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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2009	2008	Change
Revenue *(RMB'000)*	**2,825,736**	2,624,639	7.7%
Profit attributable to owners of the Company *(RMB'000)*	**401,018**	275,464	45.6%
Earnings per share attributable to owners of the Company *(RMB)*			
Basic and diluted	**0.53**	0.37	43.2%
Dividends *(HK cents per share)*			
– Final	**–**	–	–
– Interim	**–**	–	–

AUDITED FINANCIAL RESULTS

The board of directors (the "Board") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") is pleased to announce the audited combined results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2009 (the "Combined Financial Statements") together with the comparative figures for the previous financial year is as follows:

COMBINED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2009	2008
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**2,825,736**	2,624,639
Cost of sales		**(2,183,831)**	(2,087,689)
Gross profit		**641,905**	536,950
Other income and gains		**35,574**	6,430
Selling and distribution costs		**(87,628)**	(57,172)
Administrative expenses		**(79,940)**	(90,033)
Other expenses		**(827)**	(4,000)
Finance costs		**(41,893)**	(65,186)
Exchange loss, net		**(1,784)**	(9,021)
PROFIT BEFORE TAX	*4*	**465,407**	317,968
Income tax expense	*5*	**(64,389)**	(42,504)
PROFIT FOR THE YEAR		**401,018**	275,464
Other comprehensive income:			
Exchange differences on translating foreign operations		**(18)**	1,925
Income tax relating to component of other comprehensive income		**–**	–
Other comprehensive income for the year, net of tax		**(18)**	1,925
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**401,000**	277,389
Profit attributable to:			
Owners of the Company		**401,018**	275,464
Total comprehensive income attributable to:			
Owners of the Company		**401,000**	277,389
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	*7*	**RMB0.53**	RMB0.37

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2009** *RMB'000*	2008 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**499,891**	479,637
Deposit paid for purchases of items of property, plant and equipment		**278,814**	25,009
Prepaid land lease payments		**84,659**	86,812
Goodwill		**4,075**	4,075
Deferred tax assets		**1,320**	1,066
Pledged deposits		**11,566**	37,537
Total non-current assets		**880,325**	634,136
CURRENT ASSETS			
Inventories		**520,157**	710,694
Trade receivables	*8*	**267,158**	240,183
Prepayments, deposits and other receivables		**116,223**	168,225
Pledged deposits		**201,056**	183,772
Cash and bank balances		**349,302**	41,765
Total current assets		**1,453,896**	1,344,639
TOTAL ASSETS		**2,334,221**	1,978,775

		As at 31 December	
		2009	2008
	Notes	***RMB'000***	*RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*9*	**395,570**	198,326
Interest-bearing bank loans		**292,953**	637,706
Other payables and accruals		**266,220**	385,491
Tax payable		**24,236**	26,652
Due to the ultimate shareholder		**20,540**	15,282
Total current liabilities		**999,519**	1,263,457
NET CURRENT ASSETS		**454,377**	81,182
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,334,702**	715,318
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**377,000**	111,000
Government grants		**5,771**	3,681
Total non-current liabilities		**382,771**	114,681
Net assets		**951,931**	600,637
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**–**	–
Reserves		**951,931**	600,637
Total equity		**951,931**	600,637
TOTAL EQUITY AND LIABILITIES		**2,334,221**	1,978,775

NOTES:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

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 companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to which the Company became the holding company within the Group, on 23 January 2010. Further details of the Group reorganisation (the "Reorganisation") were set out in the Company's prospectus dated 28 January 2010 (the "Prospectus").

The shares of the Company were listed on the Stock Exchange on 10 February 2010.

The Reorganisation is accounted for using the merger accounting upon completion. The result of the Group have been prepared on a combined basis as if the current Group structure had been in existence throughout the year or since the respective dates of incorporation or establishment of the companies now comprising the Group, whichever is a shorter period.

The combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance.

