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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 2023

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 2023 together with the comparative figures of the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
REVENUE	*5*	**2,650,852**	2,362,015
Cost of sales and services		**(2,096,642)**	(1,891,392)
Gross profit		**554,210**	470,623
Other income and gains	*5*	**15,979**	238,743
Selling and distribution expenses		**(65,500)**	(55,062)
Administrative expenses		**(270,059)**	(245,826)
Exchange gain, net		**15,106**	16,416
Other expenses	*6*	**(187,899)**	(209,786)
Fair value loss on investment properties		**(2,000)**	(8,000)
Finance costs	*7*	**(94,548)**	(44,643)
Gain on disposal of investment in a joint venture		**73,790**	—

	Notes	**2023** **_RMB'000_**	2022 *RMB'000*
PROFIT BEFORE TAX	*8*	**39,079**	162,465
Income tax credit	*9*	**144,699**	569
PROFIT FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY		**183,778**	163,034
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		**RMB**	RMB
— Basic and diluted	*10*	**0.18**	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	**183,778**	163,034
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(40,345)**	(68,152)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(40,345)**	(68,152)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into the presentation currency	**1,703**	10,541
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,703**	10,541
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(38,642)**	(57,611)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	**145,136**	105,423

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,839,427**	1,769,994
Investment properties		**360,000**	362,000
Right-of-use assets		**631,830**	646,013
Long term prepayments and deposits		**61,550**	72,406
Total non-current assets		**2,892,807**	2,850,413
CURRENT ASSETS			
Completed properties held for sale		**2,022,678**	2,212,824
Inventories		**583,474**	402,694
Trade and bills receivables	*11*	**311,953**	378,856
Prepayments, other receivables and other assets		**572,588**	679,102
Pledged and restricted bank balances		**5,730**	14,920
Cash and cash equivalents		**32,191**	16,128
		3,528,614	3,704,524
Non-current asset classified as held for sale		**—**	—
Total current assets		**3,528,614**	3,704,524
CURRENT LIABILITIES			
Trade and bills payables	*12*	**942,593**	636,069
Other payables and accruals		**601,614**	838,326
Contract liabilities		**742,784**	704,255
Fixed rate bonds and notes		**61,678**	85,330
Interest-bearing bank and other borrowings		**1,616,860**	880,409
Due to a director		**64,353**	390,195
Tax payable		**294,512**	43,823
Provision		**49,964**	49,283
Total current liabilities		**4,374,358**	3,627,690
NET CURRENT (LIABILITIES)/ASSETS		**(845,744)**	76,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,047,063**	2,927,247

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**153,816**	810,239
Deferred tax liabilities		**183,770**	294,289
Long-term tax payable		**486,614**	789,187
Government grants		**146,788**	102,593
Total non-current liabilities		**970,988**	1,996,308
Net assets		**1,076,075**	930,939
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**88,856**	88,856
Reserves		**987,219**	842,083
Total equity		**1,076,075**	930,939

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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 address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands.

The Group are involved in the following principal activities:

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

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards (which include all International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") and interpretations) issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties 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 2023, the Group maintained cash and cash equivalents of approximately RMB32,191,000 (2022: RMB16,128,000). The Group does not have adequate cash flows to pay creditors on due dates. As at 31 December 2023, the Group recorded net current liabilities of approximately RMB845,744,000 (2022: net current assets of approximately RMB76,834,000). 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 negotiation with banks to obtain adequate bank borrowings to finance the Group's operations

As at 31 December 2023, the Group have obtained sufficient unutilised general facility granted by financial institutions, and the Group are expected to have sufficient financial support to pay off debts in the next 12 months, so the consolidated financial statements are still prepared on the basis of going concern.

Subsequent to 31 December 2023 and up to the date of this announcement, the Group will be able to renew the loan of RMB790,000,000 with related bank for five years. 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 sources 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.

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

The Group is taking measures to tighten cost control over various production costs and expenses with an aim to attain profitable and positive cash flow operations. The eventual outcome of the above measures is inherently uncertain and cannot be estimated with reasonable certainty.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of eighteen months from the end of the reporting period. Taking into account the positive cash flows 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.

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 which 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

3.1 New and revised IFRSs

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

IFRS 17	*Insurance Contracts and related Amendments*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs are described below:

(a) Insurance contracts — IFRS 17

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

(b) Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies — Amendments to IAS 1

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

(c) Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates — Amendments to IAS 8

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

(d) Income taxes: Deferred tax related to assets and liabilities arising from a single transaction — Amendments to IAS 12

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

(e) Income taxes: International tax reform — Pillar Two model rules — Amendments to IAS 12

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. After assessment, the amendments does not have a material impact on these financial statements.

3.2 New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "Government") gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022 with the corresponding adjustment to the comparative carrying amount of the LSP liability. This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2022, and the cash flows and earnings per share amounts for the year ended 31 December 2022. It also did not have a material impact on the company-level statement of financial position as at 31 December 2022 and 31 December 2023.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable and 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.

There were no intersegment sales during the years ended 31 December 2023 and 2022.

