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

2021

Interim Report

Contents

Corporate Information

Directors

Executive Directors

Mr. CHEN Chang *(Chairman)*
Mr. CHEN Guo Xiong *(Vice Chairman)*
Ms. CHEN Zhao Nian

Independent Non Executive Directors

Mr. AU YEUNG Kwong Wah
Mr. CHEN Ping
Mr. TIAN Xiao Ren

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Company Secretary

Ms. WONG Pui Shan
FCCA, CPA, ACIS, ACS, Msc (Fin)

Audit Committee

Mr. AU YEUNG Kwong Wah *(Chairman)*
Mr. CHEN Ping
Mr. TIAN Xiao Ren

Nomination Committee

Mr. CHEN Ping *(Chairman)*
Mr. TIAN Xiao Ren
Mr. CHEN Chang

Remuneration Committee

Mr. TIAN Xiao Ren *(Chairman)*
Mr. CHEN Ping
Mr. CHEN Chang

Authorised Representatives

Mr. CHEN Chang
Ms. CHEN Zhao Nian

Head Office and Principal Place of Business in the PRC

2-5/F., 3-5 Golden Dragon City
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511450 Panyu District
Guangzhou City
Guangdong Province
The PRC

Principal Place of Business in Hong Kong

Suite Nos 1, 2 and 19
15th Floor, Tower 3
China Hong Kong City
33 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Auditor

Ernst & Young

Stock Code

1938

Company's Website

www.pck.com.cn
pck.todayir.com

Legal Advisers as to Hong Kong Law

Loeb & Loeb LLP

Corporate Information

Principal Bankers

Bank of China Limited
Bank of Communications
Bank of Guangzhou
Bank of Jiangsu
China Construction Bank
Guangzhou Rural Commercial Bank
Industrial and Commercial Bank of China
The Export Import Bank of China

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Center
183 Queen's Road East
Hong Kong

Management Discussion and Analysis

Financial Review

Overall Financial Results

For the six months ended 30 June 2021 (the "Period"), we recorded a revenue of approximately RMB864.2 million (1H2020: RMB367.7 million), representing an increase of approximately 135.0% as compared with the corresponding period in 2020. 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 RMB41.7 million (1H2020: loss of RMB223.9 million). Loss per share was RMB0.04 (1H2020: loss per share of RMB0.22). The board of directors of the Company (the "Board") did not recommend the payment of interim dividend for the Period (1H2020: Nil).

Revenue

During the Period, we recorded a revenue of approximately RMB864.2 million (1H2020: RMB367.7 million), representing an increase of approximately 135.0% as compared with the corresponding period in 2020. The revenue increase was due to an increase in both domestic and overseas orders received by the Group. Major oil and gas projects as well as construction projects in the PRC and overseas have been recovered.

During the Period, the revenue from domestic sales and overseas sales represented approximately 42.3% (1H2020: 95.4%) and approximately 57.7% (1H2020: 4.6%) respectively of our total revenue. Increase in overseas sales was due to the delivery of a sizeable order of Nigeria Natural Gas Pipe Project in 2021.

Sales by geography

	Six months ended 30 June			
	2021		2020	
	RMB'000 (Unaudited)	**% of revenue**	RMB'000 (Unaudited)	% of revenue
Domestic sales	**365,190**	**42.3%**	350,836	95.4%
Overseas sales	**499,027**	**57.7%**	16,907	4.6%
Total	**864,217**	**100.0%**	367,743	100.0%

Management Discussion and Analysis

Sales by products

	Six months ended 30 June			
	2021		2020	
	RMB'000 (Unaudited)	**% of revenue**	RMB'000 (Unaudited)	% of revenue
Manufacture and sale of steel pipes				
LSAW steel pipes	**683,245**	**79.1%**	228,612	62.2%
ERW steel pipes	**2,600**	**0.3%**	5,619	1.5%
SSAW steel pipes	**30,948**	**3.6%**	31,045	8.4%
Sub-total	**716,793**	**83.0%**	265,276	72.1%
Steel pipes manufacturing services				
LSAW steel pipes	**59,992**	**6.9%**	37,501	10.2%
ERW steel pipes	**–**	**–%**	10,682	2.9%
SSAW steel pipes	**55,278**	**6.4%**	38,790	10.6%
Sub-total	**115,270**	**13.3%**	86,973	23.7%
Others	**32,154**	**3.7%**	15,494	4.2%
Total	**864,217**	**100%**	367,743	100%