All material intra-group transactions and balances have been eliminated on combination.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies have been applied consistently with those used in the preparation of the accountants' report included in the Prospectus except as follows:

The Group has adopted the following new and revised IFRSs, which are effective for annual periods beginning on or after 1 January 2009, for the first time for the current year's financial statements:

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment In a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 18 Amendment	Amendment to *Revenue – Determining whether an entity is acting as a principal or as an agent*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC 18	*Transfers of Assets from Customers*
Improvements to IFRSs (May 2008)	*Amendments to a number of IFRSs*

Regarding Improvements to IFRSs (May 2008), the Group adopted all the amendments except the amendments to IFRS 5, which will be effective for annual periods beginning on or after 1 July 2009.

The adoption of the new and revised IFRSs had no significant effect on the financial statements of the Group.

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the financial statements:

IFRS 1 (Revised)	*First-time Adoption of IFRSs* [1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs – Additional Exemptions for First-time Adopters* [2]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [4]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
IFRS 3 (Revised)	*Business Combinations* [1]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [5]
IFRIC 17	*Distributions of Non-cash Assets to Owners* [1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to IFRS 5 included in Improvements to IFRSs (May 2008)	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]

Apart from the above, the IASB has issued *Improvements to IFRSs* in April 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to IFRSs issued in April 2009 contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, Appendix to IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16. Except for the amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for the amendment to Appendix to IAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new, revised and amended IFRSs and IFRICs upon initial application. So far, it is considered that while the adoption of IFRS 3 (Revised), IAS 27 (Revised) and IFRS 9 may result in significant changes in accounting policies, the other new and revised IFRSs and IFRICs are unlikely to have any significant impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

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

For management purpose, the Group is organised into business units based on their products and services, and has one reportable operating segment: manufacture and sale of welded steel pipes and the provision of related manufacturing services. Management monitors the operating results of its business unit as a whole for the purpose of making decisions about resource allocation and performance assessment.

Information about products

The revenue of the major products is analysed as follows:

	2009	2008
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**2,001,961**	2,213,126
ERW steel pipes	**669,719**	201,180
Steel pipe manufacturing services:		
LSAW steel pipes	**64,618**	162,773
ERW steel pipes	**8,999**	3,738
Others*	**80,439**	43,822
	2,825,736	2,624,639

* Others mainly included the manufacture and sale of steel fittings, trading of steel pipes and sale of scrap materials.

Information about geographical areas

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

The following table presents the revenue information for the Group's geographical segments:

	2009	2008
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**1,059,621**	1,252,643
America	**164,626**	613,451
European Union	**104,286**	61,742
Middle East	**720,255**	325,639
Other Asian countries	**683,917**	290,856
Others	**93,031**	80,308
	2,825,736	2,624,639

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

4. PROFIT BEFORE TAX

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

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories sold	**2,020,044**	1,931,112
Depreciation	**31,534**	35,259
Amortisation of prepaid land lease payments	**2,153**	2,153
Minimum lease payments under operating leases in respect of buildings	**787**	9,535
Auditors' remuneration	**2,212**	4,725
Exchange loss, net	**1,784**	9,021
Finance costs	**41,893**	65,186
Employee benefit expenses (including Directors' remuneration):		
Wages and salaries	**65,778**	66,956
Retirement benefit scheme contributions	**4,894**	5,594
Impairment of trade receivables	**2,035**	82
Reversal of impairment of deposits and other receivables	**(555)**	(586)
Bank interest income	**(4,819)**	(4,546)
Gain on disposal of items of property, plant and equipment, net	**(26,267)**	–
Research and development costs	**4,160**	2,505

5. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company, which was incorporated in the Cayman Islands, is not subject to income tax.

Lessonstart Enterprises Limited and Lucknow Consultants Limited, which were incorporated in the British Virgin Islands, are not subject to income tax.

