PCK

CHU KONG PETROLEUM AND NATURAL GAS STEEL PIPE HOLDINGS LIMITED

珠江石油天然氣鋼管控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1938)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") announces the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 (the "Consolidated Financial Statements") together with the comparative figures of the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*5*	**1,141,807**	1,193,961
Cost of sales		**(935,120)**	(981,769)
Gross profit		**206,687**	212,192
Other income and gains	*5*	**1,911,272**	441,747
Selling and distribution expenses		**(34,808)**	(55,821)
Administrative expenses		**(287,638)**	(336,042)
Exchange (loss)/gain, net		**(120,098)**	23,528
Finance costs	*7*	**(475,384)**	(450,058)
Fair value (loss)/gain on investment properties		**(20,000)**	78,008
Fair value gain on a derivative financial instrument		**–**	19,260
Other expenses	*8*	**(300,702)**	(69,388)
Share of loss of a joint venture		**(2,668)**	(18,655)
PROFIT/(LOSS) BEFORE TAX	*6*	**876,661**	(155,229)
Income tax (expense)/credit	*9*	**(253,750)**	13,140
PROFIT/(LOSS) FOR THE YEAR		**622,911**	(142,089)

	Note	**2020**	2019
		RMB'000	*RMB'000*
Attributable to:			
Owners of the parent		**622,911**	(138,888)
Non-controlling interests		**–**	(3,201)
		622,911	(142,089)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB0.62**	RMB (0.14)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**622,911**	(142,089)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**189,906**	(26,494)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**189,906**	(26,494)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**(11,091)**	5,171
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(11,091)**	5,171
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**178,815**	(21,323)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**801,726**	(163,412)
Attributable to:		
Owners of the parent	**801,726**	(160,211)
Non-controlling interests	**–**	(3,201)
	801,726	(163,412)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 *RMB'000*	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,530,037**	2,604,239
Investment properties		**387,000**	407,000
Right-of-use assets		**1,031,276**	1,114,551
Long term prepayments and deposits		**75,679**	85,975
Investment in a joint venture		**10,510**	13,177
Deferred tax assets		**–**	210,943
Total non-current assets		**4,034,502**	4,435,885
CURRENT ASSETS			
Properties under development		**2,064,560**	1,822,964
Completed properties held for sale		**365,422**	383,977
Inventories		**415,709**	219,102
Trade and bills receivables	*11*	**511,538**	403,775
Prepayments, other receivables and other assets		**1,003,330**	916,170
Due from a related party		**84,522**	84,522
Pledged and restricted bank balances		**22,712**	164,826
Cash and cash equivalents		**19,466**	58,585
		4,487,259	4,053,921
Assets classified as held for sale		**19,767**	–
Total current assets		**4,507,026**	4,053,921
CURRENT LIABILITIES			
Trade and bills payables	*12*	**614,511**	379,935
Other payables and accruals		**782,666**	628,847
Contract liabilities		**1,286,986**	1,159,070
Derivative financial instrument		**–**	3,724
Fixed rate bonds and notes	*14*	**33,903**	170,404
Interest-bearing bank and other borrowings	*13*	**2,178,336**	1,116,889
Due to a director		**80,768**	88,857
Tax payable		**417,928**	365,567
Provision		**54,579**	–
		5,449,677	3,913,293
Liabilities directly associated with the assets classified as held for sale		**7,552**	–
Total current liabilities		**5,457,229**	3,913,293

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
NET CURRENT (LIABILITIES)/ASSETS		**(950,203)**	140,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,084,299**	4,576,513
NON-CURRENT LIABILITIES			
Due to a director		**50,000**	50,000
Fixed rate bonds and notes	*14*	**114,608**	7,631
Interest-bearing bank and other borrowings	*13*	**1,373,109**	3,753,975
Deferred tax liabilities		**353,876**	368,023
Government grants		**336,011**	341,915
Total non-current liabilities		**2,227,604**	4,521,544
Net assets		**856,695**	54,969
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**88,856**	88,856
Reserves		**767,839**	(33,887)
Total equity		**856,695**	54,969

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

- property development and investment

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

2. BASIS OF PREPARATION

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

2.1 Going concern basis

As at 31 December 2020, the Group recorded net current liabilities of RMB950,203,000 (2019:net current assets of RMB140,628,000). In view of these circumstances, the directors of the Company have considered the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

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

(1) Active working on the land restoration under the Land Resumption Compensation Agreement (as defined below)

The Group is actively working on the land restoration including but not limited to soil remediation under the Land Resumption Compensation Agreement and expects to receive the remaining compensations amounting to RMB1,381 million and the early completion bonus payments amounting to RMB691 million in 2021. In March 2021, an independent reputable financial institution in Mainland China agreed to provide banking facility up to RMB890 million to the Group, the proceeds of which can only used to finance the related cash flow for the soil remediation under the Land Resumption Compensation Agreement.

(2) Active negotiation to extend the repayment terms of the loans from Guangdong Yuecai and Xingchen (as defined below)

As at 31 December 2020, included in the balance of the Group's short-term interest-bearing bank and other borrowings were loans from Yuecai Trust and Xingchen of RMB818 million which do not have fixed repayment terms. The directors consider that such loans are not required to be repaid until the Group has adequate working capital.

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

Subsequent to 31 December 2020 and up to the date of this report, the Group renewed the existing loans of RMB110 million with related banks. The Group will continue to actively negotiate with the banks for the renewal of the Group's borrowings when they fall due or obtain additional source of finance to meet the Group's working capital and financial requirements in the near future. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the banks which will enhance the Group's ability to renew the Group's loans upon expiry.

(4) Active negotiations with debtors on outstanding receivables

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

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

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

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. Taking into account the fulfilment of land restoration including but not limited to soil remediation under the Land Resumption Compensation Agreement which could provide additional funds for the Group, coupled with positive cash flow from the Group's steel pipes business and the continued sale of the Group's existing real estate projects, the directors considered that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

However, the progress of fulfilment of the land restoration under the Land Resumption Compensation Agreement including the soil remediation influences the future cash flow prospects and the fulfilment of the land restoration is subject to the acceptance by the local authorities. Further, the current market situation is uncertain and vulnerable, it may also further impact the Group's future sales. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on favourable outcomes of the events as described above.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the new and revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group as there are no changes to the terms of the leases of the Group arising as a direct consequent of the covid-19 pandemic for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

Year ended 31 December 2020

	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Segment revenue: (note 5)			
Sales to external customers	**1,125,851**	**15,956**	**1,141,807**
Segment results	**987,220**	**(67,910)**	**919,310**
Reconciliation:			
Corporate and other unallocated expenses			**(14,056)**
Finance costs (other than interest on lease liabilities)			**(28,593)**
Profit before tax			**876,661**
Segment assets	**4,831,520**	**5,701,932**	**10,533,452**
Reconciliation:			
Elimination of intersegment receivables			**(2,553,323)**
Corporate and other unallocated assets			**561,399**
Total assets			**8,541,528**
Segment liabilities	**6,479,771**	**3,415,310**	**9,895,081**
Reconciliation:			
Elimination of intersegment payables			**(2,553,323)**
Corporate and other unallocated liabilities			**343,075**
Total liabilities			**7,684,833**
Other segment information			
Share of loss of a joint venture	**(2,668)**	**–**	**(2,668)**
Impairment losses recognised in the statement of profit or loss, net	**(14,338)**	**–**	**(14,338)**
Depreciation and amortisation	**(128,126)**	**(199)**	**(128,325)**
Investment in a joint venture	**10,510**	**–**	**10,510**
Capital expenditure*	**61,328**	**20**	**61,348**

