PCK

CHU KONG PETROLEUM AND NATURAL GAS STEEL PIPE HOLDINGS LIMITED

珠江石油天然氣鋼管控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1938)

2020 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board ("**Board**") of directors ("**Directors**") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "**Company**") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**367,743**	491,880
Cost of sales		**(282,125)**	(388,530)
Gross profit		**85,618**	103,350
Other income and gains	*5*	**11,049**	58,341
Selling and distribution expenses		**(24,527)**	(35,391)
Administrative expenses		**(120,599)**	(162,650)
Other expenses, net		**(54,882)**	(10,571)
Exchange gain, net		**58,329**	19,331
Finance costs	*6*	**(173,449)**	(233,424)
Fair value gain on investment properties		**–**	74,008
Fair value loss on a derivative financial instrument		**(59)**	*(2,573)*
Share of loss of a joint venture		**(5,503)**	(12,756)
LOSS BEFORE TAX	*7*	**(224,023)**	(202,335)
Income tax credit/(expenses)	*8*	**138**	(11,460)
LOSS FOR THE PERIOD		**(223,885)**	(213,795)
Attributable to:			
Owners of the parent		**(223,885)**	(212,800)
Non-controlling interests		**–**	(995)
		(223,885)	(213,795)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB(0.22)**	RMB(0.21)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(223,885)**	(213,795)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(52,936)**	(2,669)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(52,936)**	(2,669)
OTHER COMPREHENSIVE LOSS	**(52,936)**	(2,669)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(276,821)**	(216,464)
Total comprehensive loss attributable to:		
Owners of the parent	**(276,821)**	(215,469)
Non-controlling interests	**–**	(995)
	(276,821)	(216,464)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,567,940**	2,604,239
Investment properties	*11*	**407,000**	407,000
Right-of-use assets		**1,099,250**	1,114,551
Long term prepayments and deposits		**91,228**	85,975
Investment in a joint venture		**7,674**	13,177
Deferred tax assets		**210,943**	210,943
Total non-current assets		**4,384,035**	4,435,885
CURRENT ASSETS			
Properties under development		**1,945,908**	1,822,964
Completed properties held for sale		**384,004**	383,977
Inventories	*12*	**249,620**	219,102
Trade and bills receivables	*13*	**486,374**	403,775
Prepayments, deposits and other receivables		**664,548**	916,170
Due from a related party		**84,522**	84,522
Pledged and restricted bank balances		**29,100**	164,826
Cash and bank balances		**13,712**	58,585
Total current assets		**3,857,788**	4,053,921
CURRENT LIABILITIES			
Trade and bills payables	*14*	**424,831**	379,935
Interest-bearing bank and other borrowings	*15*	**3,034,429**	1,116,889
Contract liabilities		**1,265,070**	1,159,070
Other payables and accruals		**712,282**	628,847
Fixed rate bonds and notes	*16*	**25,557**	170,404
Derivative financial instrument		**3,783**	3,724
Due to a director		**85,675**	88,857
Provision		**45,922**	–
Tax payable		**364,967**	365,567
Total current liabilities		**5,962,516**	3,913,293
NET CURRENT ASSETS/(LIABILITIES)		**(2,104,728)**	140,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,279,307**	4,576,513

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Due to a director		**50,000**	50,000
Interest-bearing bank and other borrowings	*15*	**1,610,935**	3,753,975
Fixed rate bonds and notes	*16*	**133,377**	7,631
Government grants		**338,963**	341,915
Deferred tax liabilities		**367,884**	368,023
Total non-current liabilities		**2,501,159**	4,521,544
Net assets/(liabilities)		**(221,852)**	54,969
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**88,856**	88,856
Reserves		**(310,708)**	(33,887)
Total equity		**(221,852)**	54,969

1. CORPORATE INFORMATION

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 9 January 2008 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principle place of business in Hong Kong is located at suites nos. 1, 2 and 19, 15th Floor, Tower 3, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the manufacture and sale of welded steel pipes and the provision of related manufacturing services and property development and investment. There were no significant changes in the nature of the Group's principal activities during the six months ended 30 June 2020 (the "**Period**").

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**") and International Accounting Standards ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**"). These interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

Going concern basis

The Group recorded a consolidated loss of RMB223,885,000 for the six months ended 30 June 2020 (30 June 2019: loss of RMB213,795,000). As at 30 June 2020, the Group recorded net current liabilities of RMB2,104,728,000 (31 December 2019: net current assets of RMB140,628,000), included therein were the bank and other borrowings of RMB3,034,429,000 (31 December 2019: RMB1,116,889,000) which were due for repayment or renewal within the next twelve months after 30 June 2020.

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.

On 15 June 2020, the Group has entered into a first disposal supplemental agreement and a second disposal supplemental agreement (collectively the "**Supplemental Agreements**") to provide a framework for the unwinding of the agreement dated 12 February 2018 entered into with Guangdong Yuecai Trust Co Limited*（廣東粵財信托有限公司）("**Guangdong Yuecai**" together with its nominee, the "**Investors**") and Guangzhou Asset Management Company Limited*（廣東資產管理有限公司）("**Guangzhou Asset Management**") in relation to the cooperation to facilitate the change of use of land (the "**Land**") held by Panyu Chu Kong Steel Pipe Co. Ltd（番禺珠江鋼管有限公司）("**PCKSP**") and the disposal agreement dated 27 February 2019 entered into with Guangzhou Xingchen Consultation Company Limited（廣州星宸諮詢有限公司）("**Xingchen**"), Guangdong Yuecai and Guangzhou Asset Management to pave way for the negotiation and implementation of direct land resumption by the Guangzhou government. The Group will enter into a land resumption compensation agreement with Guangzhou government to sell the land of Panyu to fully repay the loan from Guangdong Yuecai and Xingchen of approximately RMB2,080 million.