Year ended 31 December 2023

	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Segment revenue (note 5)			
Sales to external customers	2,390,855	259,997	2,650,852
Segment results	109,883	(51,924)	57,959
Reconciliation:			
Corporate and other unallocated income			97
Corporate and other unallocated expenses			(6,571)
Unallocated finance costs			(12,406)
Profit before tax			39,079
Segment assets	3,333,750	3,312,366	6,646,116
Reconciliation:			
Elimination of intersegment receivables			(523,405)
Corporate and other unallocated assets			298,710
Total assets			6,421,421
Segment liabilities	3,659,616	2,069,013	5,728,629
Reconciliation:			
Elimination of intersegment payables			(523,405)
Corporate and other unallocated liabilities			140,122
Total liabilities			5,345,346
Other segment information			
Amounts included in the measure of segment results or segment assets:			
Subsidiary income from PRC government	6,647	16	6,663
Gain on disposal of property, plant and equipment	1,085	16	1,101
Write-down of inventories to net realisable value	(3,812)	—	(3,812)
Impairment of trade receivables	(66,706)	(9)	(66,715)
Impairment of other receivables	(11,814)	—	(11,814)
Compensation	(8,192)	(23,803)	(31,995)
(Provision)/reversal of claim arising from litigation	(5,201)	665	(4,536)
Finance costs	(100,066)	17,924	(82,142)
Depreciation and amortisation	(41,524)	(13)	(41,537)
Capital expenditure*	96,260	—	96,260

Year ended 31 December 2022

	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Segment revenue (note 5)			
Sales to external customers	1,810,097	551,918	2,362,015
Segment results	206,311	(46,982)	159,329
Reconciliation:			
Corporate and other unallocated income			14,758
Corporate and other unallocated expenses			(8,252)
Unallocated finance costs			(3,370)
Profit before tax			162,465
Segment assets	3,166,119	3,927,937	7,094,056
Reconciliation:			
Elimination of intersegment receivables			(874,825)
Corporate and other unallocated assets			335,706
Total assets			6,554,937
Segment liabilities	3,786,909	2,551,962	6,338,871
Reconciliation:			
Elimination of intersegment payables			(874,825)
Corporate and other unallocated liabilities			159,952
Total liabilities			5,623,998
Other segment information			
Amounts included in the measure of segment results or segment assets:			
Subsidy income from the PRC government	231,517	119	231,636
Gain on disposal of property, plant and equipment	1,752	—	1,752
Impairment of trade receivables	(24,225)	—	(24,225)
(Impairment)/reversal of impairment of other receivables	(2,412)	228	(2,184)
Compensation	(63)	(22,995)	(23,058)
Reversal of/(provision of) claim arising from litigation	19,920	(38,715)	(18,795)
Land resumption costs	(108,450)	—	(108,450)
Finance costs	(41,273)	—	(41,273)
Depreciation and amortisation	(75,841)	(22)	(75,863)
Capital expenditure*	14,598	—	14,598

* 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:

	2023	2022
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**1,495,494**	1,171,679
SSAW steel pipes	**612,023**	287,111
ERW steel pipes	**24,630**	4,983
Steel pipe manufacturing services:		
LSAW steel pipes	**158,451**	231,123
SSAW steel pipes	**25,050**	34,088
Others*	**75,207**	81,113
	2,390,855	1,810,097
Sale of properties	**259,997**	551,918
	2,650,852	2,362,015

* Others mainly represented the trading of steel plates, sales of steel fittings and sales of scrap materials.

Geographical information

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

	2023	2022
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**1,280,359**	1,701,332
Africa	**411,220**	157,774
Europe	**1,269**	8,007
Middle East	**534,549**	263,318
Asia and other Asian countries	**319,666**	226,601
South America	**103,789**	4,983
	2,650,852	2,362,015

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

Information about major customers

Revenue of approximately RMB420,456,000 (2022: RMB168,023,000) 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, during the year.

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	**2,390,855**	1,810,097
Sale of properties	**259,511**	551,518
	2,650,366	2,361,615
Revenue from lease contracts		
Rental income	**486**	400
	2,650,852	2,362,015
Other income and gains		
Bank interest income	**180**	3,741
Subsidy income from the PRC government*	**6,663**	231,636
Gain on disposal of property, plant and equipment	**1,101**	1,752
Gain on deregistration of subsidiaries	**17**	—
Others	**8,018**	1,614
	15,979	238,743

* The subsidy income represents subsidies granted by the local finance bureaus to Panyu Chu Kong Steel Pipe Co., Ltd., Guangdong Pearl Steel Investment Management Co., Ltd., Lianyungang Kaidi Heavy Equipment Technology Co., Ltd., Nanjing Rongyu Group Co., Ltd., Lianyungang Zhugang Coating Engineering Co., Ltd., Guangzhou Zhenzhuhe Petroleum Steel Tubes Co., Ltd. (formerly known as Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd.), Lianyungang Pearl River Petrol-Fittings Co., Ltd. and Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. as awards for their products, and Panyu Chu Kong Steel Pipe (Lianyungang) Co., Ltd. as awards for investment. There are no unfulfilled conditions or contingencies relating to such subsidies.

