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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)

CONTINUING CONNECTED TRANSACTIONS

On 4 December 2012, PCKSP entered into the New Spare Parts Purchase Agreement with GZMT in order to renew the terms of the Original Spare Parts Purchase Agreement for a term of three years commencing on 1 January 2013 and ending on 31 December 2015.

As GZMT is ultimately, wholly and beneficially owned by Mr. Chen Chang, the controlling Shareholder and chairman of the Company, and is therefore an associate of Mr. Chen Chang and a connected person of the Company. The Spare Parts Purchase Transactions therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. In accordance with Rule 14A.34 of the Listing Rules, as one or more of the applicable percentage ratios calculated based on the Proposed Annual Caps are more than 0.1% but all are less than 5%, the Spare Parts Purchase Transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirement.

The Spare Parts Purchase Transactions are subject to the annual review requirement under Rules 14A.37 to 14A.38 of the Listing Rules.

INTRODUCTION

Reference is made to the prospectus of the Company dated 28 January 2010, in which it was disclosed that the Group had entered into the Original Spare Parts Purchase Agreement with GZMT pursuant to which the Group agreed to purchase spare parts of the machines used for the manufacturing and processing of steel pipes from GZMT. The Original Spare Parts Purchase Agreement commenced on 23 January 2010 and will expire on 31 December 2012.

The Board is pleased to announce that on 4 December 2012, PCKSP entered into the New Spare Parts Purchase Agreement with GZMT in order to renew the terms of the Original Spare Parts Purchase Agreement for a term of three years commencing on 1 January 2013 and ending on 31 December 2015.

PRINCIPAL TERMS OF THE NEW SPARE PARTS PURCHASE AGREEMENT

Date	:	4 December 2012
Parties	:	(1) PCKSP, as purchaser; and (2) GZMT, as vendor.
Spare Parts Purchase Transactions	:	Pursuant to the New Spare Parts Purchase Agreement, PCKSP has agreed to purchase from GZMT spare parts (including moulding and axles) for repair and maintenance of machines and installation of new production lines and new production facilities from GZMT subject to the terms and conditions set out therein as follows: (1) at prices to be agreed from time to time between PCKSP and GZMT, which in any event shall be no less favourable than the then prevailing market price of the same type and quality of the spare parts for comparable quantity; and (2) on normal and usual commercial terms which are no less favourable than those applicable to the purchase of the same type and quality of the spare parts for comparable quantity by GZMT from independent third parties.
Term		1 January 2013 to 31 December 2015

ANNUAL CAPS

Historical Amount

The historical amount of the transactions under the Original Spare Parts Purchase Agreement between our Group and GZMT for the two years ended 31 December 2011, the six months ended 30 June 2012 and the ten months ended 31 October 2012 are as follows:

Year ended 31 December 2010 <i>RMB</i>	Year ended 31 December 2011 <i>RMB</i>	Six months ended 30 June 2012 <i>RMB</i>	Ten months ended 31 October 2012 <i>RMB</i>
12,817,000	9,182,000	3,769,000	14,616,000

Proposed Annual Caps

The proposed annual caps for the Spare Parts Purchase Transactions for each of the three years ending 31 December 2015 are as follows:

	Year ending 31 December		
	2013 <i>RMB</i>	2014 <i>RMB</i>	2015 <i>RMB</i>
Spare Parts Purchase Transactions	28,000,000	30,000,000	32,000,000

The Proposed Annual Caps are determined with reference to (i) the historical figures of the annual transaction value of the transactions under the Original Spare Parts Purchase Agreement for the two years ended 31 December 2011 and the six months ended 30 June 2012; (ii) the substantial increase in the amount of purchase of spare parts from GZMT after 30 June 2012 up to 31 October 2012. As during the period, three additional production lines for the production of welded steel pipes are in the progress to be constructed or already in operation; (iii) the number of production lines of the Group for the production of welded steel pipes of the Group in operation; and (iv) the new production lines or production facilities for the production of welded steel pipes and steel plates expected to be built, which is expected to give rise to an increase in the demand of the spare parts.

As stated in the Company's prospectus dated 28 January 2010, the Group has plans to establish a new production base in Lianyungang, Jiangsu Province, the PRC and to form a joint venture overseas. One production line would be constructed at each of the production base at Lianyungang and under the overseas joint venture for the manufacture of LSAW steel pipes. An ancillary steel plate processing line to provide the requisite processing service of steel plate would be constructed at Lianyungang.

As disclosed in the Company's annual report for the financial year ended 31 December 2011 and interim report for the six months ended 30 June 2012, the Group has plans to construct three new production lines for the manufacturing of LSAW steel pipes, two new production lines for manufacture of SAWH steel pipes and a steel plate processing production line at new production bases of Lianyungang and Zhuhai during 2012 to 2013. Total number of production lines for the manufacturing of welded steel pipes by the end of 2010, 2011, 2012 and 2013 were or expected to be 5, 5, 8 and 10 respectively. The operation of the steel plate processing production line is expected to commence by end of 2013.