The Directors have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the Period. Taking into account the land of Panyu which could provide additional funds for the Group, coupled with the rebound of the market demand of the Group's steel pipes and related products 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 interim condensed consolidated financial statements of the Group have been prepared on a going concern basis.

However, the sale of the land of Panyu is subject to the fulfilment of certain conditions, among which some of these conditions cannot be controlled by the Group. The validity of the going concern assumption on which the interim condensed consolidated financial statements are prepared is dependent on favourable outcomes of the events as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those they are currently recorded in the interim condensed 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 interim condensed consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. In the current interim period, the Group has applied, for the first time, the new and revised International Financial Reporting Standards ("**IFRSs**", which also include IASs and interpretations) that are relevant to the Group's operation for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IFRS 7 and IAS 39	*Interest Rate Benchmark Reform*
Amendments to IAS 1 and IAS 8	*Definition of Material*
Conceptual Framework for Financial Reporting issued on 29 March 2018	

Several amendments and interpretations apply for the first time in 2020, but do not have any impact on the interim condensed consolidated financial statements of the Group.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the property development and investment segment engages in property development for sale of properties 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that head office and corporate expenses are excluded from such measurement.

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

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

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

Six months ended 30 June 2020 (unaudited)	**Steel pipes**	**Property development and investment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	**367,194**	**549**	**367,743**
Segment results:	**(175,953)**	**(23,763)**	**(199,716)**
Reconciliation:			
Corporate and other unallocated expenses			**(24,307)**
Loss before tax			**(224,023)**
Segment assets:	**4,281,446**	**5,669,377**	**9,950,823**
Reconciliation:			
Elimination of intersegment receivables			**(2,465,674)**
Corporate and other unallocated assets			**756,674**
Total assets			**8,241,823**
Segment liabilities:	**7,099,239**	**3,341,512**	**10,440,751**
Reconciliation:			
Elimination of intersegment payables			**(2,465,674)**
Corporate and other unallocated liabilities			**488,598**
Total liabilities			**8,463,675**
Other segment information:			
Share of loss of a joint venture	**(5,503)**	**–**	**(5,503)**
Impairment losses recognised in the statement of profit or loss	**(6,875)**	**–**	**(6,875)**
Depreciation	**(63,047)**	**(103)**	**(63,150)**
Capital expenditure*	**(12,960)**	**(20)**	**(12,980)**

Six months ended 30 June 2019 (unaudited)	Steel pipes	Property development and investment	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	488,550	3,330	491,880
Segment results:	(215,875)	45,564	(170,311)
Reconciliation:			
Corporate and other unallocated expenses			(32,024)
Loss before tax			(202,335)
Segment assets:	4,322,488	6,432,062	10,754,550
Reconciliation:			
Elimination of intersegment receivables			(2,160,942)
Corporate and other unallocated assets			1,867,098
Total assets			10,460,706
Segment liabilities:	7,670,316	4,241,430	11,911,746
Reconciliation:			
Elimination of intersegment payables			(2,160,942)
Corporate and other unallocated liabilities			696,093
Total liabilities			10,446,897
Other segment information:			
Share of loss of a joint venture	(12,756)	–	(12,756)
Impairment losses recognised in the statement of profit or loss	(3,956)	–	(3,956)
Depreciation	(54,143)	(18)	(54,161)
Capital expenditure*	(22,928)	(41)	(22,969)

* Capital expenditure consists of additions to property, plant and equipment.

Information about products and services

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**228,612**	360,321
ERW steel pipes	**5,619**	87
SSAW steel pipes	**31,045**	30,326
Steel pipe manufacturing services:		
LSAW steel pipes	**37,501**	57,392
ERW steel pipes	**10,682**	62
SSAW steel pipes	**38,790**	14,204
Others*	**15,494**	29,488
	367,743	491,880

* Others mainly included the sales of other steel products and rental income.

Geographical information

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Geographical markets		
Mainland China	**350,836**	387,792
Other Asian countries	**16,415**	53,082
Middle East	**492**	42,727
European Union	**–**	8,279
	367,743	491,880

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

Information about major customers

For the six months ended 30 June 2020, revenue from one customer of the Group amounting to RMB41,493,000, which had accounted for 11% of the Group's total revenue.

For the six months ended 30 June 2019, revenue from one customer of the Group amounting to RMB95,764,000, which had accounted for 19% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Manufacture and sale of welded steel pipes and the provision of related manufacturing services	**367,194**	488,550
Revenue from other sources		
Gross rental income	**549**	3,330
	367,743	491,880
Other income and gains		
Bank interest income	**587**	13,228
Subsidy income from the PRC government*	**8,376**	22,618
Gain on resumption of land use rights to the local authority**	**–**	15,795
Others	**2,086**	6,700
	11,049	58,341

* The subsidy income represented subsidies granted by the local finance bureaus to Panyu Chu Kong Steel Pipe Co Ltd. (番禺珠江鋼管有限公司), Panyu Chu Kong Steel Pipe (Lianyungang) Co Ltd. (番禺珠江鋼管(連雲港)有限公司) and Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. (番禺珠江鋼管(珠海)有限公司), mainly as compensation for certain projects and tax refunds. There are no unfulfilled conditions or contingencies relating to such subsidies.

** During the six months ended 30 June 2019, a land of PCKSP with a carrying amount of RMB1,128,000 located at Qinghe East Road, Shiji Town in Panyu District of Guangzhou, the PRC, was resumed by the local authority, with a consideration of RMB16,923,000 received.