6. OTHER EXPENSES

	Note	**2023** **RMB'000**	2022 *RMB'000*
Compensation		**31,995**	23,058
Provision of claim arising from litigations		**4,536**	18,795
Write-down of inventories to net realisable value		**3,812**	—
Land resumption costs		**—**	108,450
Impairment of trade receivables	11	**66,715**	24,225
Impairment of other receivables		**11,814**	2,184
Others		**69,027**	33,074
		187,899	209,786

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 **RMB'000**	2022 *RMB'000*
Interest on bank and other borrowings (including bonds and notes)	**93,818**	88,378
Interest on lease liabilities	**52**	57
Interest on discounted bills	**678**	1,486
Total interest expenses on financial liabilities not at fair value through profit or loss	**94,548**	89,921
Less: Interest capitalised	**—**	(45,278)
	94,548	44,643

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Note	**2023**	2022
		RMB'000	*RMB'000*
Employee benefit expenses (including directors' remuneration):			
Fees, wages and salaries		**151,428**	123,652
Retirement benefit scheme contributions		**5,539**	6,570
		156,967	130,222
Cost of inventories sold		**1,758,440**	1,221,533
Cost of services provided		**118,990**	174,624
Cost of properties sold		**219,212**	495,235
Auditor's remuneration		**1,332**	1,283
Depreciation of property, plant and equipment		**25,881**	61,432
Depreciation of right-of-use assets		**15,656**	14,431
Impairment of trade receivables	11	**66,715**	24,225
Impairment of other receivables		**11,814**	2,184
Fair value loss on investment properties		**2,000**	8,000
Research and development costs		**107,636**	64,283

9. INCOME TAX

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

	2023	2022
	RMB'000	*RMB'000*
Current — Mainland China		
PRC CIT charge for the year	**9,085**	54,720
PRC CIT overprovision in prior years	**(51,050)**	—
PRC LAT	**7,785**	—
Deferred tax	**(110,519)**	(55,289)
Total income tax credit for the year	**(144,699)**	(569)

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,011,142,000 (2022: 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 2023 and 2022.

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**371,628**	407,709
Impairment allowance	**(83,159)**	(28,853)
Trade receivables, net	**288,469**	378,856
Bills receivable	**23,484**	—
	311,953	378,856

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 minimise 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:

	2023	2022
	RMB'000	*RMB'000*
Within 60 days	**140,259**	153,001
61 to 90 days	**43,639**	17,342
91 to 180 days	**5,209**	58,830
181 to 365 days	**31,848**	18,282
1 to 2 years	**58,664**	57,804
2 to 3 years	**8,850**	7,456
Over 3 years	**—**	66,141
	288,469	378,856

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

		2023	2022
	Note	*RMB'000*	*RMB'000*
At 1 January		**28,853**	13,516
Impairment losses recognised	6	**66,715**	24,225
Amount written off as uncollectible		**(12,409)**	(8,888)
At 31 December		**83,159**	28,853

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:

	2023	2022
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**627,595**	372,595
91 to 180 days	**55,490**	51,645
181 to 365 days	**64,566**	35,803
1 to 2 years	**35,642**	44,972
2 to 3 years	**31,463**	33,622
Over 3 years	**68,786**	66,548
	883,542	605,185
Bills payable	**59,051**	30,884
	942,593	636,069

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present to you the audited consolidated annual results of the Group for the year ended 31 December 2023.

In 2023, while the COVID-19 pandemic no longer constituted a public health emergency of international concern, the geopolitical conflicts and the tightening of monetary policy in the U.S. has led to bank failures, aggravating financial instability, global inflation woes and multiple challenges and uncertainties for the global economy. The global economic growth further slowed down in 2023, with the global and Chinese economies growing at 3% and 5.2% respectively. Notwithstanding the above, the Group recorded sales of approximately RMB2,651 million (2022: RMB2,362 million), representing an increase of approximately 12.2% over 2022. The Group recorded a profit of approximately RMB183.8 million (2022: RMB163 million). Earnings per share attributable to ordinary equity holders was approximately RMB0.18 (2022: RMB0.16). The Board did not recommend the payment of final dividend for the year ended 31 December 2023.

The Group delivered a total of 553,000 tonnes of steel pipes during the year and received orders for a total of 601,000 tonnes of steel pipes, including the East African Crude Oil Pipeline Project, the Huai'an Gas Storage Branch Line Section of the Jiangsu Coastal Gas Pipeline, the Nigeria AKK Project, the Terminal Engineering of Guangxi Liquefied Natural Gas (LNG) Phase III Expansion Project and the Shell Offshore Platform Project and other projects. Among them, the East African Crude Oil Pipeline Project was the largest single order in the Group's history during the year, with a total procurement of 260,000 tonnes of steel pipes and a total sales amount of US$370 million (approximately RMB2,600 million). The East African Crude Oil Pipeline Project, which involves the construction of a pipeline with a total length of 1,540 kilometers that transports oil from Ugandan oil fields to Tanzanian ports, is the world's longest heated crude oil transmission pipeline project. It is anticipated that the construction of the pipeline will greatly promote the economic development of the East African region.