Gross Profit and Gross Profit Margin

During the Period, our gross profit was approximately RMB98.8 million (1H2020: RMB85.6 million), representing an increase of approximately 15.4% as compared with the corresponding period in 2020. The overall gross profit margin was approximately 11.4%, which was lower than that for the same period in 2020 which was approximately 23.3%. The increase in gross profit was due to the increase in sales during the Period. Overseas sales increased significantly during the Period which led to increase in freight charges. Decrease in gross profit margin was due to increase in freight charges in relation to overseas sales. In addition, overseas sales were denominated in USD but costs in RMB. Appreciation of RMB against USD during the Period further dragged down the gross profit margin.

Management Discussion and Analysis

Other income and gains for the Period were approximately RMB298.0 million (1H2020: RMB11.0 million), representing an increase of approximately 2,597.2% as compared with the corresponding period in 2020. Such increase was mainly due to a net gain on land restoration compensation from local authority in 2021 pursuant to the land resumption agreement dated 15 September 2020, details of which were disclosed in the circular of the Company dated 8 October 2020.

Selling and distribution expenses for the Period were approximately RMB28.5 million (1H2020: RMB24.5 million), representing an increase of approximately 16.2% as compared with the corresponding period in 2020. The increase in selling and distribution expenses was due to an increase in sales during the Period.

Administrative expenses for the Period were approximately RMB139.9 million (1H2020: RMB120.6 million), representing an increase of approximately 16.0% as compared with the corresponding period in 2020. The increase in administrative expenses was mainly due to increase in research and development costs during the Period.

Finance costs for the Period were approximately RMB110.8 million (1H2020: RMB173.4 million), representing a decrease of approximately 36.1% as compared with the corresponding period in 2020. 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 RMB41.3 million for the six months ended 30 June 2021 (1H2020: RMB54.9 million), representing a decrease of approximately 24.7% as compared with the corresponding period in 2020. The decrease was due to decrease in provision of claim arising from litigation during the Period.

The Group recorded exchange loss of approximately RMB41.1 million during the Period as compared to exchange gain of approximately RMB58.3 million during the corresponding period in 2020. The exchange loss was mainly due to depreciation of HKD against RMB. Payables to inter-companies denominated in HKD held by the Group's Hong Kong subsidiaries led to unrealised exchange losses of approximately RMB32.1 million.

Income tax expenses of approximately RMB64.0 million were recorded for the six months ended 30 June 2021 (1H2020: tax credit of RMB138,000). Income tax expenses were recorded for the Period mainly because the Group received land restoration compensation during the Period and there was tax provision on the gain on land restoration compensation.

As a result of the above, the net loss attributable to ordinary equity holders of the Company was approximately RMB41.7 million (1H2020: loss of RMB223.9 million). Loss per share was RMB0.04 (1H2020: loss per share of RMB0.22).

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 13 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 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 240,000 tonnes of steel pipes. We delivered approximately 229,000 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.

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

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 recorded most of the sales of the first phase of GDC in 2018. The Group pre-sold the second phase of GDC and the total contracted sales were approximately RMB1,032.2 million. The third phase of GDC was sold to Guangzhou City Panyu District Land Development Centre*（廣州市番禺區土地開發中心）in 2019.

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

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

On 12 February 2018, the Group 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 had been completed on 12 October 2018. Guangdong Yuecai made capital injections 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 Disposal Agreement as its nominee to acquire 40% equity interest of PCKSP; and (ii) the disposal of the remaining 40% equity interest of PCKSP to Xingchen, for a total consideration of RMB2,448 million with a possible payment of the premium of RMB272 million.