Revenue from contracts with customers:

(i) Disaggregated revenue information:

Six months ended 30 June 2020 (unaudited)	**Steel pipes** *RMB'000*	**Property development and investment** *RMB'000*	**Total** *RMB'000*
Sales of goods/properties	280,221	–	280,221
Rendering of services	86,973	–	86,973
Total revenue from contracts with customers	367,194	–	367,194
Geographical markets			
Mainland China	350,287	–	350,287
Other Asian countries	16,415	–	16,415
Middle East	492	–	492
Total revenue from contracts with customers	367,194	–	367,194
Timing of revenue recognition			
Goods/properties transferred at a point of time	280,221	–	280,221
Services transferred over time	86,973	–	86,973
Total revenue from contracts with customers	367,194	–	367,194

Six months ended 30 June 2019 (unaudited)	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Sales of goods/properties	416,892	–	416,892
Rendering of services	71,658	–	71,658
Total revenue from contracts with customers	488,550	–	488,550
Geographical markets			
Mainland China	384,462	–	384,462
Other Asian countries	53,082	–	53,082
Middle East	42,727	–	42,727
European Union	8,279	–	8,279
Total revenue from contracts with customers	488,550	–	488,550
Timing of revenue recognition			
Goods/properties transferred at a point of time	416,892	–	416,892
Services transferred over time	71,658	–	71,658
Total revenue from contracts with customers	488,550	–	488,550

(ii) Performance obligations:

Information about the Group's performance obligations is summarised below:

Sale of steel pipes

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one year from the invoice date, except for new customers, where payment in advance is normally required.

Sale of properties

The performance obligation is satisfied upon the physical possession or when the legal title of the completed property is obtained by the purchasers.

Manufacturing services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 50 days from the date of delivery or customer acceptance of the product processed.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and government loans	**62,823**	132,521
Interest on other loans (including bonds and short term notes)	**145,846**	143,182
Interest on discounted bills	**588**	1,542
Interest on lease liabilities	**360**	373
Total interest expenses	**209,617**	277,618
Less: Interest capitalised	**(36,168)**	(44,194)
	173,449	233,424

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**282,077**	385,207
Depreciation of property, plant and equipment	**48,086**	40,267
Depreciation of right-of-use assets	**15,064**	13,894
Impairment of trade receivables*	**–**	2,451
Impairment of deposits and other receivables*	**6,875**	1,505
Provision of claim for a litigation*	**45,922**	–
Loss on disposal of a subsidiary*	**–**	20,107
Gain on disposal of property, plant and equipment, net	**(226)**	(5,206)

* These items are included in "Other expenses, net" on the face of interim condensed consolidated statement of profit or loss.

8. 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 operated.

No provision for Hong Kong, Indonesia and Singapore profits tax have been made as the Group had no assessable profits derived from or earned in these regions during the Period.

The major components of the income tax expenses/(credit) in the interim condensed consolidated statement of comprehensive income are as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – Mainland China charge for the Period	**1**	577
Deferred	**(139)**	10,883
Total tax expenses/(credit) for the Period	**(138)**	11,460

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss for the Period attributable to ordinary equity holders of the parent of RMB223,885,000 (six months ended 30 June 2019: RMB212,800,000), and the weighted average number of ordinary shares of 1,011,142,000 (at 30 June 2019: 1,011,142,000) in issue during the Period.

No diluted loss per share is calculated because the exercise price of the warrant instrument was greater than the average market price of the Company's share for the Period and the six months ended 30 June 2019.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
At beginning of the period/year	**2,604,239**	2,805,810
Additions	**12,980**	36,479
Disposals	**(1,197)**	(107,850)
Disposals of subsidiaries	**–**	(31,296)
Depreciation	**(48,086)**	(98,973)
Exchange realignment	**4**	69
At end of the period/year	**2,567,940**	2,604,239

The Group's property, plant and equipment with a net carrying amount of approximately RMB1,154,673,000 (31 December 2019: RMB1,201,053,000) were pledged to secure the Group's bank borrowings, as further detailed in note 15 to the interim condensed consolidated financial statements.

11. INVESTMENT PROPERTIES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Commercial properties in Mainland China, PRC		
Carrying amount at 1 January	**407,000**	1,160,000
Redemption of land use right	**–**	(1,160,000)
Net gain from a fair value adjustment	**–**	78,008
Transfer from completed properties held for sale	**–**	328,992
Carrying amount at end of the period/year	**407,000**	407,000

12. INVENTORIES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Raw materials	**96,856**	76,788
Work in progress	**57,357**	36,968
Finished goods	**97,793**	107,732
	252,006	221,488
Less: Provision against slow-moving and obsolete	**(2,386)**	(2,386)
	249,620	219,102

13. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Trade receivables	**501,308**	422,936
Impairment	**(19,434)**	(19,434)
Trade receivables, net	**481,874**	403,502
Bills receivable	**4,500**	273
	486,374	403,775

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 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. Trade receivables are non-interest-bearing.

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

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 60 days	**297,382**	242,323
61 to 90 days	**5,554**	5,680
91 to 180 days	**20,710**	27,057
181 to 365 days	**35,498**	11,052
1 to 2 years	**32,290**	30,563
2 to 3 years	**8,324**	24,450
Over 3 years	**82,116**	62,377
	481,874	403,502

14. TRADE AND BILLS PAYABLES

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

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 90 days	**217,410**	135,417
91 to 180 days	**25,688**	89,557
181 to 365 days	**52,602**	32,017
1 to 2 years	**37,234**	51,977
2 to 3 years	**36,075**	19,876
Over 3 years	**50,619**	45,188
	419,628	374,032
Bills payable	**5,203**	5,903
	424,831	379,935

The trade payables are non-interest-bearing and are normally settled within a year.