The Group successfully delivered all the LSAW steel pipes required for the Ras Laffan Petrochemicals refinery project during the year. This project involves the construction of an ethane cracker in Ras Laffan, Qatar with an annual capacity of up to 2.1 million tonnes of ethylene. We have delivered 2,230 tonnes of LSAW steel pipes, with diameter of 610mm and wall thickness of 11.7mm and 9.5mm, in this project. External double epoxy anti-corrosion technology was adopted to protect the pipelines from corrosion. It is reported that this project will be the largest ethylene project in the Middle East and one of the largest ethylene projects in the world. The Board believes that the successful delivery of this project demonstrates the high recognition of the Group by large energy companies, and helps to establish "Chu Kong Steel Pipe" as a world-class steel pipe brand.

In terms of research and development technology, the Group overcame the difficulties in manufacturing equipment and technology for spiral arc-welded pipes with ultra-large wall thickness during the year, broke through the century-long limit in the history of spiral steel pipe manufacturing, and produced the world's first large-diameter ultra-thick-walled spiral steel pipe with a diameter of 3,000mm and a wall thickness of 30mm, which is a major breakthrough in the global supply specification of spiral steel pipes products with ultra-large wall thickness, and signified that the technological standard of China's manufacturing of spiral steel pipes had moved up to a new level. The strength grade of the trial-produced large wall thickness spiral arc-welded pipe is Q355C, the length of the steel pipe reaches 45m, and the weight of the steel pipe reaches 90 tonnes. The product will be used in the construction of a 19.64 kilometer passageway crossing the eastern sea area in the east of Guanyinshan, Xiamen and ending at the Xiamen Xiang'an International Airport the Third East Passageway Project.

In December 2023, the Group was invited by the financial programme centre of China Media Group to launch a large-scale convergence media campaign entitled "Specialized and New — Manufacturing Power (專精特新•製造強國)", in which the Group was reported as a provincial Specialized and New "Little Giant" enterprise, showcasing the characteristics, highlights and achievements of the development of specialized and new enterprises in China. As an outstanding representative of the provincial Specialized and New "Little Giant" enterprises, the Group explained how we utilise deep sea steel pipe to support the new limit of marine energy transportation for 3,500-meter ultra-deep submarine pipelines. The impact-resistant experiment conducted by using a huge drop hammer perfectly demonstrated the Group's superior technology in strength and toughness, chemical composition design, metallurgy technology, rolling technology and heat treatment technologies of deep sea steel pipe. We have also employed these technologies to produce samples of welded steel pipes for 3,500-meter ultra-deep submarine pipelines which meet the technical requirements of resistance to compression and collapse, fatigue, and large deformation, which is currently the leading level in the world.

PROSPECT

The global economy will continue to recover in 2024. In the face of worrying geopolitical tension and climate change, the volatility of bulk commodity prices is likely to rise, posing a significant risk to the strategy of reducing inflation, and the world's economic development is fraught with uncertainties, which will continue to inhibit the growth of demand and thus limit the pace of global recovery. However, China's efforts to promote the development of the natural gas industry remain unchanged. The "Plan for Modern Energy System during the 14th Five Year Period" published by the National Development and Reform Commission and the National Energy Administration of the People's Republic of China proposes that the total length of national oil and gas pipeline network should reach the target of 210,000 kilometers by 2025, which will accelerate the construction of oil and gas pipeline network facilities. In addition, to implement the "dual carbon" policy, and to reduce carbon emission natural gas is an important clean energy source. However, the current length of natural gas pipelines still falls short of the target set out in the "Medium-to-Long-Term Oil and Gas Pipeline Network Planning"* (《中長期油氣管網規劃》), and there will still be a demand for pipeline construction in the future. Therefore, the Group will continue to benefit from the demand for pipelines.

APPRECIATION

On behalf of the Group, I would like to thank all the staff for their consistent professional ethics in such a challenging year. I am also grateful to the shareholders for their continuous support to the Group to build strength for a bright future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Steel pipe business

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 14 international quality certifications such as Det Norske Veritas and American Petroleum Institute. 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 used in 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 structure pipes 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).

Order Status

In 2023, the Group received new orders of approximately 601,000 tonnes of welded steel pipes. The Group has received some sizeable overseas orders, such as orders from steel pipes for the East African Crude Oil Pipeline project, Nigeria Ajakuta-Kaduna-Kano (AKK) natural gas pipeline project and Shell offshore platform project. The Group delivered approximately 553,000 tonnes of welded steel pipes during 2023.

LSAW Steel Pipes

The Group is one of the largest LSAW steel pipe manufacturers and exporters in the PRC. Sales and manufacturing of LSAW steel pipe was the major source of revenue of the Group and accounted for approximately 69.2% of our total steel pipe revenue for the year ended 31 December 2023. For the year ended 31 December 2023, revenue from the sales and manufacturing service of LSAW steel pipes amounted to approximately RMB1,496 million and RMB158 million, respectively, where sales of LSAW steel pipes were higher than that for the year ended 31 December 2022 was due to increase in delivery of LSAW steel pipes to overseas customers.