Crown Central Holdings Limited and Chu Kong Steel Pipe Group Co. Limited, which were incorporated in Hong Kong, are subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") which was concluded on 16 March 2007 during the 5th Session of the 10th National People's Congress, was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Foreign investment enterprises of a production nature which have not fully utilised their five-year tax holiday will be allowed to continue to receive the benefits of tax exemption during the five-year transitional period. The State Council of the PRC passed the implementation guidance (the "Implementation Guidance") on 6 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the PRC subsidiaries of the Group, which are eligible for a 100% or 50% relief from EIT of the PRC, will continue to enjoy the preferential income tax rate up to the end of the transition period, after which, the 25% standard rate applies. The PRC subsidiaries of the Group are subject to the rate of 25% from 1 January 2008 onwards.

Further to the New Corporate Income Tax Law, from 1 January 2008 onwards, non-resident enterprises without establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding tax at the rate of 20% on various types of passive income such as dividends derived from sources in the PRC. The Implementation Guidance of the New Corporate Income Tax Law reduces the withholding rate to 10% while, the Double Tax Arrangement between Mainland China and Hong Kong further reduces the withholding tax rate on dividend to 5%.

番禺珠江鋼管有限公司 (Panyu Chu Kong Steel Pipe Co., Ltd.*) ("PCKSP"), as a foreign investment enterprise of a production nature established in a coastal economic open zone, is entitled to the income tax rate of 25% after 1 January 2008. PCKSP, as an advanced and new technology enterprise eligible for key support from the State qualified on 16 December 2008, shall be entitled to a reduced rate of 15% from 1 January 2008 to 31 December 2010. If PCKSP cannot be verified to be "advanced and new technology enterprises eligible for key support from the State", it will be subject to the rate of 25% from 1 January 2011 onwards.

廣州珍珠河石化管件有限公司 (Guangzhou Pearl River Petrol-Fittings Co. Ltd.*), 廣州珍珠河石油套管有限公司 (Guangzhou Pearl River OTCG Co. Ltd.*), 廣州珍珠河石油鋼管防腐有限公司 (Guangzhou Pearl River Petroleum Steel Pipe Coating Co. Ltd.*) and 廣州珍珠河石油鋼管有限公司 (Guangzhou Pearl River Petroleum Steel Pipe Co. Ltd.*), which were established in 2006, are exempted from corporate income tax for two years commencing from the year 2008, and are entitled to a 50% tax exemption for the next three years in accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises. Upon the implementation of the New Corporate Income Tax Law on 1 January 2008, the above companies will continue to enjoy the preferential income tax rate up to the end of the transitional period, after which, the 25% standard rate applies.

番禺珠江鋼管（連雲港）有限公司 (Panyu Chu Kong Steel Pipe (Lianyungang) Co. Ltd.*), which was established in 2009, is subject to income tax at a rate of 25%.

廣州市番禺珠江華龍石油鋼管防腐有限公司 (Guangzhou Panyu Chu Kong Hualong Petroleum Steel Pipe Anti-corrosion Co. Ltd.*), as a sino-foreign joint venture enterprise of a production nature established in a coastal economic open zone, and is subject to the income tax rate of 25% upon the implementation of the New Corporate Income Tax Law on 1 January 2008.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

The major components of the income tax expense for the year are as follows:

	2009	2008
	RMB'000	*RMB'000*
Group:		
Current – Mainland China charged for the year	**64,643**	41,714
Deferred	**(254)**	790
Total tax charge for the year	**64,389**	42,504

6. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

The dividends paid by the Company's subsidiary to its then shareholders during the year were as follows:

	2009	2008
	RMB'000	*RMB'000*
Dividends	**49,706**	–

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to owners of the Company of approximately RMB401,018,000 (2008: RMB275,464,000), and on the assumption that 750,000,000 shares have been in issue throughout the year, comprising 1,000,000 shares as at 31 December 2009, 99,000,000 shares to be issued as a step of the Reorganisation and 650,000,000 shares to be issued pursuant to the Capitalisation Issue (as defined in the Prospectus).

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years.

For the purpose of preparation of these financial statements, the balance of the issued capital shown in the combined statement of financial position as at 31 December 2009 and 2008, respectively, represents the share capital of the Company immediately before the issue of 250,000,000 New Issue Shares in relation to the initial public offering of the Company's on the Stock Exchange and before the issue of 749,000,000 shares pursuant to the Reorganisation and Capitalisation Issue.