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

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

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

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

Future Plan and Prospects

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

Management Discussion and Analysis

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

China Oil & Gas Pipeline Network Corporation ("PipeChina") and the Guangdong Provincial Government signed the Strategic Cooperation Agreement on the Reform of the Natural Gas Pipeline System in Guangdong Province（《關於廣東省天然氣管網體制改革戰略合作協議》）, indicating the first provincial natural gas pipeline network will be integrated into PipeChina in a market-oriented manner, the construction of the natural gas pipeline network in the province will be accelerated and the "county-to-county" natural gas trunk pipeline in Guangdong will be realized. PipeChina will accelerate the construction of natural gas pipeline network in Guangdong Province, a total of 751 kilometers of six trunk pipelines are expected to be completed by the end of 2021, initially realizing the "city to city" of natural gas in Guangdong Province, and the basic "county to county" is expected to be achieved by the end of 2022.

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

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

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

Employees

As at 30 June 2021, we had 802 full time employees in total (as at 31 December 2020: 821). 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 3.0% 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 2021 (six months ended 30 June 2020: nil) to the shareholders of the Company.

Financial Guarantee

As at 30 June 2021, the Group guaranteed RMB83.5 million (as at 31 December 2020: RMB99.5 million) to certain purchasers of the Group's properties for mortgage facilities.

As at 30 June 2021, the Group guaranteed RMB521.3 million (as at 31 December 2020: RMB512.5 million) for banking facilities in Saudi Arabia, of which RMB357.5 million (as at 31 December 2020: RMB317.1 million) was utilized by our joint venture company in Saudi Arabia.

Pledge of Assets

As at 30 June 2021, we pledged the following assets to secure bank loans and other borrowings granted to the Group:

(i) certain property, plant and equipment with an aggregate net book value of RMB1,085.1 million (as at 31 December 2020: RMB1,198.0 million);

(ii) leasehold lands with an aggregate net book value of RMB696.4 million (as at 31 December 2020: RMB816.2 million);

(iii) deposits with an aggregate net book value of RMB232.2 million (as at 31 December 2020: RMB2,000);

(iv) certain properties under development with an aggregate net book value of RMB1,300.0 million (as at 31 December 2020: RMB1,264.7 million);

(v) completed properties held for sale with an aggregate net book value of RMB102.6 million (as at 31 December 2020: RMB102.6 million);

(vi) trade receivables with an aggregate net book value of RMB2.6 million (as at 31 December 2020: RMB2.6 million);

(vii) prepayments, other receivables and other assets with an aggregate net book value of Nil (as at 31 December 2020: RMB115.7 million); and

(viii) right over remaining compensation of land restoration under the Land Resumption Compensation Agreement amounting to RMB690.0 million (as at 31 December 2020: Nil).

Liquidity and Financial Resources

As at 30 June 2021, our cash and bank balances and current ratio, as a ratio of current assets to current liabilities, were approximately RMB87.7 million (as at 31 December 2020: RMB19.5 million) and 0.87 (as at 31 December 2020: 0.83) 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.

As at 30 June 2021, our aggregate borrowings were approximately RMB3,620.7 million (as at 31 December 2020: approximately RMB3,700.0 million), of which approximately RMB3,514.3 million (as at 31 December 2020: RMB3,549.1 million) were bank loans, other borrowings and government loans, approximately RMB105.1 million (as at 31 December 2020: RMB148.5 million) were USD and HKD bonds and approximately RMB1.3 million (as at 31 December 2020: RMB2.4 million) were lease liabilities.

Included in the aggregate borrowings as at 30 June 2021 were property development loans of around RMB1,136.9 million. Excluding the above loans, the loans for our steel pipe business as at 30 June 2021 were around RMB2,483.8 million. We have to finance our working capital by short term borrowings as most 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 42.3% as at 30 June 2021 (as at 31 December 2020: 43.3%).

The maturity profile of our total borrowings as at 30 June 2021 was approximately 52.1% (as at 31 December 2020: 60%) of the total borrowings repayable within one year, and approximately 47.9% (as at 31 December 2020: 40%) of the total borrowings repayable over one year.

We had net current liabilities of approximately RMB673.4 million as at 30 June 2021. The Group has received around RMB1,032.2 million from pre-sale of Phase II of GDC as at 30 June 2021. The Group has sufficient cashflow to meet its short term obligations.