SSAW Steel Pipes

Our SSAW steel pipes are produced in our plant in Lianyungang using the pre-welding and precision welding SSAW technique, which is the most advanced technique among all SSAW technologies. Revenue from the sales and manufacturing service of SSAW steel pipes amounted to approximately RMB612 million and RMB25 million respectively. The total revenue from SSAW steel pipes accounted for approximately 26.6% of the total steel pipe revenue for the year ended 31 December 2023 which were significantly higher than that for the year ended 31 December 2022. The increase was mainly attributable to the increase in sales of SSAW steel pipes to one major customer in Middle East.

Property development

Apart from the steel pipe manufacturing business, the Group also engaged in property development and investment. Following the conversion of a land in Panyu, PRC in 2013, the Group grasped the opportunity of asset appreciation to convert the land use right of the Panyu production plant from industrial use to commercial use. The property project in relation to Golden Dragon City Fortune Plaza (金龍城財富廣場) ("GDC"), is a large scale integrated commercial complex of offices, shops, apartments and villas. The land area of the converted land accounted for approximately 25% of the total land area of our factory in Panyu. The total permitted construction area of the land (including underground construction area) is approximately 550,000 m^2.

Below are the details of GDC:

Address:	Golden Dragon City, Yayun Avenue, Panyu District, Guangzhou City, Guangdong, PRC
Usage:	Large scale integrated commercial complex of offices, shops, apartments and villas
The total permitted construction area (including underground construction area)	Phase I: 135,000 m^2 Phase II: 191,000 m^2 Phase III: 224,000 m^2

The Group recorded most of the sales of the first phase of GDC in 2018 and recognised the sale of the second phase of GDC in 2022. The third phase 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.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023.

Opinion

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards (including International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs")) as issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group had net current liabilities of approximately RMB845,744,000 as at 31 December 2023. The above events and conditions indicate that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern. As set out in note 2.1 to the consolidated financial statements, the directors of the Company have implemented a number of plans and measures to improve the Group's liquidity and consider that the Group will have sufficient funds to meet its financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

Revenue and gross profit

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

Our revenue increased from RMB2,362 million for the year ended 31 December 2022 to approximately RMB2,651 million in 2023. Such increase was mainly due to increase in overseas sales of steel pipes in 2023. The Group has received a sizable order from the East African Crude Oil Pipeline project during the year. Steel pipes sales in 2023 increased as compared to that of 2022.

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

	2023		2022	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Revenue				
Steel pipes	**2,390,855**	**90.2**	1,810,097	76.6
Property development and investment	**259,997**	**9.8**	551,918	23.4
	2,650,852	**100.0**	2,362,015	100.0

Steel pipes

	2023 Revenue		2022 Revenue	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Sales of steel pipes				
LSAW steel pipes	**1,495,494**	**62.6**	1,171,679	64.7
SSAW steel pipes	**612,023**	**25.6**	287,111	15.9
ERW steel pipes	**24,630**	**1.0**	4,983	0.3
Subtotal	**2,132,147**	**89.2**	1,463,773	80.9
Manufacturing services				
LSAW steel pipes	**158,451**	**6.6**	231,123	12.8
SSAW steel pipes	**25,050**	**1.0**	34,088	1.9
Subtotal	**183,501**	**7.6**	265,211	14.7
Others	**75,207**	**3.2**	81,113	4.4
Grand total	**2,390,855**	**100.0**	1,810,097	100.0

Steel pipes

	2023	2022
	RMB'000	*RMB'000*
Sales	**2,390,855**	1,810,097
Cost of sales	**(1,877,430)**	(1,396,157)
Gross profit	**513,425**	413,940

The revenue generated from the sales of steel pipes accounted for approximately 89.2% of our total steel pipe revenue in 2023 as compared with approximately 80.9% in 2022. Steel pipe manufacturing services accounted for approximately 7.6% of our total steel pipe revenue in 2023 as compared with approximately 14.7% in 2022. 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 3.2% of our total steel pipe revenue in 2023 as compared with approximately 4.4% in 2022.

Gross profit of steel pipe sales for 2023 was approximately RMB513.4 million as compared with approximately RMB413.9 million in 2022, representing an increase of approximately 24.0% or RMB99.5 million. Gross profit margin for 2023 was approximately 21.5% which was similar to that of 22.9% in 2022.

Overseas Sales for 2023 was approximately RMB1,370.5 million as compared with approximately RMB660.7 million in 2022, representing an increase of approximately 107.4%. Our overseas sales accounted for approximately 57.3% of our total steel pipe revenue in 2023, as compared with approximately 36.5% in 2022.

Sales by Geographical Areas — Steel Pipes

	2023		2022	
	Revenue		Revenue	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Overseas sales	**1,370,493**	**57.3**	660,683	36.5
Domestic sales	**1,020,362**	**42.7**	1,149,414	63.5
Total steel pipes and manufacturing services	**2,390,855**	**100.0**	1,810,097	100.0

Property development and investment

	2023	2022
	RMB'000	*RMB'000*
Revenue	**259,997**	551,918
Cost of sales	**(219,212)**	(495,235)
Gross profit	**40,785**	56,683

Revenue generated from the property development and investment segment mainly comprises sales of property of GDC-Phase II and rental income from shops in Phase I of GDC. Revenue under property development and investment was approximately RMB260.0 million in 2023 as compared with approximately RMB551.9 million in 2022, representing a decrease of approximately 52.9% or RMB291.9 million. Decrease in revenue was due to recognition of sales of Phase II in 2023 decreased. 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 RMB219.2 million in 2023 as compared with approximately RMB495.2 million in 2022, representing a decrease of 55.7% or RMB276.0 million. Decrease in cost of sales was due to less properties sold out so as the allocation of cost of Phase II of GDC.