The Directors, including the independent non-executive Directors, consider that the terms of the Spare Parts Purchase Transactions are fair and reasonable and are conducted on normal commercial terms and in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole and the Proposed Annual Caps are fair and reasonable so far as the independent Shareholders are concerned. In view of his relationship with GZMT, Mr. Chen Chang has abstained from voting on the Board's resolution in approving the Spare Parts Purchase Transactions and the Proposed Annual Caps in compliance with the Listing Rules. In view of their relationship with Mr. Chen Chang (who is materially interested in the Spare Parts Purchase Transactions), Ms. Chen Zhao Nian and Ms. Chen Zhao Hua, being daughters of Mr. Chen Chang and the executive Directors of the Company, have also voluntarily abstained from voting on the Board's resolution in approving the Spare Parts Purchase Transactions and the Proposed Annual Caps from the perspective of enhancing corporate governance of the Company.

INFORMATION ABOUT THE GROUP AND GZMT

The Company is an investment holding company and through its subsidiaries is principally engaged in the manufacturing and sales of longitudinal welded steel pipes.

GZMT is a limited liability company incorporated in the PRC and is principally engaged in the manufacture and sale of machine tools. GZMT is ultimately, wholly and beneficially owned by Mr. Chen Chang, the controlling Shareholder and chairman of the Company, and is therefore an associate of Mr. Chen Chang and a connected person (as defined in the Listing Rules) of the Company.

REASONS FOR THE TRANSACTION

As the Group is involved in the manufacture and sale of welded steel pipes and the provision of related manufacturing services, it purchases spare parts of the machines used for the manufacturing and processing of steel pipes. Such spare parts were and will be used by the

Group as components for (i) the repair and maintenance of machines and/or production lines; and (ii) the installation of new production lines and new production facilities. Some of the spare parts are general accessory items and some of them are required to be tailor-made, thus ancillary processing work on the spare parts is required. The design of the spare parts is provided by the Group.

The Directors, including the independent non-executive Directors, considered that the Spare Parts Purchase Transactions will be conducted on arm's length basis and in the best interests to the Group. In view of the considerably long history of purchasing spare parts from GZMT, GZMT has been a reliable source of supply which is capable of providing spare parts with the required technical and quality requirements that suit the Group's needs and for the sake of keeping confidentiality of the design for the spare parts provided by the Group.

GENERAL

The Spare Parts Purchase Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. In accordance with Rule 14A.34 of the Listing Rules, as one or more of the applicable percentage ratios based on the Proposed Annual Caps for the Spare Parts Purchase Transactions are more than 0.1% but all are less than 5%, the Spare Parts Purchase Transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirements.

The Spare Parts Purchase Transactions are subject to the annual review requirement under Rules 14A.37 to 14A.38 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	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), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed and traded on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“GZMT”	廣州市珠江機床廠有限公司(Guangzhou City Pearl River Machine Tool Works Co., Ltd.*), a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Chen Chang, the controlling Shareholder and chairman of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LSAW steel pipes”	Longitudinal Submerged Arc Welded steel pipes or SAWL, an official acronym used by American Petroleum Institute (API), which are formed from hot rolled steel plates and welded along a longitudinal welded seam by utilising the double-sided submerged arc welding technology

“New Spare Parts Purchase Agreement”	the framework spare parts purchase agreement entered into between PCKSP and GZMT dated 4 December 2012 for a term of three years commencing on 1 January 2013 and ending on 31 December 2015;
“Original Spare Parts Purchase Agreement”	the framework spare parts purchase agreement entered into between PCKSP and GZMT dated 23 January 2010 for a term commenced on 23 January 2010 and expiring on 31 December 2012;
“PCKSP”	番禺珠江鋼管有限公司 (Panyu Chu Kong Steel Pipe Co., Ltd*), a wholly owned subsidiary of the Company
“percentage ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the Spare Parts Purchase Transactions for each of the three years ending 31 December 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Spare Parts Purchase Transactions”	the sale and purchase of spare parts contemplated under the New Spare Parts Purchase Agreement
“SSAW steel pipes”	Spiral Submerged Arc Welded steel pipes or Helical Submerged Arc Welded steel pipes (“SAWH”), an official acronym used by American Petroleum Institute (API), which are formed from hot rolled coil. The pipes are formed and welded along a spirally welded seam by utilising the double-sided submerged arc welding technology
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *Unofficial transliteration from Chinese name for identification purposes only*

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

Guangdong Province, the PRC, 4 December 2012

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Chang, Ms. Chen Zhao Nian and Ms. Chen Zhao Hua; and three independent non-executive Directors, namely Mr. Chen Ping, Mr. Liang Guo Yao and Mr. See Tak Wah.