Year ended 31 December 2019

	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Segment revenue: (note 5)			
Sales to external customers	1,141,665	52,296	1,193,961
Segment results	(341,190)	278,308	(62,882)
Reconciliation:			
Corporate and other unallocated expenses			(47,657)
Finance costs (other than interest on lease liabilities)			(44,690)
Loss before tax			(155,229)
Segment assets	4,351,083	5,651,968	10,003,051
Reconciliation:			
Elimination of intersegment receivables			(2,293,903)
Corporate and other unallocated assets			780,658
Total assets			8,489,806
Segment liabilities	6,935,784	3,300,340	10,236,124
Reconciliation:			
Elimination of intersegment payables			(2,293,903)
Corporate and other unallocated liabilities			492,616
Total liabilities			8,434,837
Other segment information			
Share of loss of a joint venture	(18,655)	–	(18,655)
Impairment losses recognised in the statement of profit or loss, net	(41,460)	–	(41,460)
Depreciation and amortisation	(132,021)	(215)	(132,236)
Investment in a joint venture	13,177	–	13,177
Capital expenditure*	62,523	45	62,568

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

Information about steel pipe products and services

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

	2020	2019
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**655,108**	835,348
SSAW steel pipes	**121,354**	29,645
ERW steel pipes	**–**	7,803
Steel pipe manufacturing services:		
LSAW steel pipes	**152,322**	167,859
SSAW steel pipes	**131,981**	52,335
ERW steel pipes	**–**	62
Others*	**65,086**	48,613
	1,125,851	1,141,665
Sale of properties	**15,956**	52,296
	1,141,807	1,193,961

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

Geographical information

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

	2020	2019
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**1,014,108**	1,059,584
Middle East	**3,249**	56,638
Other Asian countries	**124,450**	77,739
	1,141,807	1,193,961

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

Information about major customers

Revenue of approximately RMB105,246,000 (2019: RMB270,000,000) was derived from sales by the steel pipe segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	**1,125,851**	1,141,665
Sale of properties	**15,956**	52,296
	1,141,807	1,193,961
Other income and gains		
Bank interest income	**715**	23,794
Subsidy income from the PRC government*	**14,092**	34,764
Gain on resumption of land use rights to the local authorities**	**1,864,709**	368,305
Reversal of impairment of trade receivables	**12,884**	–
Others	**18,872**	14,884
	1,911,272	441,747

* The subsidy income represents subsidies granted by the local finance bureaus to PCKSP and PCKSP (Zhuhai), as awards for their products. There are no unfulfilled conditions or contingencies relating to such subsidies.

** 1) During the year ended 31 December 2019, a land held by PCKSP located at Qinghe East Road, Shiji Town in Panyu District of Guangzhou, the PRC, was resumed by the local authority with compensation amount of RMB16,923,000 and a net gain amounting to RMB15,795,000 was recognised during the year ended 31 December 2019.

** 2) During the year ended 31 December 2019, a land held by Pearl Steel Investment was resumed by local authority with compensation amount of RMB1,520 million and a net gain amounting to RMB352,510,000 was recognised as other income and gains during the year ended 31 December 2019.

** 3) During the year ended 31 December 2020, a land of PCKSP located at Qinghe East road, Shiji Town in Panyu District of Guangzhou, the PRC, was resumed by the local authority with compensation amount of RMB2,072 million and a net gain of RMB1,864 million was recognised during the year ended 31 December 2020. The remaining compensation amount of RMB2,072 million in the Land Resumption Compensation Agreement is subjected to uncertainty and not recognized as at 31 December 2020.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2020** **RMB'000**	2019 RMB'000
Cost of inventories sold		**921,216**	940,229
Cost of properties sold		**13,904**	41,540
Depreciation of property, plant and equipment		**98,748**	98,973
Depreciation of right-of-use assets		**29,577**	33,263
Lease payments not included in the measurement of lease liabilities		**–**	322
Gain on resumption of land use rights to the local authorities**		**(1,864,709)**	(368,305)
Auditor's remuneration		**2,227**	2,524
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		**114,704**	108,920
Retirement benefit scheme contributions		**7,889**	10,094
Reversal of impairment of trade receivables**	*11*	**(12,884)**	–
Impairment of trade receivables*	*11*	**–**	3,845
Impairment of other receivables*		**27,222**	37,615
Fair value (loss)/gain on investment properties		**(20,000)**	78,008
Fair value gain on a derivative financial instrument		**–**	19,260
Bank interest income**	*5*	**(715)**	(23,794)
Research and development costs		**44,050**	32,890

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

** Included in "Other income and gains" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank and other borrowings (including bonds and notes, excluding lease liabilities)	**543,808**	523,468
Interest on lease liabilities	**654**	794
Interest on discounted bills	**1,388**	4,368
Total interest expense on financial liabilities not at fair value through profit or loss	**545,850**	528,630
Less: Interest capitalised	**(70,466)**	(78,572)
	475,384	450,058

8. OTHER EXPENSES

		2020	2019
	Note	***RMB'000***	*RMB'000*
Compensation*		**204,377**	–
Loss on disposal of a subsidiary		**–**	20,107
Loss on disposal of property, plant and equipment		**11,962**	–
Provision of claim arising from litigation		**54,579**	–
Impairment of trade receivables	*11*	**–**	3,845
Impairment of other receivables		**27,222**	37,615
Others		**2,562**	7,821
		300,702	69,388

* *Compensation represented compensation fee paid or payable to Guangdong Yuecai Trust Co Limited in respect of the supplemental agreement entered into during the year ended 31 December 2020.*

9. INCOME TAX

The major components of the income tax expense/(credit) for the year are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Current – Mainland China		
PRC CIT charge for the year	**77,182**	94,793
PRC CIT overprovision in prior years	**(25,160)**	(11,794)
PRC LAT	**2,088**	7,579
Deferred	**199,640**	(103,718)
Total tax expense/(credit) for the year	**253,750**	(13,140)

10. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic profit/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,011,142,000 (2019: 1,011,142,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

11. TRADE AND BILLS RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade receivables	**506,570**	422,936
Impairment	**(6,333)**	(19,434)
Trade receivables, net	**500,237**	403,502
Bills receivable	**11,301**	273
	511,538	403,775

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 60 days	**343,253**	242,323
61 to 90 days	**11,429**	5,680
91 to 180 days	**19,290**	27,057
181 to 365 days	**28,418**	11,052
1 to 2 years	**10,642**	30,563
2 to 3 years	**14,333**	24,450
Over 3 years	**72,872**	62,377
	500,237	403,502

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

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**19,434**	16,883
Impairment losses recognised *(note 6)*	**–**	3,845
Transferred to assets classified as held for sale	**(217)**	–
Reversal of impairment	**(12,884)**	–
Impairment losses written off	**–**	(1,294)
At 31 December	**6,333**	19,434