Gross profit of property sales was approximately RMB40.8 million in 2023 as compared with approximately RMB56.7 million in 2022, representing a decrease of 28.0% or RMB15.9 million. Decrease in gross profit was due to decrease in sales of Phase II of GDC.

All revenue under property development and investment was 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 2023. The investment properties as at 31 December 2023 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 2023. According to the valuation report as at 31 December 2023 issued by RHL Appraisal Limited, the market value of the investment properties as at 31 December 2023 was RMB360.0 million. Loss in fair values of the investment properties in 2023 was approximately RMB2 million (2022: loss of RMB8 million).

OTHER INCOME AND GAINS

Other income and gains in 2023 mainly represented bank interest income and subsidy income from government. Other income and gains decreased by approximately 93.3% or RMB222.8 million from approximately RMB238.7 million in 2022 to approximately RMB16.0 million in 2023. Decrease in other income and gains was mainly due to the decrease in subsidy income from government.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 19.0% or RMB10.4 million from approximately RMB55.1 million in 2022 to approximately RMB65.5 million in 2023. Increase in selling and distribution expenses was mainly due to increase in overseas sales that led to the increase in sales commission.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 9.9% or RMB24.2 million from approximately RMB245.8 million in 2022 to approximately RMB270.0 million in 2023. The increase in administrative expenses was mainly due to increase in research and development expenses.

FINANCE COSTS

The finance costs for 2023 was approximately RMB94.5 million as compared with that of 2022 of approximately RMB44.6 million, representing an increase of RMB49.9 million or 111.8%. The effective interest rate in 2023 was approximately 5.2% (2022: 2.5%). Increase in finance costs was due to the fact that interest in relation to property sector can no longer be capitalized and has to be charged to finance costs during the year.

OTHER EXPENSES

Other expenses decreased by approximately 10.4% or RMB21.9 million from approximately RMB209.8 million in 2022 to approximately RMB187.9 million in 2023. The decrease was mainly due to the combined effect of (i) land resumption cost in 2022 but nil in 2023; and (ii) increase in impairment of trade and other receivables in 2023 as compared to 2022.

EXCHANGE GAIN, NET

The Group recorded exchange gain of approximately RMB15.1 million in 2023 as compared with exchange gain of approximately RMB16.4 million in 2022. The exchange gain was mainly due to appreciation of USD against RMB in collection of USD trade receivables.

INCOME TAX CREDIT

The Group recorded income tax credit of RMB144.7 million in 2023 as compared with income tax credit of RMB0.6 million in 2022.

PROFIT FOR THE YEAR

As a result of the reasons discussed above, the Group recorded a profit of approximately RMB183.8 million in 2023 (2022: profit of RMB163.0 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 2022 and 2023:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net cash flows from operating activities	**431,067**	154,068
Net cash flows (used in)/from investing activities	**(8,682)**	38,169
Net cash flows used in financing activities	**(366,033)**	(149,102)
Net increase in cash and cash equivalents	**56,352**	43,135

NET CASH FLOWS FROM OPERATING ACTIVITIES

The Group's net cash inflows from operating activities of approximately RMB154.1 million in 2022 increased to approximately RMB431.1 million in 2023. The increase in net cash inflows from operating activities were primarily due to the combined effect of (i) decrease in profit before tax; (ii) increase in inventories, trade and bills payables and contract liabilities; and (iii) decrease in completed properties held for sale, trade and bills receivables, prepayments, other receivables and other assets, pledged and restricted bank balances, and other payables and accruals.

NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES

The Group's net cash flows from investing activities changed from inflow of approximately RMB38.2 million in 2022 to outflow of approximately RMB8.7 million in 2023. The decrease in net cash flows were mainly due to the combined effects of (i) purchase of items of property, plant and equipment in 2023; (ii) proceeds from disposal of investment in a joint venture; and (iii) receipt of government grants.

NET CASH FLOWS USED IN FINANCING ACTIVITIES

The Group's net cash flows used in financing activities increased from approximately RMB149.1 million in 2022 to approximately RMB366.0 million in 2023. The increase was mainly resulted from the combined effect of (i) the increase in borrowing of new interest-bearing loans and other borrowings of approximately RMB658.3 million; and (ii) decrease in an amount due to a director, the repayment of bank loans, other borrowings, bonds and principal portion of payment of lease and payment of interest of approximately RMB1,024.3 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 2023.

CAPITAL EXPENDITURE

For the year ended 31 December 2023, the Group invested approximately RMB96.3 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 2023, the Group guaranteed RMB27.4 million (2021: RMB36.9 million) to certain purchasers of the Group's properties for mortgage facilities.