8. TRADE RECEIVABLES

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 for a period of 30 to 60 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. Trade receivables are non-interest-bearing.

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

	2009	2008
	RMB'000	*RMB'000*
Within 60 days	**159,643**	158,981
61 to 90 days	**8,676**	24,220
91 to 180 days	**43,582**	34,575
181 to 365 days	**25,337**	24,102
1 to 2 years	**34,663**	1,503
2 to 3 years	**3,113**	2,623
	275,014	246,004
Less: Impairment of trade receivables	**(7,856)**	(5,821)
	267,158	240,183

The carrying amounts of the trade receivables approximate to their fair values.

Movements in the provision for impairment of trade receivables are as follows:

	2009	2008
	RMB'000	*RMB'000*
At beginning of the year	**5,821**	5,739
Impairment losses recognised	**2,035**	413
Impairment losses reversed	**–**	(331)
At end of the year	**7,856**	5,821

The above provision for impairment of trade receivables are full provisions for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in default or delinquency in interest or principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

The analysis of trade receivables that were past due but not impaired is as follows:

	2009	2008
	RMB'000	*RMB'000*
Neither past due nor impaired	**218,387**	190,690
Past due but not impaired		
1 to 180 days	**44,479**	34,115
181 to 365 days	**2,359**	15,378
Over 365 days	**1,933**	–
	267,158	240,183

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default. These customers who trade on credit terms are subject to credit verification procedures.

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

9. TRADE AND BILLS PAYABLES

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

	2009	2008
	RMB'000	*RMB'000*
Within 90 days	**57,286**	36,762
91 to 180 days	**3,410**	4,978
181 to 365 days	**3,306**	8,994
1 to 2 years	**9,385**	8,183
2 to 3 years	**1,686**	1,821
	75,073	60,738
Bills payable	**320,497**	137,588
	395,570	198,326

The trade payables are non-interest-bearing and are normally settled on 60-day terms. The carrying amounts of the trade payables and bills payable approximate to their fair values.

All the bills payable bear maturity dates within 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are the largest steel pipe manufacturer in the PRC in terms of production volume of longitudinal submerged arc welded steel pipes which are formed utilizing submerged arc welding technology ("LSAW steel pipes") in each of the three years ended 31 December 2009 according to the 中國鋼結構協會鋼管分會 (China Steel Construction Society, Steel Pipe Branch Association*). According to 中國石油天然氣公司管材研究所 (Tubular Goods Research Center of CNPC*), we are one of the four LSAW steel pipes manufacturers recognized to have the capabilities to produce LSAW steel pipes that meet the X80 standard that are considered suitable for application in major national pipeline projects in the PRC.

Our steel pipe products have a wide scope of applications (depending on the respective outside diameter and thickness) and a majority of them are sold to enterprises in the oil, petrochemicals and natural gas industry for use as pipelines for transmission of oil, petrochemicals, natural gas, city gas and coal slurry.

Domestically, a significant portion of our products is sold to customers in the oil and gas industries such as CNPC, CNOOC and Sinopec. For overseas markets, our steel pipe products are exported to customers in over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia. We have built up a broad and geographically diversified customer base which comprises oil fields operators, oil companies, gas companies, petrochemical companies, trading firms and engineering firms worldwide.

The increasing demand for both natural gas and crude oil worldwide, particularly in China, has boosted the respective infrastructure construction in recent year. Pipeline construction being one of the most economical, efficient and widely applied methods for conveying oil and gas is benefiting from such increase in capital expenditure on infrastructure construction.

Listed on the Main Board on 10 February 2010, the Group is primarily engaged in manufacture and sale of longitudinal welded steel pipes. Moreover, in order to satisfy customers with specific requirements on raw materials for their products, we also provide steel pipe manufacturing services whereby the principal raw materials are provided by the customers for our further processing into steel pipes. Meanwhile, we also provide ancillary products and services such as coating and fittings to our customers. Our steel pipe products can be broadly categorized into LSAW steel pipes and steel pipes which are formed by utilising electric resistance welding technology ("ERW steel pipes").

