally engaged in clean energy businesses such as wind farm studies and design; development of turbines and spare parts of wind generators, machinery and equipment and software in computerised systems for wind farms, etc. The Group's non-controlling participation in the investment was a further move to set foot on the new energy businesses and was expected to generate continuous and stable income.

Other than the new energy sector, the Group also actively identified business opportunities in the bulk trading industry to develop its bulk trading business of crude oil and refined petroleum during the Year under Review. On 10 August 2017, the Group acquired 45% equity interests of Shanghai Guoxin Industrial Co., Ltd.* (上海國心實業有限公司) ("Shanghai Guoxin") for a consideration of RMB225,000,000. Shanghai Guoxin is principally engaged in the sales of nonferrous metals, metal materials, petroleum products, fuel products, mineral products, chemical feedstock and products, coal and charcoal. Such acquisition was expected to broaden the Group's revenue sources, which conformed to the long term development strategy of the Group.

During the Year under Review, the Group made timely adjustment to its asset structure as it moved to dispose of non-performing assets to independent third parties, including Shengli Investment Company ("Shengli Investment"), Dome Integration Housing Industrial Holding Co. Ltd. ("Dome BVI"), Shandong Muxin Investment Co., Ltd.* (山東沐鑫投資有限公司) ("Shandong Muxin") and Gaoqing Xian Minfu Microfinance Co., Ltd.* (高青縣民福小額貸款有限公司) ("Minfu Microfinance"), based on careful consideration of market developments and the operating conditions of our investment projects. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above transactions do not constitute discloseable transactions. Shengli Investment was established by the Group for the purpose of investing in well exploration and drilling projects in the early years. Owing to the impact of policies and developments in the oil industry, the investment was unlikely to be recouped in the near future. In order to reduce expenses, the Group disposed of Shengli Investment's equity interests in full for a price of USD1 on 20 June 2017. Dome BVI was a joint venture in which the Group had held 40% shares, the subsidiary of which was principally engaged in the production, installation and sales of integrated modular houses. Owing to constraints in the national economic environment and technologies for integrated houses, the company had been experiencing great difficulties in its production operations over the years, with continued losses since its commencement of production. To reduce loss, the Group transferred the entire equity interests of Dome BVI held by it for a price of USD80 on 27 June 2017. In September 2017, the Group also transferred the entire equity interests of Shandong Muxin and Minfu Microfinance which had prolonged unsatisfactory performance.

ADAPTING TO THE MARKET TREND AND SEIZING THE OPPORTUNITIES TO SPEED UP DEVELOPMENT

The PRC government has promulgated a series of favourable policies to support the development of oil and gas industry and facilitate the construction of oil and gas pipeline networks. According to the Medium-/Long-term Planning for Oil and Gas Pipeline Networks ("Planning for Oil and Gas Pipeline Networks") announced by NDRC in July 2017, it is targeted that the scale of oil and gas pipeline networks will reach 169,000 and 240,000 kilometres in 2020 and 2025, respectively, representing an increase of 50% and 110% as compared to 2015. The new golden decade for the construction of long-distance oil and gas pipelines will soon commence, during which the number of transnational and domestic large-scale oil and gas pipeline projects commencing construction will gradually pick up. The construction of large-scale pipeline projects will be expedited as the industry returns to a growth cycle.

Moreover, Nuer • Baikeli, the director of the National Energy Administration, expressly indicated in the National Energy Working Conference that proactive initiatives shall be carried out to drive the reform on pipeline network system in 2018. It is believed that the restructuring of the oil and gas sector will be beneficial to the Group in securing large-scale pipeline projects as the pipeline networks will then be open to third parties.

Shandong Shengli Steel Pipe, a wholly-owned subsidiary of the Group, has over 40 years of experience in producing submerged-arc helical welded pipes ("SAWH pipes") and has been a distinguished supplier for the Three Barrels over the years. Hunan Shengli Steel Pipe, a holding subsidiary of the Group with advanced machine unis for SAWL pipes and SAWH pipes, became a grade A supplier of CNPC and was qualified as an official supplier of CNOOC during the Year under Review. It also entered into purchase framework agreement with SINOPEC, which has reinforced the Group's overall competitive strengths and conducive to the Group's future tender for transnational and domestic major pipeline projects.

Looking forward, we will strive to overcome difficulties by fully equipping ourselves. On one hand, we will maintain our competitiveness of core technologies, while grasping any opportunities with a forward-looking vision, so as to achieve breakthroughs in the development of core businesses. On the other hand, we will actively explore new projects for partnership to avoid the risks associated with the fluctuations in pipe industry, in a bid to realise the strategy aimed at the sustainable, stable and healthy development of the Group.