PLEDGE OF ASSETS

The Group pledged the following assets with an aggregate net book value to secure bank loans granted to the Group as at 31 December 2023:

(i) certain property, plant and equipment of approximately RMB696.4 million (2022: RMB598.1 million);

(ii) certain leasehold land of approximately RMB481.6 million (2022: RMB489.4 million); and

(iii) completed properties held for sale of approximately RMB1,003.0 million (2022: RMB913.7 million).

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 2023 and 2022 were approximately 28.5% and 27.1%, respectively. There was no major change in gearing ratio in 2023 as compared with that of 2022.

On 27 April 2020, the Company entered into a 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"). The Company and the noteholder mutually agreed to extend the maturity date to 22 December 2023. Mr. Chen Chang, 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 and executive Director (the "Specific Performance Obligations"). Any breach of the Specific Performance Obligations may constitute an event of default under the Bonds and 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. Subsequent to 31 December 2023 and up to the date of this announcement, the Company will continue to actively negotiate with the investor for the extension of the Bonds.

As at 31 December 2023, the Group's total borrowings amounted to approximately RMB1,832.4 million, of which approximately 8% (2022: 46%) were long term borrowings and approximately 92% (2022: 54%) were short term borrowings. The total borrowings included, (i) a loan of RMB791.6 million in relation to the Group's property development business; and (ii) net borrowings under steel pipe business of around RMB1,040.8 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, the Group has sufficient liquidity and is in a strong financial position to repay its short term borrowings.

As at 31 December 2023, (i) approximately 80% (2022: 80%) 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; (ii) approximately 16% (2022: 15%) of the total borrowings were denominated in Renminbi which carried fixed interest rate; and (iii) approximately 4% (2022: 5%) 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

As at the date of this announcement, the Group had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

LITIGATION

The Group is involved certain lawsuits brought by third parties alleging that the Group breached and repudiated certain purchase and construction contracts. The claims are subject to the legal arbitration and are expected to be finalized in 2024. As at 31 December 2023, a provision of approximately RMB50.0 million has been provided.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant event subsequent to 31 December 2023 which would materially affect the Group's operating and financing performance.

EMPLOYEE AND REMUNERATION POLICY

For the year ended 31 December 2023, staff costs (including Directors' remuneration in the form of salaries) were approximately RMB151.4 million (2022: RMB123.7 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, options to subscribe for shares in the Company may be granted to eligible employees. No share option was granted under the share option scheme during the year ended 31 December 2023.

As at 31 December 2023, the Group had a total of 875 full time employees (2022: 824 employees). The following sets forth the total number of our staff by functions:

	2023	2022
Management	**52**	55
Production and logistics	**347**	327
Sales and marketing	**58**	61
Finance	**44**	45
Quality control	**113**	79
R&D	**106**	101
Procurement	**20**	17
General administration and others	**135**	139
Total	**875**	824

PROSPECT

In the face of geopolitical tensions and climate change, the volatility of global oil and gas trade prices poses significant risks to the strategy of reducing inflation. As a result, global economic development is full of uncertainty, which will continue to restrain demand growth and thus limit the pace of global recovery in 2024. The Group expects that the year 2024 will remain a challenging year for the oil and natural gas industry. In the medium and long term, it is expected that the oil and natural gas industry will continue to develop due to the combined effects of the insufficient oil and natural gas pipeline facilities, and China's emphasis on energy security and clean energy.

For a long time, oil and natural gas have always been the overriding primary energy in the global energy consumption structure, and China is no exception. In recent years, the output of crude oil and natural gas has continued to increase, especially for clean energy such as natural gas, which has experienced long-term rapid growth in output. Oil and gas pipeline construction industry is an important part of the development of China's energy industry, as well as an important support for national energy security and economic development. With the rapid development of China's economy, the oil and gas pipeline industry has developed rapidly, and the market size has been expanding. The National Energy Administration held the 2023 National Oil and Gas Pipeline Planning, Construction and Protection Work Conference in April 2023 to implement the new deployment and requirements of energy work, continue to promote the construction of oil and gas production, supply, storage and sales system, accelerate the improvement of the "national network", and coordinate the pipeline protection work and major oil and gas pipeline network projects. Meanwhile, it is necessary to take the mid-term evaluation and optimization of the "14th Five-Year Plan" as an opportunity to further strengthen the connection between provincial and enterprise planning and national planning, and effectively ensure the implementation of national strategies and plans.

At the beginning of 2022, the National Development and Reform Commission and the National Energy Administration issued the "14th Five-Year Plan Modern Energy System Plan", which put forward the goal that by 2025, the scale of domestic oil and gas pipeline network would reach approximately 210,000 kilometers. As of the end of 2022, the total mileage of long-distance oil and gas pipelines in China reached approximately 180,000 kilometers, which was twice the length recorded a decade ago. This includes 28,000 kilometers of crude oil pipelines, 32,000 kilometers of refined oil pipelines and 120,000 kilometers of natural gas pipelines. According to the demand forecast under the "dual carbon" goal, it is expected that China will add a total of approximately 65,000 kilometers of natural gas pipeline construction by 2035, including 29,500 kilometers of new trunk pipelines and 35,300 kilometers of provincial pipelines, approximately 2,000 kilometers of new crude oil pipelines and 4,000 kilometers of refined oil product pipelines. The "14th Five-Year Plan" will see China's oil and gas pipeline network enter into a new development stage of "national network" with physical interconnection and fair and open services, and it is expected that China will enjoy a stable growth in pipeline transportation in the next 10 to 20 years, of which the construction of pipeline transportation for natural gas pipelines and other ancillary facilities will be the focus of development. Emphasis will also be put on the construction of the Southern Section of China-Russia East Line, the middle section of West-to-East line 3, West-to-East line 4, Sichuan-to-East line 2, Hulin-Changchun natural gas pipeline and other major projects. The Group will be benefit from the construction of oil and natural gas pipelines.