LSAW steel pipes

The major product of the Company, LSAW steel pipes, mainly used as pipelines for transmission of oil and natural gas are in general of larger diameters than ERW steel pipes. They can be used in more demanding applications, such as high pressure and deep water gas and oil transmission projects, due to their weld strength and quality. Our LSAW steel pipes are manufactured according to the requirements of our customers under a strict quality management system which conforms to international quality standards such as Det Norske Veritas ("DNV") and American Petroleum Institute ("API") standards.

For the year ended 31 December 2009, revenue from the manufacture and sales of LSAW steel pipes was RMB2,002.0 million, representing a 9.5% decrease as compared to 2008. Revenue from processing services of LSAW steel pipes was RMB64.6 million, representing a 60.3% decrease as compared to 2008.

ERW steel pipe

ERW steel pipes are in general characterized by low production cost and high dimensional precision and given the limitation of their sizes (in terms of outside diameter), these steel pipes are widely used in onshore or shallow offshore applications in smaller scale projects, such as water, irrigation and sanitation pipes, hollow structural sections for construction and mechanical pipeline, and line pipes for transmission pipes tubes and city tube networks.

For the year ended 31 December 2009, revenue from the manufacture and sales of ERW steel pipes was RMB669.7 million, representing a 232.9% increase as compared to 2008. Revenue from the manufacturing service of ERW steel pipes was RMB9.0 million, representing a 140.7% increase as compared to 2008.

Despite the relative lucrative orders received in 2009 for ERW steel pipes, our Directors remain convinced that the market potential for LSAW steel pipes is more prominent than that for ERW steel pipes as LSAW steel pipes can be used in more demanding applications.

Financial Review

Revenue

For 2009, our revenue was approximately RMB2,825.7 million, representing an increase of RMB201.1 million or 7.7% as compared to that of approximately RMB2,624.6 million in 2008. The increase in revenue was mainly attributable to the increase in sales volume and the average selling price of our manufacturing and sale of ERW steel pipes resulted from both higher sales quantity and unit selling price. The higher sales volume of ERW steel pipes is attributable to our success in securing significant orders from a customer in the Sultanate of Oman and the higher unit selling price charged on such orders is due to the customer's special technical requirement for anti-corrosive ERW steel pipe.

In percentage terms, manufacturing and sale of steel pipes accounted for approximately 94.5% of our total revenue in 2009 as compared to that of approximately 92.0% in 2008, steel pipe manufacturing services accounted for approximately 2.6% of our total revenue in 2009 as compared to that of approximately 6.3% in 2008. Others mainly represent manufacture and sale of steel fittings, trading of steel pipes and sale of scrap materials which accounted for approximately 2.9% of our total revenue in 2009 as compared to that of approximately 1.7% in 2008.

Our overseas sales in proportion to total revenue increased from 52.3% in 2008 to 62.5% in 2009. This was resulted from our continuing efforts on exploiting the overseas market such as participating in a number of international trade fair and exhibitions in relation to steel pipe manufacturing over the years, and our success in seeking global quality recognition from Shell Global Solution which showed our ability to satisfy the stringent requirements of the overseas markets.

Sales by products

	2009 RMB'000	2009 %	2008 RMB'000	2008 %
Manufacture and sales of steel pipes:				
LSAW steel pipes	**2,001,961**	**70.8%**	2,213,126	84.3%
ERW steel pipes	**669,719**	**23.7%**	201,180	7.7%
Sub total	**2,671,680**	**94.5%**	2,414,306	92.0%
Steel pipe manufacturing services:				
LSAW steel pipes	**64,618**	**2.3%**	162,773	6.2%
ERW steel pipes	**8,999**	**0.3%**	3,738	0.1%
Sub total	**73,617**	**2.6%**	166,511	6.3%
Others	**80,439**	**2.9%**	43,822	1.7%
Total	**2,825,736**	**100%**	2,624,639	100%