Last but not least, I would like to take this opportunity to express gratitude to our shareholders and customers for their long-term support and trust. Thanks are also owed to our management and staff who join hands with us to forge a better future. By seizing opportunities to accelerate its development and maximise efficiency, the Group will continue to deliver long-term value to shareholders.

Zhang Bizhuang
Executive Director & Chief Executive Officer

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global energy industry has entered a new cycle amid recovery of global economy which has prompted significant increase in international oil prices. On domestic level, the introduction of numerous national policies since the beginning of the year fully demonstrates the government's determination in facilitating the healthy development of the oil and gas industry. Under the effective leadership of the Oil and Gas 13th FYPs in tandem with the support of various national policies, the demand in the oil and gas industry has gradually ramped up with accelerating trend. While the planned additions of domestic oil and gas pipelines as set out in the 13th FYPs are 35% higher than that in the 12th FYPs, the dependency on external oil and gas resources is on the rise. As such, the demand for the construction of large-scale pipeline projects is expected to be driven, and therefore the Group is confident that the industry will return to a growth cycle and embrace an upcoming construction boom. Nevertheless, since the number of large-scale pipeline projects of the Three Barrels that had actually commenced construction was very limited during the Year under Review, the Group has set its sales and business focus on domestic local markets. By actively developing new customers on the basis of consolidating existing customers, the Group has continued to build up its market influence and accumulated extensive experience in local pipeline projects. During the Year under Review, 95% of the manufacturing orders of the Group were contributed by local markets.

As at 31 December 2017, the Group's production capacities for SAWH pipes and SAWL pipes were 1.45 million tonnes per annum and 400,000 tonnes per annum, respectively, while its ancillary anti-corrosion production line had an annual production volume of 10.80 million square metres. Such capabilities have continued to enhance the Group's strengths in technology and production capacity as compared to its peers.

During the Year under Review, the Group also actively explored business opportunities in such industries as new energy industry and bulk trading industry, with the aim of identifying investment projects that are attuned to the development strategies of the Group and able to contribute stable revenue to strengthen cash flow. Meanwhile, the Group spread the risk of excessive concentration of business and enhanced its revenue and profitability with diversified business mix.

During the year of 2017, the Group recorded a decrease in total revenue, amounting to approximately RMB2,155,750,000 (2016: approximately RMB3,125,278,000) as compared to the corresponding period of last year. Gross profit margin increased to approximately 5.3% as compared to the corresponding period of last year. The losses attributable to owners of the Company amounted to approximately RMB250,831,000 (2016: approximately RMB210,493,000) during the Year under Review. The Board does not recommend the payment of any final dividend.

Pipes Business

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

As at 31 December 2017, pipes produced by the Group with a cumulative total length of approximately 28,650 kilometres were used in the world's oil and gas pipelines, of which 94.8% were installed in the PRC, while the remaining 5.2% were installed overseas.

During the Year under Review, major SAWH pipes projects that the Group participated in were, amongst others, West-East Gas Pipeline III Zhongwei — Jingbian Connection Line (西氣東輸三線中衛 — 靖邊聯絡線工程), Hanggin Banner — Yinchuan Natural Gas Pipeline Connection Line (杭錦旗至銀川天然氣管道聯絡線), Gas Pipeline Project in North Outer Ring, Linyi City (臨沂市北外環輸氣管道工程), Dongjiakou Port — Weifang — Central Shandong and Northern Shandong Oil Pipeline Project (董家口港 — 濰坊 — 魯中魯北輸油管道工程), Hanggin Banner — Otog Banner Natural Gas Pipeline Connection Line (杭錦旗至鄂托克旗天然氣管道聯絡線).

Major anti-corrosion pipeline projects undertaken by the Group included West-East Gas Pipeline III Zhongwei — Jingbian Connection Line (西氣東輸三線中衛 — 靖邊聯絡線工程), Hanggin Banner — Yinchuan Natural Gas Pipeline Connection Line (杭錦旗至銀川天然氣管道聯絡線), Dongjiakou Port — Weifang — Central Shandong and Northern Shandong Oil Pipeline Project (董家口港— 濰坊 — 魯中魯北輸油管道工程(龍山—花垣段)), West Hunan Natural Gas Pipeline Truck Line Project (Longshan-Huayuan Section) (大湘西天然氣管道支幹線項目), Hanggin Banner — Otog Banner Natural Gas Pipeline Connection Line (杭錦旗至鄂托克旗天然氣管道聯絡線).