At the end of 2019, China Oil & Gas Pipeline Network Corporation ("Pipe China") was formally established, which is principally engaged in the investment, construction and operation of infrastructure such as oil and gas trunk pipeline networks and gas storage and peak shaving, the interconnection of the trunk pipeline network and the connection of social pipelines, as well as the operation and scheduling of the national oil and gas pipeline network, and the construction of an oil and gas pipeline 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, so as to enhance oil and gas transportation capacity and ensure a safe and stable supply of oil and gas energy. Pipe China plans to build a natural gas pipeline network of "5 verticals, 5 horizontals" in the next five years. By 2025, the natural gas pipeline network of Pipe China will form a trunk pipe network pattern of "four major (inlet) channels" and "5 verticals, 5 horizontals". Since its establishment, Pipe China has been constantly strengthening the overall co-ordination of China's oil and gas pipeline network layout, which has a positive impact on the development of the industry and the Group.

According to the China Natural Gas Development Report (2023), China's oil and gas enterprises increased their investment in exploration and development by approximately RMB370 billion in 2022, representing a year-on-year increase of 19%. Major breakthroughs have been made in natural gas exploration and development in onshore ultra-deep, deepwater, shale gas and coalbed methane. Among them, offshore oil and gas exploration and development has been moving towards deep water, and China's offshore oil and gas resources are relatively abundant. The remaining technically recoverable reserves of offshore oil and natural gas account for approximately 34% and 52% of China's remaining technically recoverable reserves of oil and natural gas, respectively. The ocean will be an important substitute area for the development of oil and gas exploration and production in China. In the future, China's offshore oil and gas exploration and development will expand to deepwater and ultra-deep water areas, and the Group, as a deep sea welded steel pipe manufacturer, will firmly seize the opportunities.

In order to achieve the "dual carbon" strategic goal of "achieving peak carbon dioxide emission before 2030 and carbon neutrality before 2060", China indicates that ecology-focused green and low-carbon development will become the leading strategy in the future. In the medium to long term, natural gas will become the focus of fossil energy development, while oil and gas companies will also actively develop and explore clean energy, such as hydrogen, wind power and hydro-power. The construction of a series of natural gas pipeline, wind power and offshore platforms will be accelerated, and the Group will be able to meet the demand for green and low-carbon products with its technical strength and track record.

In the international market, the original global industrial and supply chains have been disrupted and are facing readjustment due to geopolitical conflicts, rising international commodity prices, high inflation and other factors. As such, buyers of imported steel pipes are more inclined to seek for stable suppliers in the PRC. Besides, since the economies of certain developing countries around the world are gradually recovering from the pandemic, the demand for oil and natural gas continues to increase, which enables the Group to further expand its market share of the welded pipe overseas.

The Group believes that it is also our mission to achieve national energy safety and dual carbon goal, which will create business opportunities for the steel pipe manufacturing industry at the same time. Therefore, the Group will firmly seize the opportunities to boost its sales. As our long-term strategic goal is to become a leading global steel pipe manufacturer, the Group will expand our customer bases and market share by participating in more global oil and gas and engineering projects, diversify the use of steel pipes by supplying steel pipes for projects in infrastructure and high-end construction fields, such as bridges, wind power generation, offshore platforms, insulation pipe and water pipes. The Group will also continue to leverage its strengths in the steel pipe industry to secure project 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 C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the financial year ended 31 December 2023.

CG CODE C.2.1

The Company is aware of the requirement under paragraph C.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 2023.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chen Ping, Mr. Au Yeung Kwong Wah and Mr. Zhan Jian Zhou. 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 audited consolidated financial statements for the year ended 31 December 2023 and the condensed unaudited consolidated interim financial statements for the six months ended 30 June 2023, including the accounting principles and practices adopted by the Company and the Group.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in this announcement of the Group's results for the year ended 31 December 2023 have been agreed by CCTH CPA Limited ("CCTH"), the Group's auditors. The work performed by CCTH 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 CCTH on the announcement.

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

During the year ended 31 December 2023, 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 C3 to the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors and employees during the year ended 31 December 2023. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The 2024 annual general meeting ("2024 AGM") of the Company will be held at 1/F., China Building, 29 Queen's Road Central, Hong Kong on Friday, 21 June 2024 at 10:30 a.m.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2024.

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. The annual report of the Company for the year ended 31 December 2023 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, 27 March 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Chang and Ms. Chen Zhao Nian; and three independent non-executive Directors, namely Mr. Chen Ping, Mr. Au Yeung Kwong Wah and Mr. Zhan Jian Zhou.

* *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.*