As at 30 June 2021, approximately 71% (as at 31 December 2020: 56%) 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 26% (as at 31 December 2020: 37%) of our total borrowings were denominated in RMB which carried fixed interest rate and approximately 3% (as at 31 December 2020: 7%) 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

As at 30 June 2021, the Group has the following outstanding lawsuits:

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

Shanghai Baoye Group Corp., Ltd（上海寶冶集團有限公司）("Shanghai Baoye") alleged Lianyungang Kaidi Heavy Equipment Technology Co. Ltd*（連雲港凱帝重工科技有限公司）("Kaidi") and Kaidi alledged Shanghai Baoye breached the performance under a general construction contract for a claim of RMB28.3 million (net). According to the first instance judgement made by the People's Court of Lianyun District, Lianyungang City, Kaidi had to pay a compensatory amount of RMB28.3 million (net) and related interest to Shanghai Baoye. As of the date of this report, the Group has made provision on the claim.

Event after the Reporting Period

As at the date of this report, there is no significant event subsequent to 30 June 2021 which would materially affect the Group's operating and financial performance.

Directors' Interests in Competing Business

As at the date of this report, none of the directors of the Company (the "Directors") are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with our businesses.

Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2021, the interests or short positions of the Directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571) (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Shares of the Company

Name of Director	Capacity	Position	Number of shares held	Percentage of shareholding in the Company
Chen Chang	Interest of controlled corporation (note 1)	Long	701,911,000	69.42%
	Beneficial owner	Long	4,350,000	0.43%

Note:

1. These shares are held by Bournam Profits Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Chang. By virtue of the SFO, Mr. Chen is deemed to be interested in the 701,911,000 shares held by Bournam Profits Limited.

Other Information

Shares of Associated Corporation

Mr. Chen Chang beneficially owns the entire issued share capital of Bournam Profits Limited. Bournam Profits Limited is the beneficial owner of about 69.42% of the issued shares of the Company.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 30 June 2021, so far as the Directors are aware, save as disclosed above, the persons or corporations (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of shareholder	Capacity	Position	Number of shares	Approximately percentage of voting power
Bournam Profits Limited	Beneficial owner (note)	Long	701,911,000	69.42%

Note:

The entire share capital of Bournam Profits Limited is solely and beneficially owned by Mr. Chen Chang. Mr. Chen is deemed under the SFO to be interested in the 701,911,000 shares held by Bournam Profits Limited.

Share Option and Share Award Schemes

We adopted a share option scheme on 18 June 2020. We also adopted a share award scheme on 22 March 2012 which was terminated on 21 March 2021. The purpose of the aforementioned schemes is to provide incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the aforementioned schemes include, without limitation, employees, Directors and any other eligible persons as defined in the schemes. As at 30 June 2021, no share option has been granted or awarded or agreed to be granted or awarded to any person under the scheme.

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 2021.

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 2021.

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 2021.

Other Information

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 2021.

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.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
REVENUE	5	**864,217**	367,743
Cost of sales		**(765,394)**	(282,125)
Gross profit		**98,823**	85,618
Other income and gains	5	**298,017**	11,049
Selling and distribution expenses		**(28,487)**	(24,527)
Administrative expenses		**(139,864)**	(120,599)
Other expenses, net		**(41,346)**	(54,882)
Exchange (loss)/gain, net		**(41,088)**	58,329
Finance costs	6	**(110,816)**	(173,449)
Fair value loss on a derivative financial instrument		**–**	(59)
Share of loss of a joint venture		**(12,924)**	(5,503)
PROFIT/(LOSS) BEFORE TAX	7	**22,315**	(224,023)
Income tax (expense)/credit	8	**(64,036)**	138
LOSS FOR THE PERIOD		**(41,721)**	(223,885)
Attributable to:			
Owners of the parent		**(41,721)**	(223,885)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB(0.04)**	RMB(0.22)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
LOSS FOR THE PERIOD	**(41,721)**	(223,885)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,503**	(57,106)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**19,503**	(57,106)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into the presentation currency	**(1,795)**	4,170
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(1,795)**	4,170
OTHER COMPREHENSIVE INCOME/(LOSS)	**17,708**	(52,936)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(24,013)**	(276,821)
Attributable to:		
Owners of the parent	**(24,013)**	(276,821)