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

12. TRADE AND BILLS PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**423,131**	135,417
91 to 180 days	**33,100**	89,557
181 to 365 days	**19,192**	32,017
1 to 2 years	**56,746**	51,977
2 to 3 years	**29,517**	19,876
Over 3 years	**47,882**	45,188
	609,568	374,032
Bills payable	**4,943**	5,903
	614,511	379,935

The trade payables are non-interest-bearing and are normally settled within a year. All the bills payable have maturity dates within 365 days.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Lease liabilities	**9.51**	**2021**	**2,011**	9.51	2020	2,444
Bank loans						
– secured	**4.79-6.09**	**2021**	**402,900**	5.00-6.31	2020	502,400
– unsecured	**5.44**	**2021**	**59,000**	6.09-6.13	2020	59,000
Other borrowings						
– secured	**5.60-16.88**	**2021**	**238,272**	N/A	N/A	–
– unsecured	**6.60-24.00**	**2021**	**398,270**	5.60-24.00	2020	421,645
Government loans						
– secured	**4.90**	**2021**	**88,000**	4.90	2020	88,000
Current portion of long term loans						
– secured	**4.90-16.88**	**2021**	**989,883**	4.39-5.88	2020	43,400
Subtotal			**2,178,336**			1,116,889
Non-current						
Lease liabilities	**9.51**	**2022**	**354**	9.51	2021-2036	5,487
Bank loans						
– secured	**4.90-15.39**	**2022-2028**	**1,240,755**	4.90-5.88	2021-2028	1,430,005
Government loans						
– secured	**4.90**	**2022-2023**	**132,000**	4.90	2021-2023	220,000
Other borrowings						
– secured	**N/A**	**N/A**	**–**	10.00-11.25	2021	2,098,483
Subtotal			**1,373,109**			3,753,975
			3,551,445			4,870,864

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**613,300**	604,800
In the second year	**199,850**	149,400
In the third to fifth years, inclusive	**918,905**	1,154,605
Beyond five years	**122,000**	126,000
	1,854,055	2,034,805
Government loans repayable*:		
Within one year	**88,000**	88,000
In the second year	**88,000**	88,000
In the third to fifth years, inclusive	**44,000**	132,000
	220,000	308,000
Other borrowings repayable:		
Within one year**	**1,475,025**	421,645
In the second year**	**–**	2,098,483
	1,475,025	2,520,128
Lease liabilities repayable:		
Within one year	**2,011**	2,444
In the second year	**354**	2,255
In the third to fifth years, inclusive	**–**	1,563
Beyond five years	**–**	1,669
	2,365	7,931
	3,551,445	4,870,864

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

(a) the pledge of certain property, plant and equipment of the Group with a net carrying amount of approximately RMB1,197,950,000 (2019: RMB1,201,053,000) as at the end of the reporting period;

(b) the pledge of certain leasehold lands of the Group with a net carrying amount of approximately RMB816,224,000 (2019: RMB792,454,000) as at the end of the reporting period;

(c) the pledge of certain of the Group's deposits amounting to RMB18,600,000 (2019: RMB2,000) as at the end of the reporting period;

(d) the pledge of certain of the Group's properties under development amounting to RMB1,264,749,000 (2019: RMB1,267,321,000) as at the end of the reporting period;

(e) the pledge of certain of the Group's completed properties held for sale amounting to RMB102,638,000 (2019: RMB109,434,000) as at the end of the reporting period;

(f) the pledge of certain of the Group's trade receivables amounting to RMB2,551,000 (2019: nil) as at the end of the reporting period; and

(g) the pledge of certain of the Group's prepayments, other receivables and other assets amounting to RMB115,655,000 (2019: nil) as at the end of the reporting period.

Except for the bank loans of RMB101,788,000 and RMB1,478,000 (2019: RMB108,829,000 and nil) as at 31 December 2020, which are denominated in US$ and HK$, respectively, all borrowings are in RMB.

The Group had the following undrawn banking facilities:

	2020	2019
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year***	**14,600**	290,331

* Certain of government loans are secured by the pledge of certain property, plant and equipment with a net carrying amount of approximately RMB659,609,000, and the pledge of certain leasehold lands with a net carrying amount of approximately RMB368,271,000.

** Among which, the Group had an aggregate loan of RMB954,138,000 borrowed from Yuecai Trust and its related companies as at 31 December 2020.

*** Pursuant to the relevant contract, certain of the Group's undrawn banking facilities of RMB299,200,000 (2019: RMB172,595,000) can only be used for property development projects and are repayable based on the pre-sale progress of such properties.

14. FIXED RATE BONDS AND NOTES

	2020				2019			
	Principal at original currency 'million	**Contractual interest rate (%) per annum**	**Maturity**	***RMB'000***	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	*RMB'000*
Current								
2017 Notes	**N/A**	**N/A**	**N/A**	**–**	HK$155	8.0	2020	135,593
2017 Bonds A	**US$1.8**	**7.0**	**2021**	**11,545**	US$3	7.0	2020	20,360
2017 Bonds B	**HK$10**	**7.0**	**2021**	**7,889**	N/A	N/A	N/A	–
2017 Bonds C	**HK$10**	**6.0**	**2021**	**7,736**	HK$10	6.0	2020	8,293
2019 Bonds A	**HK$3**	**5.0**	**2021**	**2,525**	HK$3	5.0	2020	2,687
2019 Bonds B	**N/A**	**N/A**	**N/A**	**–**	US$0.5	6.0	2020	3,471
2020 Bonds A	**HK$2**	**5.5**	**2021**	**1,683**	N/A	N/A	N/A	–
2020 Bonds B	**HK$2**	**6.0**	**2021**	**1,683**	N/A	N/A	N/A	–
2020 Bonds C	**HK$1**	**6.0**	**2021**	**842**	N/A	N/A	N/A	–
				33,903				170,404
Non-current								
2017 Bonds B	**N/A**	**N/A**	**N/A**	**–**	HK$10	7.0	2021	7,631
2020 Notes	**HK$140**	**12.0**	**2022**	**114,608**	N/A	N/A	N/A	–
				114,608				7,631
				148,511				178,035

HK$155,000,000 8% Notes due 2020 (2017 Notes)

On 27 April 2017, the Group issued 8% notes due on 27 April 2020 with a principal amount of HK$155,000,000 to an investment fund (the "2017 Notes"). Pursuant to the note purchase agreement, specific performance obligations are imposed on the controlling shareholder of the Group. Any breach of the specific performance obligations may constitute a breach under the note purchase agreement, pursuant to which the investment fund is entitled to redeem the 2017 Notes immediately in accordance with the terms and conditions. As at 31 December 2020, the Group had fully redeemed the 2017 Notes.

US$3,000,000 7% bonds due 2021 (2017 Bonds A)

On 28 April 2017, the Group issued bonds with a principal amount of US$3,000,000 to an individual investor (the "2017 Bonds A"). The bonds should be repayable in full by 28 April 2020 but could be extended to 30 April 2021. The bonds bear interest at a fixed coupon interest rate at 7% per annum for three years payable semi-annually, commencing on 28 October 2017. The bonds are unsecured. As at 31 December 2020, The Company had partially redeemed the 2017 Bonds A with a principal amount of US$1,200,000.