SAWL pipes manufactured by the Group were used in Lanshan, Rizhao — Ju County Oil Pipeline Project (日照嵐山 —莒縣項目輸油管線工程), Dongjiakou Port — Weifang — Central Shandong and Northern Shandong Oil Pipeline Project (董家口港 — 濰坊 — 魯中魯北輸油管道工程), Hanggin Banner — Yinchuan Natural Gas Pipeline Connection Line (杭錦旗至銀川天然氣管道聯絡線) and Wenchuan — Tibet Bridge Project (汶川至西藏公路大橋項目).

For the year ended 31 December 2017, total revenue of the Group's pipes business amounted to approximately RMB915,189,000 (2016: approximately RMB748,380,000) and accounted for approximately 42.5% of the Group's total revenue, comprising: (1) revenue from the sale of SAWH pipes of approximately RMB714,755,000 (2016: approximately RMB560,711,000); (2) revenue from the sale of SAWL pipes of approximately RMB121,358,000 (2016: approximately RMB112,206,000); (3) revenue from the anti-corrosion processing business of approximately RMB79,076,000 (2016: approximately RMB74,582,000); (4) revenue from the cold-formed section steel business of RMBNil (2016: approximately RMB881,000).

Trading business

For the year ended 31 December 2017, the total revenue of the Group's trading business amounted to approximately RMB1,240,561,000, accounting for approximately 57.5% of the Group's total revenue (2016: approximately RMB2,376,898,000).

FUTURE PROSPECTS

At the beginning of 2017, the NDRC announced the Oil and Gas 13th FYPs to further elaborate the previously announced Planning for Energy Development during the 13th FYP (《能源發展「十三五」規劃》) and clearly depict the blueprint for oil and gas development during the 13th FYPs. Subsequently in July, the NDRC and the National Energy Administration announced the Planning for Oil and Gas Pipeline Networks, which set out the medium and long-term goal of the development of oil and gas pipeline networks. It is targeted that the scale of nationwide oil and gas pipeline networks will reach 240,000 kilometres in 2025 and all the major pipeline networks for refined petroleum and natural gas in provincial cities in the country will be connected. It also encouraged various capital investments from the society in oil and gas infrastructure, construction and operation.

According to the Certain Opinions on the Deepening of Oil and Gas Structural Reform (《關於深化石油天然氣體制改革的若干意見) (the "Opinion on the Deepening of Oil and Gas Structural Reform") published by the Central Government of the Chinese Communist Party and the State Council in May 2017, it is expected that the state's demand for petroleum will reach approximately 600 million tonnes and that for natural gas will reach 550 billion cubic metres in 2030. Given the continuous rise of crude oil consumption, China's dependency on external petroleum supply has increased substantially, with the import volume of petroleum reaching a historical high of 419,570,000 tonnes and the dependency on external supply exceeding 65% to reach 67.4% in 2017. As such, the Group believes that the construction of transnational large-scale pipelines will be expedited with the support of government policies.

As detailed in the Opinion on the Deepening of Oil and Gas Structural Reform, in the critical period of energy transformation of the country, oil and gas pipeline networks are not only essential parts connecting the upstream and downstream of the oil and gas industry, but also crucial components of the modern energy system and the modern comprehensive transportation system. It also emphasised the fortified determination of carrying out oil and gas structural reform, which will greatly change the dominance in the construction of oil and gas pipeline networks to allow privately-owned enterprises with technological strengths and qualifications to receive more pipeline orders. As the only privately-owned enterprise qualified to supply to major oil and natural gas pipeline projects in China, we believe that this will be a good chance to promote the Group's core businesses to a new level.

As announced by CNPC on 13 December 2017, the progress of the Sino-Russian Eastern Pipeline has fully sped up as the eleven sections of the Sino-Russian Eastern Pipeline (Heihe — Changling Section) have commenced construction at the same time. Starting construction in June 2015, the Sino-Russian Eastern Pipeline will be built in phases, i.e. North-Section (Heihe — Changling), Mid-Section (Changling — Yongqing) and South-Section (Yongqing — Shanghai). The North-Section is expected to begin operation in October 2019 and the pipeline will be fully opened by the end of 2020. The Sino-Russian Eastern Pipeline begins at the Sino-Russian border in Heihe City, Heilongjiang Province and ends at Shanghai, running through 9 provincial cities including Heilongjiang, Jilin, Inner Mongolia, Liaoning, Hebei, Tianjin, Shandong, Jiangsu and Shanghai, with a total length of 3,371 kilometres. It is the pipeline which has the largest diameter and is able to sustain the highest pressure designed for the long-distance transmission of natural gas.