All the bills payable bear maturity dates within 360 days.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	**30 June 2020**	31 December 2019
			(Unaudited)	(Audited)
	%		***RMB'000***	*RMB'000*
Current				
Lease liabilities	9.51%	2020-2021	**2,411**	2,444
Bank loans				
– secured	4.35%-6.09%	2020-2021	**489,620**	502,400
– unsecured			**–**	59,000
Other borrowing				
– secured	7.50%-11.25%	2020-2021	**1,973,869**	–
– unsecured	5.60%-24.00%	2020-2021	**344,129**	421,645
Government loans				
– secured	4.90%	2020-2021	**128,000**	88,000
Current portion of long term loans				
– secured	4.90%-5.88%	2020-2021	**96,400**	43,400
			3,034,429	1,116,889
Non-current				
Lease liabilities	9.51%	2021-2036	**4,430**	5,487
Bank loans				
– secured	4.75%-5.88%	2021-2028	**1,294,505**	1,430,005
Other borrowing				
– secured	10.00%	2021	**136,000**	2,098,483
Government loans				
– secured	4.90%	2021-2023	**176,000**	220,000
			1,610,935	3,753,975
			4,645,364	4,870,864

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**586,020**	604,800
In the second year	**169,200**	149,400
In the third to fifth years, inclusive	**1,001,305**	1,154,605
Beyond five years	**124,000**	126,000
	1,880,525	2,034,805
Government loans repayable:		
Within one year	**128,000**	88,000
In the second year	**88,000**	88,000
In the third to fifth years, inclusive	**88,000**	132,000
	304,000	308,000
Other borrowings payables:		
Within one year	**2,317,998**	421,645
In the second year	**136,000**	2,098,483
	2,453,998	2,520,128
Lease liabilities repayable:		
Within one year	**2,411**	2,444
In the second year	**1,725**	2,255
In the third to fifth years, inclusive	**1,064**	1,563
Beyond five years	**1,641**	1,669
	6,841	7,931
	4,645,364	4,870,864

The Group's bank and other borrowings are secured by:

(a) a charge over certain property, plant and equipment of the Group with a net carrying amount of approximately RMB1,154,673,000 (31 December 2019: RMB1,201,053,000) as at the end of the Period;

(b) a charge over certain leasehold land of the Group with a net carrying amount of approximately RMB810,151,000 (31 December 2019: RMB792,454,000) as at the end of the Period;

(c) certain of the Group's time deposits with an aggregate carrying amount of RMB2,000 (31 December 2019: RMB2,000) as at the end of the Period;

(d) mortgages over certain of the Group's properties under development with an aggregate carrying amount of RMB1,202,071,000 (31 December 2019: RMB1,267,321,000) as at the end of the Period;

(e) mortgages over certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB108,050,000 (31 December 2019: RMB109,434,000) as at the end of the Period; and

(f) mortgages over trade receivable of the Group with an aggregate carrying amount of RMB15,310,000 (31 December 2019: nil) as at the end of the Period.

Except for the bank loans and other borrowings of RMB110,877,000 (31 December 2019: RMB108,829,000) as at 30 June 2020, which are denominated in United State dollars, all borrowings are in RMB.

The Group had the following undrawn banking facilities:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Floating rate		
– expiring within one year	**103,789**	290,331

16. FIXED RATE BONDS AND NOTES

	30 June 2020 (Unaudited)				31 December 2019 (Audited)			
	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
Current								
2013 Bonds	US$72	5.6	2020	–	US$72	5.6	2020	–
2017 Notes	HK$155	8.0	2020	–	HK$155	8.0	2020	135,593
2017 Bonds A	US$3	7.0	2020	13,907	US$3	7.0	2020	20,360
2017 Bonds C	HK$10	6.0	2020	8,910	HK$10	6.0	2020	8,293
2019 Bonds A	HK$3	5.0	2020	2,740	HK$3	5.0	2020	2,687
2019 Bonds B	US$0.5	6.0	2020	–	US$0.5	6.0	2020	3,471
				25,557				170,404
Non-Current								
2017 Bonds B	HK$10	7.0	2021	8,153	HK$10	7.0	2021	7,631
2020 Notes	HK$140	12.0	2022	125,224				–
				133,377				7,631
				158,934				178,035

US$72,000,000 5.6% bonds should be due 2018 but rescheduled to 2020 (2013 Bonds)

On 30 April 2013, the Group issued bonds with a principal amount of US$72,000,000 and the bonds were to be repayable in full by 30 April 2018 (the "**2013 Bonds**"). The bonds may be redeemed at the option of the Group in whole, but not in part, at any time, by giving not less than 30 nor more than 60 days' notice to the holders of the bonds, at their principal amount, together with the interest accrued to the date fixed for redemption. The bonds bear interest at a fixed coupon interest rate of 5.6% per annum for five years payable semi-annually, commencing on 30 October 2013. The bonds are unsecured. During the six months ended 30 June 2020, the remaining balance of the 2013 Bonds were rescheduled to be repayable on 30 September 2020 and the remaining balance was reclassified to other borrowings.

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

On 27 April 2017, the Company entered into a note purchase agreement with an investment fund. The Group agreed to issue, and the investment fund agreed to purchase from the Group, HK$155,000,000 8% notes due in April 2020 (the "**2017 Notes**"). Pursuant to the purchase agreement, specific performance obligations are imposed on the controlling shareholder of the Group. Any breach of the specific performance obligations may constitute a breach under the note purchase agreement, pursuant to which the investment fund is entitled to redeem the 2017 Notes immediately in accordance with the terms and conditions. The 2017 Notes was fully repaid during the Period.