HK$10,000,000 7% bonds due 2021 (2017 Bonds B)

On 24 August 2017, the Group issued bonds with a principal amount of HK$10,000,000 to an individual investor (the "2017 Bonds B"). The bonds should be repayable in full by 24 August 2021. The bonds bear interest at a fixed coupon interest rate at 7% per annum for four years payable semi-annually, commencing on 24 February 2018. The bonds are unsecured.

HK$10,000,000 6% bonds due 2021 (2017 Bonds C)

On 26 September 2017, the Group issued bonds with a principal amount of HK$10,000,000 to an individual investor (the "2017 Bonds C"). The bonds should be repayable in full by 26 September 2020 but have been extended to 28 September 2021. The bonds bear interest at a fixed coupon interest rate at 6% per annum for three years payable semi-annually, commencing on 26 March 2018. The bond are unsecured.

HK$3,000,000 5% bonds due 2021 (2019 Bonds A)

On 30 August 2019, the Group issued bonds with a principal amount of HK$3,000,000 to an individual investor (the "2019 Bonds A"). The bonds should be repayable in full by 28 February 2020 but have been extended to 6 July 2021. The bonds bear interest at a fixed coupon interest rate at 5% per annum for half year payable semi-annually. From 6 January 2021, the interest rate of the 2019 Bonds A increased from 5% per annum to 6% per annum. The bonds are unsecured.

US$500,000 6% bonds due 2020 (2019 Bonds B)

On 28 October 2019, the Group issued bonds with a principal amount of US$500,000 to an individual investor (the "2019 Bonds B). The bonds bear interest at a fixed coupon interest rate at 6% per annum for half year payable semi-annually. The bonds are unsecured. As at 31 December 2020, the Company had fully redeemed the 2019 Bonds B.

HK$2,000,000 5.5% Bonds due 2021 (2020 Bonds_A)

On 6 July 2020, the Group issued bonds with a principal amount of HK$2,000,000 to an individual investor (the "2020 Bonds A"). The bonds should be repayable in full by 7 January 2021 but could be extended to 7 January 2022. The bonds bear interest at a fixed coupon interest rate at 5.5% per annum for half year payable semi-annually. From 7 January 2021, the interest rate of the 2020 Bonds A increased from 5.5% per annum to 6% per annum. The bonds are unsecured.

HK$2,000,000 6% Bonds due 2021 (2020 Bonds_B)

On 28 September 2020, the Group issued bonds with a principal amount of HK$2,000,000 to an individual investor (the "2020 Bonds B"). The bonds should be repayable in full by 30 March 2021. The bonds bear interest at a fixed coupon interest rate at 6% per annum for half year payable semi-annually. The bonds are unsecured.

HK$1,000,000 6% Bonds due 2021 (2020 Bonds_C)

On 14 December 2020, the Group issued bonds with a principal amount of HK$1,000,000 to an individual investor (the "2020 Bonds C"). The bonds should be repayable in full by 15 December 2021. The bonds bear interest at a fixed coupon interest rate at 6% per annum for half year payable semi-annually. The bonds are unsecured.

HK$140,000,000 12% notes due 2022 (2020 Notes)

On 27 April 2020, the Group issued 12% notes due in 27 April 2022 with a principal amount of HK$140,000,000 to an investment fund (the "2020 Notes"). Pursuant to the purchase agreement, specific performance obligations are imposed on the controlling shareholder of the Group. Any breach of the specific performance obligations may constitute a breach under the note purchase agreement, pursuant to which the investment fund is entitled to redeem the 2020 Notes immediately in accordance with the terms and conditions.

EXTRACT OF THE DRAFT OF INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, as at 31 December 2020, the Group recorded net current liabilities of RMB950,203,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company"), I would like to present to you the consolidated audited annual results of the Group for the year ended 31 December 2020.

In 2020, the persistence of the coronavirus disease ("COVID-19") pandemic has brought a major and lasting impact on the global economy and the petroleum industry, causing a sharp drop in crude oil demand. International oil prices are still hovering at a low level, and the world economy underwent unprecedented challenges. Continuous tensions between China and the United States and complex and volatile factors dragged the global economy into a synchronized slowdown. The Group recorded a turnover of approximately RMB1,141.8 million (2019: RMB1,194.0 million), representing a decrease of approximately 4.4% compared with that of 2019. However, the Group recorded profit of approximately RMB622.9 million (2019: loss of RMB142.1 million). Profit per share attributable to ordinary equity holders of the parent was approximately RMB0.62 (2019: loss per share was RMB0.14). The Board did not recommend the payment of a final dividend for the year ended 31 December 2020.

During 2020, there were more uncertainties in all industries under COVID-19, and the domestic economy in China persevered in the adversity. Nonetheless, 2020 is the year with the most orders for steel pipes since the Group's listing. The Group delivered a total of 341,000 tons of steel pipes and received orders for a total of 654,000 tons of steel pipes for the year, including 300 kilometers natural gas transmission pipeline project with 140,000 tons of steel pipes in Nigeria, projects of three large oil companies, Yuanba-Deyang Gas Pipeline Project of Shandong Haiwode（山東海沃德）and other national engineering projects, construction of the Huangmao Sea Cross-sea Channel and Zhujiang Delta Water Resources Allocation En-gineering.

The Group provided 140,000 tons of steel pipes for natural gas transmission pipeline project in Nigeria with a total length of 300 kilometers, which is a key project for oil and gas facilities construction of Nigeria. It is the only large pipeline connecting the gas source site in the south and the gas consumption area in the north. This project can stimulate local economic development and is also a key project of the Group's infrastructure construction for the Belt and Road Initiation of the PRC.

The Group actively and continuously carries out independent research and development to diversify products and improve product quality. For Zhujiang Delta Water Resources Allocation Engineering, the Group built the first domestic large dimension inner wall fusion-bonded epoxy powder anti-corrosion coating production line, which can guarantee the quality of the water supply station and the service life of the pipelines. The project diverts water from the West River in the west of the river network in Zhujiang Delta to the east of Zhujiang Delta and supplies water to Nansha District of Guangzhou, and water-deficient area in Shenzhen and Dongguan.

In mid-September 2020, the Group announced the sale of the land held by Panyu Chu Kong Steel Pipe Co., Limited ("PCKSP") to the government for resumption, the land for a compensation of approximately RMB3,450 million and an early completion bonus payment of approximately RMB690 million. The land was originally the production plant of PCKSP, with an area of approximately 280,197 square meters, located at Qinghe Road, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the PRC. Most of proceeds are used to reduce the Group's liabilities and interest, favorable for the long-term development of the Group's steel pipe business. The Group's production bases are mainly in Lianyungang and Zhuhai, and the sale of land has no significant impact on the Group's production.

PROSPECT

The COVID-19 outbreak has brought a significant impact on China's economic, social and energy development, and the growth rate of oil and gas demand has slowed significantly. Facing the impact of the COVID-19 pandemic, the development of China's oil and gas industry is facing challenges, but China's promotion of the development of the natural gas industry has not changed. Therefore, China will accelerate the construction of pipeline network facilities and the demand for steel pipes of the Group is still huge.

With the unremitting efforts, the Group is firmly confident that, it will overcome any hardships, adjust its strategic direction, build up its strength and lay a solid foundation to guard the Group with fearless spirit, as well as improve and strengthen its technologies, actively expand new product areas, and expand its product range from originally only supplying oil and gas transmission pipeline to offering steel pipes for infrastructure and high-end construction projects such as bridges, wind power generation, offshore platforms and water pipes so as to meet the diversified demands of domestic and foreign markets for high-performance steel pipe products, and expand product use and increase market share.