In 2018, the construction of the Xinjiang Coal-based Gas Transmission Pipeline Project (新疆煤制氣外輸管道工程項目) (the "Xinjiang Gas Pipeline", previously known as the Xinjiang —Guangdong — Zhejiang Pipeline), the Ordos — Anping — Cangzhou Gas Pipeline Project (鄂爾多斯—安平—滄州輸氣管道工程) (the "Ordos — Anping — Cangzhou Pipeline") and the Rizhao — Puyang — Luoyang Crude Oil Pipeline Project (日照—濮陽—洛陽原油管道工程) (the "Rizhao — Puyang — Luoyang Pipeline") of SINOPEC has fully commenced.

The Xinjiang Gas Pipeline involves mainly the construction of 1 trunk line and 6 branch lines with a total length of 8,400 kilometres. The trunk line begins at Mori County, Changji Prefecture, Xinjiang and ends at Shaoguan, Guangdong Province, with a designed gas transmission capacity of 30 billion cubic metres per year. In the fourth quarter of 2017, tender process of the first phase of the Xinjiang Gas Pipeline was initiated progressively. On 22 January 2018, the first phase of trunk line construction (Qianjiang — Shaoguan Section) of the Xinjiang Gas Pipeline officially commenced. Being the first phase of trunk line construction, Qianjiang — Shaoguan Section starts at Qianjiang, Hubei Province as the hub station and ends at Shaoguan, Guangdong Province as the terminal, passing through 8 cities of 3 provinces, i.e. Hubei, Hunan and Guangdong, with a total length of 830 kilometres.

The Ordos — Anping — Cangzhou Pipeline officially approved by the NDRC in July 2017 has a total investment amount of RMB34.4 billion. It comprises 1 trunk line and 5 branch lines, with a total length of about 2,293 kilometres. Spanning from the west at Shenmu, Shaanxi Province to the east at Cangzhou, Hebei Province and from the south at Puyang, Henan Province connected to Wen-23 gas storage bank to the north at

Xiong'an New Area, the pipeline passes through five provinces, namely Inner Mongolia, Shaanxi, Shanxi, Hebei and Henan, with a designed gas transmission capacity of 30 billion cubic metres per year.

The Rizhao — Puyang — Luoyang Pipeline starts at Lanshan, Rizhou as the origin station and ends at Luoyang as the terminal, with a total length of 768 kilometres. As planned, both of the oil pipeline project and the oil refining restructuring project will be completed in 2019. Establishment of project department and project startup meeting for pipeline construction was held in Zoucheng, Shandong Province on 16 August 2017.

According to the planned transmission of oil and gas in Shandong Province during the 13th FYPs, the long-distance transmission pipeline for crude oil in the province will reach 5,200 kilometres or above, the pipeline for refined petroleum will reach 4,000 kilometres or above and the trunk line of the pipeline for natural gas will reach 8,950 kilometres by 2020. It is anticipated that pipeline networks for crude oil, refined petroleum and natural gas consisting of over 20 new pipelines will be built, and the newly constructed pipeline networks in the province will reach over 7,000 kilometres by the end of the 13th FYPs.

Looking forward, with major national projects such as the Xinjiang Gas Pipeline, the Ordos — Anping — Cangzhou Pipeline, the Rizhao — Puyang — Luoyang Pipeline, the Sino-Russian Eastern Pipeline, The Inner Mongolia Western Coal-based Natural Gas Transmission Pipeline (蒙西煤制天然氣外輸管道) commencing construction, together with the advancement of the construction of oil and gas pipeline networks in Shandong Province, the oil and gas industry will enter into a new phase of expansion. Leveraging on the strengths afforded by its production capacity, the advantageous geographic location of its subsidiaries, its pioneering pre-welding and precision-welding technologies and the proven track record for the supply to large-scale national pipeline projects of CNPC and SINOPEC, in particular its qualification as long-term stable supplier of SINOPEC, the Group is confident in constantly securing orders for large-scale national pipeline projects.

As at the end of February 2018, the Group has obtained orders amounted to approximately 180,000 tonnes, which was similar to the total production volume for the year of 2017 and nearly 70% of which were derived from national pipeline projects, laying a solid foundation for the Group in delivering prominent results in 2018.