US$3,000,000 7% bonds due 2020 (2017 Bonds A)

On 28 April 2017, the Company issued a bond with a principal amount of US dollar 3,000,000 to an individual investor (the "**2017 Bonds A**"). The bond will be repayable in full by April 2020 and be extended to September 2020. The bond bears a fixed coupon interest rate at 7% per annum for three years payable semi-annually, commencing on 28 October 2017. The bond is unsecured.

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

On 24 August 2017, the Company issued a bond with a principal amount of HKD10 million to an individual investor (the "**2017 Bonds B**"). The bond will be repayable in full by August 2021. The bond bears a fixed coupon interest rate at 7% per annum for four years payable semi-annually, commencing on 24 February 2018. The bond is unsecured.

HK$10,000,000 6% bonds due 2020 (2017 Bonds C)

On 26 September 2017, the Company issued a bond with a principal amount of HKD10 million to an individual investor (the "**2017 Bonds C**"). The bond will be repayable in full by September 2020. The bond bears a fixed coupon interest rate at 6% per annum for three years payable semi-annually, commencing on 26 March 2018. The bond is unsecured.

HK$3,000,000 5% bonds due 2020 (2019 Bonds A)

On 30 August 2019, the Company issued a bond with a principal amount of HK$3 million to an individual investor (the "**2019 Bonds A**"). The bond will be repayable in full by October 2020. The bond bears interest at a fixed coupon interest rate at 5% per annum for half year payable semi-annually, and the interest should be repaid on 28 February 2020. The bond is unsecured.

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

On 28 October 2019, the Company issued a bond with a principal amount of US$0.5 million to an individual investor (the "**2019 Bonds B**"). The bond has been paid in full during the period under review. The bond bears interest at a fixed coupon interest rate at 6% per annum for half year payable semi-annually, and the interest should be repaid on 28 April 2020. The bond is unsecured.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Financial Results

For the six months ended 30 June 2020 (the "**Period**"), we recorded a revenue of approximately RMB367.7 million (1H2019: RMB491.9 million), representing a decrease of approximately 25.2% as compared with the corresponding period in 2019. Loss attributable to ordinary equity holders of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") was RMB223.9 million (1H2019: loss of RMB212.8 million). Loss per share was RMB0.22 (1H2019: loss per share of RMB0.21). The board of directors of the Company (the "**Board**") did not recommend the payment of interim dividend for the Period (1H2019: Nil).

Revenue

During the Period, we recorded a revenue of approximately RMB367.7 million (1H2019: RMB491.9 million), representing a decrease of approximately 25.2% as compared with the corresponding period in 2019. The revenue decrease was due to the outbreak of the Corona Virus Disease 2019 ("**COVID-19**") that affected production and delivery of steel pipes.

During the Period, the revenue from domestic sales and overseas sales represented approximately 95.4% (1H2019: 78.8%) and approximately 4.6% (1H2019: 21.2%) respectively of our total revenue. Decrease in overseas sales was due to the outbreak of COVID-19 around the world that affected production and delivery of steel pipes.

Sales by geography

	Six months ended 30 June			
	2020		2019	
	RMB'000 **(Unaudited)**	**% of revenue**	*RMB'000* (Unaudited)	% of revenue
Domestic sales	**350,836**	**95.4%**	387,792	78.8%
Overseas sales	**16,907**	**4.6%**	104,088	21.2%
Total	**367,743**	**100.0%**	491,880	100.0%

Sales by products

	Six months ended 30 June			
	2020		2019	
	RMB'000 **(Unaudited)**	**% of revenue**	*RMB'000* (Unaudited)	% of revenue
Manufacture and sale of steel pipes				
LSAW steel pipes	**228,612**	**62.2%**	360,321	73.2%
ERW steel pipes	**5,619**	**1.5%**	87	–%
SSAW steel pipes	**31,045**	**8.4%**	30,326	6.2%
Sub-total	**265,276**	**72.1%**	390,734	79.4%
Steel pipes manufacturing services				
LSAW steel pipes	**37,501**	**10.2%**	57,392	11.7%
ERW steel pipes	**10,682**	**2.9%**	62	–%
SSAW steel pipes	**38,790**	**10.6%**	14,204	2.9%
Sub-total	**86,973**	**23.7%**	71,658	14.6%
Others	**15,494**	**4.2%**	29,488	6.0%
Total	**367,743**	**100%**	491,880	100.0%

Gross Profit and Gross Profit Margin

During the Period, our gross profit was approximately RMB85.6 million (1H2019: RMB103.4 million), representing a decrease of approximately 17.2% as compared with the corresponding period in 2019. The overall gross profit margin was approximately 23.3%, which was higher than that for the same period in 2019 which was approximately 21.0%. The decrease in gross profit was due to the decrease in sales during the Period. Increase in gross profit margin was due to increase in steel pipes manufacturing services, the gross profit margin of which was high.

Other income and gains for the Period were approximately RMB11.0 million (1H2019: RMB58.3 million), representing a decrease of approximately 81.1% as compared with the corresponding period in 2019. Such decrease was mainly due to a decrease in subsidy income and compensation income from the PRC government.

Selling and distribution expenses for the Period were approximately RMB24.5 million (1H2019: RMB35.4 million), representing a decrease of approximately 30.7% as compared with the corresponding period in 2019. The decrease in selling and distribution expenses was due to a decrease in sales during the Period.

Administrative expenses for the Period were approximately RMB120.6 million (1H2019: RMB162.7 million), representing a decrease of approximately 25.9% as compared with the corresponding period in 2019. The decrease in administrative expenses was mainly due to the closure of the manufacturing operation of Panyu Chu Kong Steel Pipe Co. Ltd ("**PCKSP**") (an indirect subsidiary of the Company which will be disposed of) (as disclosed in the Company's announcement dated 15 June 2020 and the announcements referred to therein) and closure of certain non-core operations.