After the Group sold the land to substantially reduce the debt, the gearing ratio and interest will be significantly reduced, which will help improve next year's performance.

APPRECIATION

On behalf of the Group, I would like to thank all our staff for performing their tasks diligently in such a challenging year. I am also grateful to our shareholders for their continuous support to the Group during a consolidation stage where it is accumulating strength for a prosperous future. The Board has full confidence in the management team and its ability. As we grow a stronger foundation, our future will be even brighter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are the largest LSAW steel pipe manufacturer and exporter in the PRC, and are capable of producing LSAW steel pipes that meet the X100 standard. We are also accredited with 13 international quality certifications such as Det Norske Veritas ("DNV") and American Petroleum Institute ("API"). In addition, we are the first and the only PRC manufacturer that has successfully produced and developed deep sea welded pipes for use at 3,500m under water. Our products are widely applicable to major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

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

Panyu Land Development

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

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

Most of the units under Phase I of GDC have been sold. The Group had pre-sold the units under Phase II of GDC and the total contracted sales were approximately RMB1,048 million as at 31 December 2020. Shops of Phase I are rented for rental income. Phase III of GDC was sold to Guangzhou City Panyu District Land Development Centre*（廣州市番禺區土地開發中心）in 2019.

The steel pipe business will remain as the Group's core business.

Proposed change of land use in Panyu from "industrial" to "residential and commercial"

On 12 February 2018, the Group has entered into an agreement ("Agreement") with Guangdong Yuecai Trust Co Limited*（廣東粵財信托有限公司）("Guangdong Yuecai") and Guangzhou Asset Management Company Limited*（廣州資產管理有限公司） ("Guangzhou Asset Management") (collectively the "Investors") in relation to the cooperation to facilitate the change of use of land (the "Land") held by Panyu Chu Kong Steel Pipe Co. Ltd（番禺珠江鋼管有限公司）("PCKSP") from "industrial" to "residential and commercial" and the disposal of (actual and deemed) an aggregate of 59% of the equity interest in PCKSP to the Investors. Chu Kong Steel Pipe Group Co. Ltd ("CKSPG") and PCKSP shall complete an asset reorganisation, after which, the only asset held by PCKSP shall be the Land. Pursuant to the Agreement, Guangdong Yuecai shall, by stages, (i) inject capital into PCKSP and acquire 19% of the equity interest in the PCKSP for RMB240 million; (ii) implement the asset reorganisation; (iii) apply for the change of use of the Land; and (iv) acquire 40% of the equity interest in PCKSP from CKSPG for a consideration equivalent to 40% of the fair value of the Land (after the change of use of the Land).

The disposal of 59% equity interest of PCKSP was approved by the shareholders of the Company (the "Shareholders") at the extraordinary general meeting held on 19 April 2018.

The capital injection under the Agreement has been completed on 12 October 2018. Guangdong Yuecai has made capital injection into PCKSP in the amount of RMB240 million and acquired 19% of the registered capital of PCKSP (on enlarged basis). Following the completion of the capital injection, PCKSP was legally held as to 20% by Guangdong Yuecai and 80% by CKSPG.

On 27 February 2019, the Group entered into a disposal agreement (the "Disposal Agreement") with Guangzhou Xingchen Consultation Company Limited（廣州星宸諮詢有限公司）("Xingchen"), Guangdong Yuecai and Guangzhou Asset Management in relation to (i) the nomination of Xingchen by the Guangzhou Asset Management under the terms of the Agreement as its nominee to acquire 40% equity interest of PCKSP; and (ii) the disposal of the remaining 40% equity interest of PCKSP to Xingchen, for a total consideration of RMB2,448 million with a possible payment of the premium of RMB272 million.

Details were disclosed in the Company's announcement dated 27 February 2019 and circular dated 26 March 2019.

The transactions contemplated under the Disposal Agreement were approved by the Shareholders at the extraordinary general meeting held on 16 April 2019.

On 15 June 2020, the Group entered into supplemental agreements (the Supplemental Agreements") to provide a framework for the unwinding of the Agreement dated 12 February 2018 and the Disposal Agreement dated 27 February 2019.

On 15 September 2020, the Group entered into the land resumption compensation agreement (the "Land Resumption Compensation Agreement") with Guangzhou City Land Development Centre* ("Guangzhou LDC"), pursuant to which Guangzhou LDC would resume, and the Group would sell the Land at the compensation of RMB3,453.4 million (subject to an early completion bonus payment of RMB690.7 million). The land resumption contemplated under the Land Resumption Compensation Agreement was approved by the Shareholders at the extraordinary general meeting held on 23 October 2020.

Order Status

In 2020, the Group received new orders of approximately 654,000 tonnes of welded steel pipes and most orders were received from domestic customers. The Group has received some sizeable orders like orders from Nigeria Natural Gas Pipe Project. The Group delivered approximately 341,000 tonnes of welded steel pipes during 2020.

Our joint venture company Al-Qahtani Pck Pipe Company ("AHQ") (the "JV Company") in Saudi Arabia has also been awarded new order of steel pipes from Saudi Arabian Oil Company ("Saudi Aramco") and Saipem S.p.A. for supplying approximately 33,000 tonnes of steel pipes. The JV Company enabled the Group to expand its market share in Saudi Arabia and neighboring countries.

LSAW Steel Pipes

The Group is one of the largest LSAW steel pipe manufacturers and exporters in the PRC. LSAW steel pipe was the largest source of revenue of the Group and accounted for approximately 71.7% of our total steel pipe revenue for the year ended 31 December 2020. For the year ended 31 December 2020, revenue from the sales and manufacturing service of LSAW steel pipes amounted to approximately RMB655.1 million and RMB152.3 million, respectively, representing a decrease of approximately 21.6% and 9.3%, respectively, as compared to that for the year ended 31 December 2019. The decrease in sales of LSAW steel pipes was mainly due to the impact of COVID-19 that affected the production and delivery of steel pipes during the year.

SSAW Steel Pipes

Our SSAW steel pipes produced in our plant in Lianyungang use the pre-welding and precision welding SSAW technique, which is the most advanced standard among all SSAW technologies. Revenue from the sales and manufacturing service of SSAW steel pipes amounted to approximately RMB121.4 million and RMB132.0 million respectively. The total revenue from SSAW steel pipes accounted for approximately 22.5% of the total steel pipe revenue for the year ended 31 December 2020, representing an increase of approximately 209.0% as compared to that for the year ended 31 December 2019. The increase in sales of SSAW steel pipes was mainly due to the increase in construction projects during the year.

ERW Steel Pipes

Competition in the market of ERW steel pipes has been very keen due to its relatively low technical and standardised entry requirements. For the year ended 31 December 2020, the Group recorded nil revenue from the sales and manufacturing service of ERW steel pipes. The nil in sales of ERW steel pipes was mainly due to the relocation of ERW production line from Panyu production site to Zhuhai production site during the year.

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group mainly comprises (i) sales of steel pipe, and (ii) sales of property.

For the year ended 31 December 2020, our revenue was approximately RMB1,141.8 million, representing a decrease of approximately RMB52.2 million or 4.4% as compared with that of 2019. The decrease in revenue was mainly due to the decrease in property sales as compared with that of 2019.