FINANCIAL REVIEW

Revenue

The Group's sales revenue decreased from approximately RMB3,125,278,000 for the year ended 31 December 2016 to approximately RMB2,155,750,000 for the year ended 31 December 2017. For the year ended 31 December 2017, amongst the Group's two core business segments, (1) pipes business reported revenue of approximately

RMB915,189,000 (2016: approximately RMB748,380,000) mainly due to the increase in the proportion of sales of pipes which have a higher revenue contribution as compared to pipes processing, and the increase in selling prices of certain pipes due to the inclusion of transportation fees and service fees during the Year under Review as compared to last year; and (2) trading business recorded a revenue of approximately RMB1,240,561,000 (2016: approximately RMB2,376,898,000) due to the suspension of metal commodity trading business in accordance with business realignment since October 2017.

Cost of sales

The Group's cost of sales decreased by approximately 32.4% from approximately RMB3,017,488,000 for the year ended 31 December 2016 to approximately RMB2,041,103,000 for the year ended 31 December 2017. During the year ended 31 December 2017, amongst the Group's principal business segments, (1) cost of sales for pipes business was approximately RMB818,003,000 (2016: approximately RMB676,303,000); and (2) cost of sales for trading business was approximately RMB1,223,100,000 (2016: approximately RMB2,341,185,000).

Gross profit

The gross profit of the Group increased from approximately RMB107,790,000 for the year ended 31 December 2016 to approximately RMB114,647,000 for the year ended 31 December 2017. Meanwhile, the gross profit margin of the Group increased to 5.3% for the year ended 31 December 2017 from 3.4% for the year ended 31 December 2016, mainly due to the decline in trading business with lower gross profit margin as a percentage of total revenue during the Year under Review, and the increase in gross profit of pipes business as a result of the inclusion of transportation fees and service fees in the selling prices of certain pipes.

Other income and gains

Other income and gains of the Group decreased from approximately RMB24,656,000 for the year ended 31 December 2016 to approximately RMB18,843,000 for the year ended 31 December 2017, which was mainly due to the decrease in rental income and interest income of subsidiaries of the Company during the Year under Review.

Selling and distribution costs

Selling and distribution costs of the Group increased from approximately RMB37,239,000 for the year ended 31 December 2016 to approximately RMB81,267,000 for the year ended 31 December 2017. Such increase in selling and distribution costs was principally due to the substantial increase in transportation fees and service fees borne by the Group during the Year under Review.

Administrative expenses

The Group's administrative expenses decreased by 3.4% from approximately RMB213,684,000 for the year ended 31 December 2016 to approximately RMB206,389,000 for the year ended 31 December 2017. The main reason was that the Group resorted to legal proceedings to collect four long-term significant receivables and reversed some of the allowance for receivables during the Year under Review.

Finance costs

The Group incurred finance costs of approximately RMB46,484,000 for the year ended 31 December 2017 (2016: approximately RMB41,945,000). The finance costs comprised mainly interest incurred from bank loans. The change in finance costs was principally due to the increase in lending rate during the Year under Review.

Impairment loss recognised

The Group recorded an impairment loss of approximately RMB88,504,000 (2016: approximately RMB76,698,000) for the year ended 31 December 2017. During the Year under Review, the Group recognised impairment loss in respect of three prepayments and other receivables and certain of the related investment companies and property, plant and equipment, including the impairment loss recognised on advance to Dome BVI, a joint venture, as disclosed in the 2017 interim report of the Company. The Group recognised impairment loss in respect of advance to a joint venture and certain of the property, plant and equipment in the previous year.

Net current liabilities

As at 31 December 2017, the Group had net current liabilities of approximately RMB279,569,000. The main reason was that the Group made new investments and transferred some of the current assets to non-current assets in response to industry realignment, resulting in net current liabilities during the Year under Review. According to the planning for national oil and gas pipeline networks and the industry cycle, large-scale pipeline projects have commenced construction progressively since the end of 2017. Currently, the Group has secured some of the orders, which are mainly the orders for processing raw materials for SINOPEC. By organising funds and devising reasonable production plan, the Group is confident in grasping every opportunity, so as to ensure stable production operation in the long term.

Loss on disposal of investments

The Group recorded loss on disposal of investments of approximately RMB8,197,000 (2016: Nil) for the year ended 31 December 2017, mainly due to the loss incurred upon disposal of several companies with unsatisfactory results including Shengli Investment, Dome BVI, Shandong Muxin and Minfu Microfinance in accordance with business realignment during the Year under Review.