Sales by geography

	2009 RMB'000	2009 %	2008 RMB'000	2008 %
Overseas sales	**1,766,155**	**62.5%**	1,371,996	52.3%
Domestic sales	**1,059,621**	**37.5%**	1,252,643	47.7%
Total	**2,825,736**	**100%**	2,624,639	100%

Gross profit and gross profit margin

Gross profit for 2009 was approximately RMB641.9 million, an improvement of 19.5% or RMB104.9 million compared to the gross profit of approximately RMB537.0 million in 2008. Gross profit margin increased from 20.5% for 2008 to 22.7% for 2009. The increase in both gross profit and gross profit margin was mainly attributable to (i) the significant increase in our manufacture and sale of ERW steel pipe resulted from our success in securing significant orders from a customer in the Sultanate of Oman which orders also command higher profit margins due to its special technical requirement for anti-corrosive ERW steel pipe; and (ii) the economies of scale achieved by the significant increase in sales volume of ERW steel pipes.

Gross profit and gross profit margin

	2009		2008	
	RMB'000	*%*	*RMB'000*	*%*
Manufacture and sales of steel pipes:				
LSAW steel pipes	**390,498**	**19.5%**	412,574	18.6%
ERW steel pipes	**195,534**	**29.2%**	20,375	10.1%
Sub total	**586,032**	**21.9%**	432,949	17.4%
Steel pipe manufacturing services:				
LSAW steel pipes	**35,922**	**55.6%**	103,010	63.4%
ERW steel pipes	**4,294**	**47.7%**	(469)	(12.5%)
Sub total	**40,216**	**54.6%**	102,541	61.6%
Others	**15,657**	**19.5%**	1,460	3.3%
Overall gross profit margin	**641,905**	**22.7%**	536,950	20.5%

Other Income and gains

Other income and gains increased by 453.3% or RMB29.2 million from approximately RMB6.4 million in 2008 to approximately RMB35.6 million in 2009. The increase was mainly due to the gain on disposal of items of property, plant and equipments of RMB26.6 million which mainly represents the gain on the disposal of a production line in Zhangjiagang, Jiangsu Province, the PRC which forms part of our Group's development and expansion plan.

Selling and distribution costs

Selling and distribution expenses increased by 53.2% or RMB30.4 million from approximately RMB57.2 million in 2008 to approximately RMB87.6 million in 2009. The selling and distribution expenses as a percentage of our total revenue were approximately 2.2% in 2008 and 3.1% 2009. This increase was mainly due to the increase in commission paid to our sales agents by RMB25.9 million which was attributable by the increase in our overseas sales.

Administrative expenses

Administrative expenses decreased by 11.2% or RMB10.1 million from RMB90.0 million in 2008 to RMB79.9 million in 2009. The decrease was primarily due to the composite effect of (i) a decrease in professional fees from RMB21.8 million in 2008, which was in relation to the proposed listing incurred during the year 2008, to RMB2.9 million in 2009; (ii) the increase in bank charges amounted to RMB3.6 million which mainly represented the charges for the issuance of bank acceptance notes to our suppliers; (iii) the increase in bad debt provision amounted to RMB2 million.

Finance costs

Finance costs decreased by 35.7% or RMB23.3 million from approximately RMB65.2 million in 2008 to approximately RMB41.9 million in 2009. The decrease was mainly attributable to the decrease in average loan balance and the drop in the effective interest rate charged by banks for our short term interest bearing bank loans.

Exchange loss, net

Exchange loss decreased by 80.2% or RMB7.2 million from RMB9.0 million in 2008 to RMB1.8 million in 2009. The decrease is mainly because the Renminbi exchange rate against the US dollars remained relatively stable during 2009 when compared with that for the year 2008, and therefore the effect of change in exchange rates on our overseas sales revenue was not significant.

Income tax expenses

Income tax expenses increased by 51.5% or RMB21.9 million from RMB42.5 million in 2008 to RMB64.4 million in 2009. The increase is primarily attributable to the increase in our profit before tax. The Group effective tax rates for 2009 was approximately 13.8%, which was comparable to that of approximately 13.4% for 2008.