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

	2020		2019	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Revenue				
Steel pipes	**1,125,851**	**98.6**	1,141,665	95.6
Property development and investment	**15,956**	**1.4**	52,296	4.4
	1,141,807	**100.0**	1,193,961	100.0

Steel pipes

	2020			2019		
	Revenue		Sales volume	Revenue		Sales volume
	RMB'000	*% to total*	*tonnes*	*RMB'000*	*% to total*	*tonnes*
Sales of steel pipes						
LSAW steel pipes	**655,108**	**58.2**	**132,794**	835,348	73.2	156,080
SSAW steel pipes	**121,354**	**10.8**	**24,310**	29,645	2.6	5,683
ERW steel pipes	**–**	**–**	**–**	7,803	0.7	1,243
Subtotal	**776,462**	**69.0**	**157,104**	872,796	76.5	163,006
Manufacturing services						
LSAW steel pipes	**152,322**	**13.5**	**74,843**	167,859	14.7	104,861
SSAW steel pipes	**131,981**	**11.7**	**108,911**	52,335	4.6	58,361
ERW steel pipes	**–**	**–**	**–**	62	–	412
Subtotal	**284,303**	**25.2**	**183,754**	220,256	19.3	163,634
Others	**65,086**	**5.8**	**N/A**	48,613	4.2	N/A
Grand total	**1,125,851**	**100.0**	**340,858**	1,141,665	100.0	326,640

Steel pipes

	2020	2019
	RMB'000	*RMB'000*
Sales	**1,125,851**	1,141,665
Cost of sales	**(921,216)**	(940,229)
Gross profit	**204,635**	201,436

The revenue generated from the sales of steel pipes accounted for approximately 69.0% of our total steel pipe revenue in 2020 as compared with approximately 76.5% in 2019. Steel pipe manufacturing services accounted for approximately 25.2% of our total steel pipe revenue in 2020 as compared with approximately 19.3% in 2019. The revenue classified as "Others" mainly represented the trading of steel plates, sales of steel fittings and sales of scrap materials which accounted for approximately 5.8% of our total steel pipe revenue in 2020 as compared with approximately 4.2% in 2019.

Gross profit of steel pipe sales for 2020 was approximately RMB204.6 million as compared with approximately RMB201.4 million in 2019, representing an increase of approximately 1.6% or RMB3.2 million. Gross profit margin for 2020 was approximately 18.2% which was similar to that of 17.6% in 2019.

Our domestic sales accounted for approximately 88.7% of our total steel pipe revenue in 2020, as compared with approximately 88.2% in 2019.

Sales by Geographical Areas – Steel Pipes

	2020		2019	
	Revenue		Revenue	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Overseas sales	**127,699**	**11.3**	134,377	11.8
Domestic sales	**998,152**	**88.7**	1,007,288	88.2
Total steel pipes and manufacturing services	**1,125,851**	**100.0**	1,141,665	100.0

PROPERTY DEVELOPMENT AND INVESTMENT

	2020	2019
	RMB'000	*RMB'000*
Revenue	**15,956**	52,296
Cost of sales	**(13,904)**	(41,540)
Gross profit	**2,052**	10,756

Revenue under property development and investment in 2020 was mainly sales of property of GDC and rental income from shops in Phase I of GDC whereas it was mainly sales of property of GDC in 2019. Revenue under property development and investment was approximately RMB16.0 million in 2020 as compared with approximately RMB52.3 million in 2019, representing a decrease of approximately 69.5% or RMB36.3 million. Most of the units under Phase I of GDC had been sold in 2018 and 2019.

Cost of sales primarily represents the costs we incurred directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct costs of construction and the costs of obtaining land use rights. Cost of sales was approximately RMB13.9 million in 2020 as compared with approximately RMB41.5 million in 2019, representing a decrease of 66.5% or RMB27.6 million.

Gross profit of property sales was approximately RMB2.1 million in 2020 as compared with approximately RMB10.8 million in 2019, representing a decrease of 80.9% or RMB8.7 million.

All revenue under property development and investment were domestic in nature.

CHANGE IN FAIR VALUES OF INVESTMENT PROPERTIES

The Group has adopted the accounting policy of measuring investment properties by using fair values. Accordingly, gains or losses arising from the changes in the fair values of investment properties are reflected as profit or loss for the reporting period. The investment properties as at 31 December 2020 were the shops of Phase I of GDC. The Group has engaged RHL Appraisal Limited, an independent valuer, to value the investment properties as at 31 December 2020. According to the valuation report as at 31 December 2020 issued by RHL Appraisal Limited, the market value of the investment properties as at 31 December 2020 was RMB387 million. Loss on fair values of the investment properties in 2020 was approximately RMB20 million (2019: gain RMB78 million).

OTHER INCOME AND GAINS

Other income and gains in 2020 mainly represented gain on resumption of land use rights, bank interest income and subsidy income from government. Other income and gains increased by approximately 332.7% or RMB1,469.5 million from approximately RMB441.7 million in 2019 to approximately RMB1,911.3 million in 2020. Increase in other income and gains was mainly due to net gain on resumption of land-use-rights from local authority in 2020 pursuant to the land resumption agreement dated 15 September 2020, details of which were disclosed in the circular of the Company dated 8 October 2020.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 37.6% or RMB21.0 million from approximately RMB55.8 million in 2019 to approximately RMB34.8 million in 2020. The decrease was mainly due to the decrease of freight charges.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 14.4% or RMB48.4 million from approximately RMB336.0 million in 2019 to approximately RMB287.6 million in 2020. The decrease in administrative expenses was mainly due to the closure of the manufacturing operation of PCKSP and closure of certain non-core operations.

FINANCE COSTS

The finance costs for 2020 was approximately RMB475.4 million as compared with that of 2019 of approximately RMB450.1 million, representing an increase of RMB25.3 million or 5.6%. The effective interest rate in 2020 was approximately 10.2% (2019: 9.3%). Increase in finance costs was due to increase in average interest rate throughout the year.

OTHER EXPENSES

Other expenses increased by approximately 333.4 % or RMB231.3 million from approximately RMB69.4 million in 2019 to approximately RMB300.7 million in 2020. The increase was mainly due to a provision of claim arising from litigation and compensation payable to Guangdong YueCai Trust during the year.

EXCHANGE (LOSS)/GAIN, NET

The Group recorded exchange loss of approximately RMB120.1 million in 2020 as compared with exchange gain of approximately RMB23.5 million in 2019. The exchange loss was mainly due to depreciation of HKD against RMB. Payables to inter-companies denominated in HKD held by the Group's Hong Kong subsidiaries that led to unrealised exchange losses of approximately RMB120.4 million (2019: unrealised exchange gain RMB28.9 million).

INCOME TAX EXPENSE/(CREDIT)

The Group recorded income tax expense of 253.8 million in 2020 as compared with income tax credit of RMB13.1 million in 2019.

Income tax expense was the combined effect of (i) income tax expenses were recorded in 2020 mainly because the Group sold the land of Panyu during the year and there was tax provision on the gain on resumption of land use right; and (ii) land appreciation tax in 2020 as the Group sold properties.