Income tax expenses

Hong Kong profits tax is calculated at the rate of 16.5% (2016: 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% (2016: 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% (2016: 25%). Income tax expenses for the year ended 31 December 2017 was approximately RMB1,694,000 (2016: income tax credit of approximately RMB9,923,000).

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 2017 was approximately RMB310,816,000, compared to the audited total comprehensive loss of the Group of approximately RMB231,770,000 for the year ended 31 December 2016.

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 2016 and 2017 were primarily related to the purchase of property, plant and equipment.

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

	2017	2016
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**89,401**	30,923
Prepaid land lease payments	**94,160**	—
	183,561	30,923

Indebtedness

Borrowings

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

	2017	2016
	RMB'000	*RMB'000*
Borrowings:		
Bank loans — Unsecured	**289,003**	590,000
Bank loans — Secured	**177,000**	—
Bank loans — Secured and guaranteed	**307,500**	335,000
Bank loans — Guaranteed	**49,000**	49,000
Other loans — Unsecured	**69,380**	—
Total	**891,883**	974,000

Included in the borrowings is approximately RMB891,883,000 repayable within one year. The following table sets forth the annual interest rates of the Group's loans:

	2017	2016
	%	*%*
Effective interest rate per annum	**4.52–10**	4.35–4.79

As at 31 December 2017, the borrowings of the Group amounted to approximately RMB891,883,000 (2016: approximately RMB974,000,000).

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 2017, the Group's revenue, expenses, assets and liabilities were primarily denominated in Renminbi. The Directors consider that the Group currently has limited foreign exchange exposure and has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

Utilisation of the proceeds from initial public offering

The net proceeds obtained by the Group from the initial public offering were approximately RMB1,098,500,000. After the exercise of the over-allotment option on 13 January 2010, the net proceeds from the initial public offering increased to approximately RMB1,269,900,000. As at 31 December 2017, approximately RMB1,269,900,000 out of the total net proceeds from the initial public offering has been utilised in the manner specified in the Company's prospectus dated 9 December 2009 (the "Prospectus"), except for upgrading a cold-formed section steel production line as this project has been suspended.

As at 31 December 2017, the accumulated use of the capital raised is set out below:

	Amount allocated *RMB'000*	**Actual expenditure as at 31 December 2017** *RMB'000*
Projects		
Construction of one set of SAWH pre-welding and precision-welding production lines with production capacity of 360,000 tonnes per annum and two anti-corrosion coating production lines	440,000	525,267
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	264,000
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	480,633
Total	1,269,900	1,269,900

The Group will continue to pursue a prudent treasury management policy and is in a sound liquidity position with sufficient cash to cope with daily operation and capital requirement for future development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB36,065,000 (2016: approximately RMB228,350,000). As at 31 December 2017, the Group had borrowings of approximately RMB891,883,000 (2016: approximately RMB974,000,000).

The gearing ratio is defined as net debt (represented by borrowings, trade payables and other payables and accruals, net of cash and cash equivalents and pledged deposits) divided by total equity plus net debt. As at 31 December 2017, the gearing ratio of the Group was 44.2% (2016: 41.3%).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: Nil).

FOREIGN EXCHANGE RISK

In 2017, the Group's businesses have been mainly transacted and settled in functional currency of subsidiaries, so the Group has had minimal exposure to foreign currency risk. The Group did not utilise any forward contracts or other means to hedge its foreign exchange exposure. However, the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts are in place.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2017, the Group employed a work force of 1,155 employees (including Directors). The total salaries and related costs (including the Directors' fees) amounted to approximately RMB92,595,000 (2016: approximately RMB83,840,000).

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

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

From Monday, 18 June 2018 to Friday, 22 June 2018, 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 Friday, 15 June 2018.

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

CORPORATE GOVERNANCE CODE

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

During the period from 1 January 2017 to 24 March 2017, the Company has complied with all other provisions set out in the Code with the exception of code provision A.5.1.

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

Following the change of composition of the nomination committee of the Company with effect from 25 March 2017, the Company has complied with the code provision A.5.1 of the Code and all other provisions set out in the code. For details, please refer to the announcement of the Company dated 26 March 2017.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY 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 2017, 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 2017.

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 2017 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 current year. 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 2017.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017.

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 2017 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION AND STRIVING FOR THE GOALS

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

* *For identification purpose only*

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

Zibo, Shandong, 25 March 2018

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

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