Finance costs for the Period were approximately RMB173.4 million (1H2019: RMB233.4 million), representing a decrease of approximately 25.7% as compared with the corresponding period in 2019. The decrease in finance costs was mainly due to a decrease in average loan balance during the Period.

The Group recorded other expenses of approximately RMB54.9 million for the six months ended 30 June 2020 (1H2019: RMB10.6 million), representing an increase of approximately 419.2% as compared with the corresponding period in 2019. The increase was due to a provision of claim arising from litigation during the Period.

Income tax credit of approximately RMB138,000 was recorded for the six months ended 30 June 2020 (1H2019: tax expenses: RMB11.5 million).

As a result of the above, the net loss attributable to ordinary equity holders of the Company was approximately RMB223.9 million (1H2019: loss of RMB212.8 million). Loss per share was RMB0.22 (1H2019: loss per share of RMB0.21).

Business Review

Steel pipe business

We mainly manufacture and sell welded steel pipes and provide welded steel pipes manufacturing services. Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are one of the largest LSAW steel pipes manufacturers in the PRC and are capable of manufacturing LSAW steel pipes that meet the X100 standard. We also hold 12 international quality certifications accredited by renowned certification bodies, such as Det Norske Veritas ("**DNV**") and American Petroleum Institute ("**API**"). In addition, we are the first and only PRC manufacturer that has successfully developed deep sea welded pipes for use at a water depth of 3,500m. Our products are widely used in major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

We are capable of manufacturing subsea pipes and drilling platform structure pipes for offshore projects and are being classified as part of the Offshore Engineering Equipment Industry*（海洋工程裝備製造業）. We have benefited from the PRC's strategic policies and are supported by policy banks and insurance institutions in the PRC.

During the Period, we received new orders of approximately 366,000 tonnes of steel pipes. We delivered approximately 112,000 tonnes of welded steel pipes during the Period.

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, named 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 is a summary information of GDC:

Address:	Qinghe Road, Shiji Town, 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: 135,000m^2 Phase II: 191,000m^2 Phase III: 224,000m^2

The Group has recorded most of the sales of first phase of GDC in 2018. The Group has pre-sold the second phase of GDC and the total contracted sales were approximately RMB991 million. The third phase of GDC has been sold to Guangzhou City Panyu District Land Development Centre*（廣州市番禺區土地開發中心）as disclosed in the Company’s announcement dated 20 June 2019. For details of the disposal, please refer to the paragraph titled “Land Resumption of GDC Phase III” below at page 26.

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

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

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

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

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

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

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

On 15 June 2020, the Group has entered into a first disposal supplemental agreement and a second disposal supplemental agreement (collectively the "**Supplemental Agreements**") to provide a framework for the unwinding of the Previous Agreement and the Disposal Agreement to pave way for the negotiation and implementation of direct land resumption by the Guangzhou government. Under the first disposal supplemental agreement, the Group has to repay the shareholder's loan of RMB1.68 billion and the accrued interests and a compensation of RMB108.1 million to Guangdong Yuecai. Upon repayment of the shareholder's loan and payment of the compensation, Guangdong Yuecai will procure the discharge of the existing mortgage over the Land. CKSPG shall purchase Guangdong Yuecai's 20% equity interest in PCKSP. Under the second disposal supplemental agreement, PCKSP has to repay the outstanding loan of approximately RMB400 million and accrued interest owed to Xingchen on or before 31 October 2020.

As at 30 June 2020, the Company has performed the following asset reorganization: (i) PCKSP's liabilities was reduced to below RMB159 million; (ii) most of the bank guarantees by PCKSP have been released; (iii) most of the outstanding sales contracts and engineering contracts of PCKSP were either terminated or discharged; and (iv) PCKSP has transferred the equity interest in PCK Steel (Middle East) FZE to an independent third party.

Land Resumption of GDC Phase III

On 20 June 2019, the Group has entered into a land resumption compensation agreement ("**Land Resumption Compensation Agreement**") with Guangzhou City Panyu District Land Development Centre*（廣州市番禺區土地開發中心）("**GPDLDC**"), pursuant to which GPDLDC would resume, and the Group would sell the land of Phase III GDC at the final compensation of RMB1,524,628,500. The land resumption contemplated under the Land Resumption Compensation Agreement were approved by the Shareholders at an extraordinary general meeting held on 28 November 2019. As at 30 June 2020, the Group has received the full compensation. The land transfer procedures were completed in 2019.

Future Plan and Prospects

Looking forward, the PRC government officially established China Oil & Gas Pipeline Network Corporation*（國家石油天然氣管網集團有限公司）(the "**Pipe China**"), marking a milestone in the market-oriented reform of the operation mechanism on oil and gas pipeline network. The establishment of the Pipe China will help straighten out the gas industry chain and systematically plan and accelerate the construction of pipelines and other infrastructure, which in turn will drive demand for related equipment. It is expected that the development of natural gas network will generate market demand for related equipment worth over RMB300 billion.

The PRC government is expected to strengthen policy regulation after the end of the COVID-19 epidemic, in order to achieve the economic and social development goals for this year. As an important force to maintain the stable growth, more efforts will focus on infrastructure investment. Various ministries and commissions including National Development and Reform Commission, Ministry of Transport and National Energy Administration will take efforts to expand effective investment, speed up approvals and bidding, orderly promote project resumption and start-up and continue to optimize the rolling pipeline project.