Total comprehensive income for the year

As a combined result of the factor discussed above, our total comprehensive income for the year 2009 increased by 44.6% or RMB123.6 million from approximately RMB277.4 million in 2008 to approximately RMB401.0 million in 2009. Moreover, our net profit margin increased from 10.6% in 2008 to 14.2% in 2009.

Future plans and prospects

The Group strives to be a leading manufacturer of high quality longitudinal welded steel pipes products in the PRC and will continue to seek opportunities to realize sustainable growth of our business. Based on the experienced management team, research and development capabilities, well established relationship with our major suppliers and customers and emphasis on the quality of products, the Group is well-positioned to capture the anticipated growth of the steel pipe markets in the PRC and overseas.

The Group poised to achieve excellence while remaining in an enviable position in the global steel pipe industry capitalizing on the following core strategies:

Expanding, modifying and upgrading existing facilities

The Group intends to invest further in expanding, modifying and upgrading the existing facilities for the production of our steel pipes and ancillary products with a view to enhancing our production capacity and efficiency. Moreover, with the re-engineering and modification of existing facilities, it could widen our product range and satisfy the ever changing customers' need.

Construction of new production base

The Group intends to establish a new production base in Lianyungang with a view to capture business opportunities in Yangtze delta area. Such production base will include (i) a LSAW steel pipe production line which could enhance our market position by continuing to expand our production capacity and market share; (ii) a steel plates processing equipment which could secure the stable supply of quality steel plates to our production and will therefore contribute significantly to our future capacity expansion.

Selective acquisition and partnership

Apart from relying on expanding the scale of our operations and introducing new products and technology, the Group also intends to conduct selective acquisitions, which includes other steel pipe manufacturers and/or other complementary production facilities in the PRC or worldwide, to increase our production capability and market share. Alternatively, by establishing partnership with other market players in the areas of production, material sourcing, sales and research, the synergy effect could benefit the Group from having lower costs of materials or sales and strengthened technical capabilities.

Final dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009.

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

During the year ended 31 December 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 December 2009 when the shares of the Company have not yet been listed on the Stock Exchange, the Company has not yet adopted the CG Code (as defined below). The Company has adopted the code provisions contained in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance on 23 January 2010. The Board considers that since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 10 February 2010 ("Listing Date") and up to the date of this annual results announcement, save as disclosed below, the Company has complied with the CG Code.

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 officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". 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 officer. 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 move is being 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 Profits Limited, being controlling shareholders of the Company, in respect of each of their compliance with the Non-Competition Undertakings as disclosed and as defined in the Prospectus.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 January 2010 in compliance with Rules 3.21 and Appendix 14 to the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Chen Ping, Mr. Liang Guo Yao and Mr. See Tak Wah. Mr. See Tak 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 procedures of our Group. The Audit Committee has reviewed the Company's financial statements and the Group's combined financial statements for the year ended 31 December 2009, including the accounting principles and practices adopted by the Company and Group.

Since the Listing Date and up to the date of this annual results announcement, one meeting was held by the Audit Committee. At the meeting, it reviewed the annual results of the Group for year ended 31 December 2009 with the independent auditors and also the activities of the Group's internal control functions. It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE

During the year ended 31 December 2009 when the shares of the Company have not yet been listed on the Stock Exchange, the Company has not yet adopted the Model Code (as defined below). 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 on 23 January 2010. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code since the Listing of the Company on 10 February 2010 to the date of this annual results announcement.

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

The results announcement is required to be published on the website of the Stock Exchange at www.hkexnews.hk under "Listed Company Information" and the designated website of the Company at www.pck.com.cn respectively. The annual report of the Company for the year ended 31 December 2009 will be dispatched to the shareholders and published on the Stock Exchange's and the Company's website in due course.

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

Hong Kong, 20 April 2010

As at the date of this announcement, the executive directors of the Company are Mr. Chen Chang, Ms. Chen Zhao Nian and Ms. Chen Zhao Hua. The independent non-executive directors of the Company are Mr. Chen Ping, Mr. Liang Guo Yao and Mr. See Tak Wah.

* *For identification purposes only*