PROFIT FOR THE YEAR

As a result of the reasons discussed above, the Group recorded a profit of approximately RMB622.9 million in 2020 (2019: loss RMB142.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2019 and 2020:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Net cash flows from operating activities	**71,365**	527,753
Net cash flows from investing activities	**1,661,998**	1,211,064
Net cash flows used in financing activities	**(1,785,138)**	(1,760,978)
Net decrease in cash and cash equivalents	**(51,775)**	(22,161)

NET CASH FLOWS FROM OPERATING ACTIVITIES

The Group's net cash inflows from operating activities decreased from approximately RMB527.8 million in 2019 to approximately RMB71.4 million in 2020. The decreased net cash inflows from operating activities were primarily due to the combined effect of (i) profit before taxation; (ii) increase in inventories, trade receivables, trade payables and other payables and accruals, prepayments, other receivables and other assets and contract liabilities and (iii) decrease in pledged bank deposit.

NET CASH FLOWS FROM INVESTING ACTIVITIES

The Group's net cash flows from investing activities increased from approximately RMB1,211.1 million in 2019 to approximately RMB1,662.0 million in 2020. The increase in net cash flows were mainly due to the receipt of compensation for land resumption of land of Panyu in 2020.

NET CASH FLOWS USED IN FINANCING ACTIVITIES

The Group's net cash flows used in financing activities increased from approximately RMB1,761.0 million in 2019 to approximately RMB1,785.1 million in 2020. The increase was mainly resulted from the combined effect of (i) the issue of new bonds, and the borrowing of new interest-bearing loans and other borrowings of approximately RMB947.0 million and (ii) the repayment of bank loans, other borrowings, amounts due to a director and principal portion of payment of lease and payment of interest of approximately RMB2,732.1 million.

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in Renminbi except for export sales and overseas borrowings which are mostly denominated in US dollar and HK dollar. Most of the Group's assets and liabilities are denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect that future currency fluctuations would materially impact the Group's operations. The Group did not adopt formal hedging policies nor instruments of foreign currency for managing the exchange risk exposure during the year ended 31 December 2020.

CAPITAL EXPENDITURE

For the year ended 31 December 2020, the Group invested approximately RMB61.3 million for the upgrading of property, plant and equipment and right-of-use assets. These capital expenditures were fully financed by internal resources.

FINANCIAL GUARANTEE

As at 31 December 2020, the Group guaranteed RMB99.5 million (2019: RMB94.3 million) to certain purchasers of the Group's properties for mortgage facilities.

As at 31 December 2020, the Group guaranteed RMB512.5 million (2019: RMB548.1 million) to a joint venture company for banking facilities in Saudi Arabia of which RMB317.1 million (2019: RMB511.5 million) was utilised by the joint venture company.

PLEDGE OF ASSETS

The Group pledged certain property, plant and equipment, leasehold lands, deposits, certain properties under development, completed properties held for sale, trade receivables and prepayments, other receivables with an aggregate net book value of approximately RMB1,198.0 million (2019: RMB1,201.1 million), RMB816.2 million (2019: RMB792.5 million), RMB18.6 million (2019: RMB2,000), RMB1,264.7 million (2019: RMB1,267.3 million), RMB102.6 million (2019: RMB109.4 million), RMB2.6 million (2019: nil), and RMB115.7 million (2019: nil) respectively as at 31 December 2020 to secure bank loans granted to the Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing ratio is calculated based on the sum of bank loans, other borrowings and fixed rate bonds and notes divided by total assets. The gearing ratio of the Group as at 31 December 2020 and 2019 were approximately 43.3% and 59.5%, respectively. Decrease in gearing ratio in 2020 as compared with that of 2019 was due to the Group's repayment of borrowings during the year.

On 27 April 2020, the Company entered into a subscription agreement (the "Subscription Agreement") with an investment fund, pursuant to which the Company agreed to issue, and the investment fund agreed to subscribe for HK$140,000,000 12% bonds due in April 2022 (the "Bonds"). Mr. Chen Chang ("Mr. Chen"), an executive director and the controlling shareholder of the Company, undertakes and covenants that for so long as any of the Bonds remain outstanding, he shall remain as (i) the single largest direct or indirect shareholder of the Company; and (ii) the chairman of the board of directors and executive director of the Company (the "Specific Performance Obligations"). Any breach of the Specific Performance Obligations may constitute an event of default under the Bonds, pursuant to which the bondholder is entitled to redeem the Bonds immediately upon the occurrence of the breach in accordance with the terms and conditions of the Bonds.

As at 31 December 2020, the Group's total borrowings amounted to approximately RMB3,700.0 million, of which approximately 40% (2019: 75%) were long term borrowings and approximately 60% (2019: 25%) were short term borrowings. The total borrowings included, (i) a loan of RMB818 million from Guangdong YueCai and Xingchen (as disclosed in the Company's announcements dated 12 February 2018, 27 February 2019 and 15 September 2020); (ii) a loan of RMB1.2 billion in relation to the Group's property development business; (iii) net borrowings under steel pipe business of around RMB1,682 million. The Group had to finance its working capital of steel pipe business by short term borrowings as around 90% of the cost of sales was incurred on the procurement of steel plates and steel coils. Once the Group received sales proceeds from its customers, it would then repay the short term borrowings. Taking into account the Group's cash in hand and the outstanding compensation of resumption of land use rights in Panyu in 2021, the Group has sufficient liquidity and is in a strong financial position to repay its short term borrowings.

As at 31 December 2020, the current liabilities of the Group exceeded its current assets by approximately RMB950.2 million. Phase II of GDC has been pre-sold which could increase the cashflow of the Group. The Group has sufficient cashflow to meet its short term obligations.

As at 31 December 2020, approximately 56% (2019: 51%) of the total borrowings were denominated in Renminbi, which carried interest rates linked to the benchmark lending rate published by the People's Bank of China; approximately 37% (2019: 43%) of the total borrowings were denominated in Renminbi which carried fixed interest rate; and approximately 7% (2019: 6%) of the total borrowings were denominated in US dollar and HK dollar which carried fixed interest rate.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 15 September 2020, the Group has entered into the land resumption compensation agreement (the " Land Resumption Compensation Agreement") with Guangzhou City Land Development Centre*("Guangzhou LDC")（廣州市土地開發中心）, pursuant to which has agreed to resume, and PCKSP has agreed to offer to be resumed, the Land for a compensation of RMB3,453.4 million (subject to an early completion bonus payment of RMB690.7 million). Details of the above were disclosed in the Company's announcement and circular dated 15 September 2020.

The land resumption contemplated under the Land Resumption Compensation Agreement was approved by the Shareholders of the Company at the extraordinary general meeting held on 23 October 2020.

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

LITIGATION

As at 31 December 2020, the Group has an outstanding lawsuit in which Jiangsu Binxin Iron and Steel Group Company Limited（江蘇省鑌鑫鋼鐵集團有限公司）("Jaingsu Binxin") alleged Nanjing Rongyu Group Company Limited（南京鎔裕集團有限公司）("Nanjing Rongyu") breached a contract to purchase goods for a claim of RMB34.3 million. The purchase contract was executed prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such purchase contract at the time of acquisition. According to the second instance judgement made by the Jiangsu Province Lianyungang Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB34.3 million and related interest to Jiangsu Binxin. As of the date of this announcement, the Group has made provision on the claim.