Under the 13th Five-Year Plan, China ushered in a stage of vigorous development in construction of natural gas pipeline networks. As it is stated in the Medium to Long Term Oil and Gas Pipeline Networks Planning（《中長期油氣管網規劃》）published by the National Development and Reform Commission of the People's Republic of China, China will strive to strengthen the land and sea linkage as well as onshore and offshore interaction, consolidate and improve the northwest, northeast, southwest and offshore channels for oil and gas import, and promote energy cooperation with countries and regions along the "Belt and Road Initiative", thereby forming a preliminary layout with balanced distribution of onshore and offshore channels by 2025. Besides, China will strengthen the infrastructure construction of natural gas pipeline networks by following the principle of transmitting gas from the west to the east and from the north to the south, and bringing gas from offshore, so as to establish natural gas infrastructure networks featured by "interconnection of backbone networks with regional networks" by 2025. Next year will be the kick off year of the 14th Five-Year Plan. It is believed that development and deployment of pipeline networks will be intensified, and natural gas sector is projected to become the fastest growing energy sector by reaching a growth rate of 9.40%, completely outmatches those of other energy sectors. It is expected that investment scale of trunk pipelines for the period from 2019 to 2025 will be extensive.

According to the 13th Five-Year Plan and the 14th Five-Year Plan, during the period from 2019 to 2020 and the period from 2021 to 2025, the planned construction length of natural gas pipelines in China will amount to 28,000 kilometers and 59,000 kilometers, respectively, and construction investment for newly constructed trunk pipelines will amount to RMB370.4 billion and RMB780.6 billion, respectively (in aggregate of RMB1,151 billion).

The PRC government also plans to promote the integrated development of natural gas and renewable energy with implementing natural gas integrated development demonstration projects in Sichuan, Jiangsu, Guangdong and other regions; promote gasification projects in key areas for air pollution prevention and treatment in Beijing-Tianjin-Hebei Region; accelerate oil and gas pipeline construction in key areas and regions with low gasification rates; advance the construction of auxiliary transmission pipelines of shale gas and other unconventional natural gas. The main natural gas pipelines currently planned and under construction in China include the Xinjiang-Guangdong-Zhejiang Pipeline, the Shaanxi-Beijing Pipeline (Line IV), the Sino-Russian Natural Gas Pipeline and the West-East Gas Pipeline (Line IV), which is expected to generate a total demand for steel pipes of approximately 8 million tons in the next 2-3 years. Since steel pipes account for a major part of pipes, it is estimated that the increase in steel pipe demand driven by the construction of the four pipelines will be approximately RMB30 to 40 billion.

In the future, we will proactively develop and expand our customer bases both domestically and internationally. For domestic market, in view of the state's promotion of natural gas utilization and acceleration of infrastructure projects, a rebound in demand for steel pipes is expected. According to the plan of the state, the lengths of crude oil pipelines, refined oil pipelines and natural gas pipelines will reach 32,000 kilometers, 33,000 kilometers and 104,000 kilometers respectively by 2020. And the total length of oil and gas pipeline network will reach 240,000 kilometers, the network coverage will be further expanded, the network structure will be further optimized and the storage and transmission capability will be significantly improved by 2025. During the plan period, six new crude oil pipelines and eight new refined oil pipelines are planned to be constructed, which will be a golden era for the development of oil and gas pipelines.

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

Employees

As at 30 June 2020, we had 807 full time employees in total (as at 31 December 2019: 1,162). To retain our employees, we provide competitive remuneration package including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory retirement benefit schemes for employees in their respective countries.

Exchange Risk Exposure

During the Period, most of our operating transactions were settled in RMB except for export sales which were mostly denominated in USD. Apart from the 5.6% of borrowings and bonds denominated in USD/HKD, most of our assets and liabilities were denominated in RMB. We did not adopt formal hedging policies nor instruments of foreign currency for hedging purposes during the Period.

Interim Dividend

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil) to the shareholders of the Company.

Financial Guarantee

As at 30 June 2020, the Group guaranteed RMB111.6 million (as at 31 December 2019: RMB94.3 million) to certain purchasers of the Group's properties for mortgage facilities.

As at 30 June 2020, the Group guaranteed RMB556.2 million (as at 31 December 2019: RMB548.1 million) for banking facilities in Saudi Arabia of which RMB556.2 million (as at 31 December 2019: RMB511.5 million) was utilized by our joint venture company in Saudi Arabia.

Pledge of Assets

As at 30 June 2020, we pledged certain property, plant and equipment, leasehold land, time deposits, certain properties under development, completed properties held for sale and trade receivable with an aggregate net book value of RMB1,154.7 million (as at 31 December 2019: RMB1,201.1 million), RMB810.2 million (as at 31 December 2019: RMB792.5 million), RMB2,000 (as at 31 December 2019: RMB2,000), RMB1,202.1 million (as at 31 December 2019: RMB1,267.3 million), RMB108.1 million (as at 31 December 2019: RMB109.4 million) and RMB15.3 million (as at 31 December 2019: nil) respectively, to secure bank loans and other borrowings granted to the Group.

Liquidity and Financial Resources

As at 30 June 2020, our cash and bank balances and current ratio, as a ratio of current assets to current liabilities, were approximately RMB13.7 million (as at 31 December 2019: RMB58.6 million) and 0.65 (as at 31 December 2019: 1.04) respectively.

On 27 April 2020, the Company entered into a subscription agreement (the "**Subscription Agreement**") with an independent third party, pursuant to which the Company agreed to issue, and the subscriber agreed to subscribe for 12% bonds due in April 2022 in an aggregate principal amount of HK$140,000,000 (the "**Bonds**"). Pursuant to the Subscription Agreement, certain specific performance obligations (the "**Specific Performance Obligations**") are imposed on Mr. Chen, an executive director and controlling shareholder of the Company, during the term of the Subscription Agreement, including Mr. Chen shall remain (i) the single largest direct or indirect shareholder of the Company; and (ii) the chairman of the board of directors and executive director of the Company. Any breach of the Specific Performance Obligations may constitute a breach under the Subscription Agreement, pursuant to which the bondholder is entitled to redeem the Bonds immediately upon the occurrence of the breach in accordance with the terms and conditions of the Bonds.

On 1 June 2017, the Company entered into a facility agreement with an investment company (the "**Investment Company**"), in respect of a one year loan in an aggregate amount of HKD350 million (the "**Loan**"). Under the terms of the Loan, Mr. Chen Chang and Bournam Profits Limited shall remain as shareholders of the Company interested in an aggregate of no less than 69.42% of the shareholding in the Company. On 22 June 2018, the Company entered into a loan amendment deed with the Investment Company, pursuant to which the Investment Company agreed to provide a further advance of HKD250 million (together with the Loan, "**the Loans**"). In return for the further advance, the Company agreed to provide further security for the Loans and to issue unlisted warrants to the Investment Company. The unlisted warrants in the amount of HKD313,320,000 were issued pursuant to a specific mandate granted to the Board at the extraordinary meeting held on 9 October 2018.

On 30 April 2018, the Company failed to redeem the bonds (the "**Bonds**") with a principal amount of US$72 million. On 22 June 2018, the Company entered into a rescheduling agreement with all holders of the Bonds (the "**Bondholders**"), pursuant to which, the Company shall make partial payments to the Bondholders in accordance with a new repayment schedule. The Company has to pay interest on the Bonds at the rate of 7.6% per annum during the standstill period.

As at 30 June 2020, our aggregate borrowings were approximately RMB4,804.3 million (as at 31 December 2019: approximately RMB5,048.9 million), of which approximately RMB4,638.6 million (as at 31 December 2019: RMB4,862.9 million) were bank loans, other borrowings and government loans, approximately RMB158.9 million (as at 31 December 2019: RMB178.04 million) were USD and HKD bonds and approximately RMB6.8 million (as at 31 December 2019: RMB7.9 million) were lease liabilities.

Included in the aggregate borrowings as at 30 June 2020, there were property development loan of around RMB1,227.4 million and shareholder's loan from Guangdong Yuecai and loan from Xingchen of around RMB1.96 billion. Excluding the above loans, the loans for our steel pipe business as at 30 June 2020 were around RMB1,614.4 million. We have to finance our working capital by short term borrowings as around 90% of the cost of sales is incurred on the procurement of steel plates and steel coils. Once we receive sales proceeds from our customers, we will repay the short term borrowings.

The gearing ratio, expressed as a percentage of the summation of interest bearing borrowings and bonds over total assets was approximately 58.3% as at 30 June 2020 (as at 31 December 2019: 59.5%).

The maturity profile of our total borrowings as at 30 June 2020 was approximately 64% (as at 31 December 2019: 25%) of the total borrowings repayable within one year, and approximately 36% (as at 31 December 2019: 75%) of the total borrowings repayable over one year.

We had net current liabilities of approximately RMB2,104.7 million as at 30 June 2020 as the shareholder's loan from Guangdong Yuecai and loan from Xingchen of approximately RMB1.96 billion was reclassified as short term. The Group will repay the shareholder's loan immediately after the receipt of proceeds from direct resumption of the Land. In addition, the Group has received around RMB991.3 million from pre sale of Phase II of GDC as at 30 June 2020. The Group has sufficient cashflow to meet its short term obligations.

As at 30 June 2020, approximately 49% (as at 31 December 2019: 51%) of our total borrowings were denominated in RMB which carried interest rates linked to the benchmark lending rate published by the People's Bank of China, approximately 45% (as at 31 December 2019: 43%) of our total borrowings were denominated in RMB which carried fixed interest rate and approximately 6% (as at 31 December 2019: 6%) of our total borrowings were denominated in USD and HKD which carried fixed interest rate.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed herein, the Group had no other significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

Litigation

Jiangsu Binxin Iron and Steel Group Co. Ltd*（江蘇省鑌鑫鋼鐵集團有限公司）claimed against Nanjing Rongyu Group Company*（南京鎔裕集團有限公司）("**Nanjing Rongyu**") for breaching a purchase contract in the amount of RMB37.7 million. The purchase contract was arranged by the ex-beneficial owners of Nanjing Rongyu Group prior to the Group's acquisition of Nanjing Rongyu in May 2013. The Group was not informed of such purchase contract at the time of acquisition. According to the second instance judgement made by the Jiangsu Province Lianyungang Intermediate People's Court, Nanjing Rongyu has to pay compensatory amount of RMB34.4 million plus interest.

Event after the Reporting Period

As at the date of this announcement, there is no significant event subsequent to 30 June 2020 which would materially affect the Group's operating and financial performance.

Corporate Governance

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

CG Code A.2.1

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive". The role is currently performed by Mr. Chen Chang, an executive Director, the chairman and founder of the Group, who is responsible for the leadership and effective running of the Company and 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 will complement Mr. Chen in carrying out his responsibilities. 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 will nevertheless review the management and Board structure from time to time to ensure appropriate measures would be taken should suitable circumstances arise.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Following specific enquiries having been made of all Directors, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

Audit Committee

The Company's Audit Committee comprises Mr. Au Yeung Kwong Wah (Chairman), Mr. Chen Ping and Mr. Tian Xiao Ren, who are the independent non executive Directors of the Company.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2020.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed and reviewed the adequacy and effectiveness of the Group's internal control system, risk management functions and financial reporting system.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the website of the Stock Exchange at **http://www.hkexnews.hk** and the Company's website at **http://www.pck.com.cn** or **pck.todayir.com.** The interim report for the six months ended 30 June 2020 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 28 August 2020

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. Tian Xiao Ren and Mr. Au Yeung Kwong Wah.

* *For identification purpose only*