EVENT AFTER THE REPORTING PERIOD

There were no significant events subsequent to 31 December 2020 which would materially affect the Group's operating and financial performance as at the date of this announcement.

EMPLOYEE AND REMUNERATION POLICY

For the year ended 31 December 2020, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB122.6 million (2019: RMB119.0 million).

The Group remunerates its employees based on their performance, experience and prevailing industry practice. The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Competitive remuneration package is offered to retain elite employees. Our package includes salaries, medical insurance, discretionary bonuses, on-job training, other benefits as well as mandatory provident funds schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. Pursuant to the Company's share option scheme and share award scheme, options to subscribe respectively for shares in the Company or share awards of the Company may be granted to eligible employees. No share option or share award was granted under the share option scheme or share award scheme during the year ended 31 December 2020.

As at 31 December 2020, the Group had a total of 821 full time employees (2019: 1,162 employees). The following sets forth the total number of our staff by functions:

	2020	2019
Management	**74**	108
Production and logistics	**336**	509
Sales and marketing	**67**	53
Finance	**41**	32
Quality control	**64**	75
R&D	**80**	73
Procurement	**17**	22
General administration and others	**142**	290
Total	**821**	1,162

PROSPECT

2021 is the opening year of the "14th Five-Year Plan" development. According to the Medium and Long-Term Oil and Gas Pipeline Network Planning (《中長期油氣管網規劃》), the scale of domestic oil and gas pipeline network is expected to increase to 240,000 kilometers by 2025, of which the mileages of natural gas, crude oil and refined oil pipeline are expected to reach 163,000 kilometers, 37,000 kilometers and 40,000 kilometers, respectively. During the 14th Five-Year Plan period, China's oil and gas pipeline mileage is expected to increase by 71,000 km, the capital expenditure on pipeline investment in China is expected to exceed RMB1 trillion during the 14th Five-Year Plan period.

The Qingdao-Nanjing Pipeline, the new Guangdong-Zhejiang Pipeline or the West Fourth Line, the extension section of Sichuan-East Gas Transmission Pipeline, the External Transmission Pipeline of Beijing LNG Receiving Station, the central section and southern section of the China-Russia Eastern Pipeline, the China-Russia Far East Pipeline, and the China-Russia Central Pipeline are expected to be constructed during the 14th Five-Year Plan period. Regional pipeline network will realize interconnection and interoperability. Particularly, the Yangtze River Delta will launch the phase II of the Zhejiang-Shanghai natural gas connecting line, the construction of cross-provincial long-distance pipeline will commence in the Bohai Rim region, and the construction of Fujian-Guangdong branch of the Western Third Line along the southern coast, the new Guangdong-Zhejiang natural gas pipeline and the western Guangdong branch of North Sea LNG will commence. In addition to Tibet, more than 400 provincial-level cities in China have not yet been connected to natural gas, and the construction of provincial, city and county-level branch pipeline is expected to increase.

China Oil & Gas Pipeline Network Corporation ("PipeChina") and the Guangdong Provincial Government signed the Strategic Cooperation Agreement on the Reform of the Natural Gas Pipeline System in Guangdong Province（《關於廣東省天然氣管網體制改革戰略合作協議》）, indicating the first provincial natural gas pipeline network to be integrated into PipeChina in a market-oriented manner, the construction of the natural gas pipeline network in the province will be accelerated and the "county-to-county" natural gas trunk pipeline in Guangdong will be realized. PipeChina will accelerate the construction of natural gas pipeline network in Guangdong Province, a total of 751 kilometers of six trunk pipelines are expected to be completed by the end of 2020, initially realize the "city to city" of natural gas in Guangdong Province, and expect to achieve the basic "county to county" by the end of 2022.

According to the Guidance on Energy Work in 2020 （《2020年能源工作指導意見》）issued by the National Energy Administration, a series of expected goals, pipeline and gas storage facilities, smart grid, charging facilities and other construction will also be accelerated. In addition to increasing oil and gas exploration and development efforts, the construction of natural gas pipeline facilities will also be accelerated to strengthen the shortcomings of natural gas interconnection and transmission capacity in key areas, and the formation of "national network" will be accelerated. In terms of non-fossil energy, it will promote the construction of wind power and offshore wind power, accelerate the development of decentralized wind power, actively and steadily develop hydropower, and steadily push forward the construction of projects.

In addition, PipeChina, established on December 9, 2019, will take over the relevant oil and gas pipeline infrastructure assets of three large oil companies in China and officially put them into operation, introduce capital into the construction of oil and gas infrastructure, accelerate the process of marketization, vigorously promote the pipeline construction plan, enhance the speed of construction of pipeline networks, achieve interconnection and interoperability of pipeline networks, establish the "national network" covering the west-east gas transmission, north-south gas transmission, coastal delivery to inland, east-west synergy, north-south interoperability in accordance with the national plan, enhance oil and gas transportation capacity, and ensure a safe and stable supply of oil and gas energy.

The Group believes that the above-mentioned projects and policies are major opportunities for the steel pipe manufacturing industry, and the Company will seize the opportunities to boost its sales. In view of our long-term strategic target to become a global leading steel pipe manufacturer, the Group will seize possible opportunities of oil and gas development projects to expand our customer base and market share through engaging in more global oil and gas projects and will also continue to leverage its strengths in the steel pipe industry to obtain more orders.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the financial year ended 31 December 2020.

CG CODE A.2.1

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

The Board shall nevertheless review the structure from time to time to ensure appropriate measures would be taken should suitable circumstance arise.

NON-COMPETITION UNDERTAKINGS

The independent non-executive Directors have also reviewed the confirmation given by Mr. Chen Chang and Bournam, being controlling shareholders of the Company, in respect of each of their compliance with the non-competition undertakings as disclosed in the prospectus of the Company dated 28 January 2010. The independent non-executive Directors are satisfied that the controlling shareholders have fully complied with the terms of the non-competition undertakings and no new competing business was reported by the controlling shareholders throughout the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee of the Board (the “Audit Committee”) consists of three independent non-executive Directors, namely Mr Chen Ping, Mr Au Yeung Kwong Wah (appointed on 1 October 2019) and Mr Tian Xiao Ren. Mr Au Yeung Kwong Wah is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control and risk management procedures and systems of our Group. The Audit Committee has reviewed the Company’s consolidated financial statements for the year ended 31 December 2020 and the condensed unaudited consolidated interim financial statements for the six months ended 30 June 2020, including the accounting principles and practices adopted by the Company and the Group.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes to the consolidated financial statements thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

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

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Portion 2, 12th Floor, The Centre, 99 Queen's Road Central, Hong Kong on Friday, 18 June 2021 at 10:30 a.m.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive, during which no transfer of shares of the Company (the "Shares") will be registered. In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 June 2021.

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

This results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk under "Listed Company Information" and the designated website of the Company at http://www.pck.com.cn or http://www.pck.todayir.com, respectively. The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders and published on the Stock Exchange's and the Company's websites in due course.

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

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Chang, Mr. Chen Guo Xiong and Ms. Chen Zhao Nian; and three independent non-executive Directors, namely Mr. Chen Ping, Mr. Tian Xiao Ren and Mr. Au Yeung Kwong Wah.

* *The English translation of the Chinese names or words in this announcement, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names or words.*