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	**As at 30 June 2021 (Unaudited) RMB'000**	As at 31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,498,985**	2,530,037
Investment properties	11	**387,000**	387,000
Right-of-use assets		**1,016,628**	1,031,276
Long term prepayments and deposits		**73,897**	75,679
Investment in a joint venture		**–**	10,510
Total non-current assets		**3,976,510**	4,034,502
CURRENT ASSETS			
Inventories	12	**441,744**	415,709
Properties under development		**2,139,190**	2,064,560
Completed properties held for sale		**365,422**	365,422
Trade and bills receivables	13	**582,600**	511,538
Prepayments, other receivables and other assets		**706,579**	1,003,330
Due from a related party	20	**–**	84,522
Pledged and restricted bank balances		**255,583**	22,712
Cash and bank balances		**87,746**	19,466
		4,578,864	4,487,259
Assets classified as held for sale		**–**	19,767
Total current assets		**4,578,864**	4,507,026

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2021

	Notes	**As at 30 June 2021 (Unaudited) RMB'000**	As at 31 December 2020 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	14	**511,990**	614,511
Interest-bearing bank and other borrowings	15	**1,782,882**	2,178,336
Contract liabilities		**1,352,313**	1,286,986
Other payables and accruals		**646,303**	782,666
Fixed rate bonds and notes	16	**105,120**	33,903
Due to a director	20	**166,503**	80,768
Due to a related party	20	**116,025**	–
Tax payable		**480,860**	417,928
Provision		**90,294**	54,579
		5,252,290	5,449,677
Liabilities directly associated with the assets classified as held for sale		**–**	7,552
Total current liabilities		**5,252,290**	5,457,229
NET CURRENT LIABILITIES		**(673,426)**	(950,203)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,303,084**	3,084,299
NON-CURRENT LIABILITIES			
Due to a director	20	**50,000**	50,000
Interest-bearing bank and other borrowings	15	**1,732,705**	1,373,109
Fixed rate bonds and notes	16	**–**	114,608
Government grants		**333,869**	336,011
Deferred tax liabilities		**353,828**	353,876
Total non-current liabilities		**2,470,402**	2,227,604
Net assets		**832,682**	856,695
EQUITY			
Equity attributable to owners of the parent			
Issued capital	17	**88,856**	88,856
Reserves		**743,826**	767,839
Total equity		**832,682**	856,695

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent								
	Issued capital RMB'000 (Note 17)	Share premium* RMB'000	Asset revaluation reserve* RMB'000	Contributed surplus* RMB'000	Capital reserve* RMB'000 (note (a))	Statutory reserve fund* RMB'000 (note (b))	Accumulated losses* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000
At 1 January 2021 (audited)	88,856	767,097	612,661	224,589	53,934	275,523	(1,147,759)	(18,206)	856,695
Loss for the period	–	–	–	–	–	–	(41,721)	–	(41,721)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	19,503	19,503
Exchange differences related to the translation of the Company's financial statements into the presentation currency	–	–	–	–	–	–	–	(1,795)	(1,795)
Total comprehensive (loss)/income for the period	–	–	–	–	–	–	(41,721)	17,708	(24,013)
Disposal of a subsidiary	–	–	–	–	–	(1,388)	1,388	–	–
At 30 June 2021 (unaudited)	**88,856**	**767,097**	**612,661**	**224,589**	**53,934**	**274,135**	**(1,188,092)**	**(498)**	**832,682**

* These reserve accounts comprise the consolidated reserves of RMB743,826,000 (30 June 2020: RMB(310,708,000)) in the interim condensed consolidated statement of financial position as at 30 June 2021.

For the six months ended 30 June 2020

	Attributable to owners of the parent								
	Issued capital RMB'000 (note 17)	Share premium* RMB'000	Asset revaluation reserve* RMB'000	Contributed surplus* RMB'000	Capital reserve* RMB'000 (note (a))	Statutory reserve fund* RMB'000 (note (b))	Accumulated losses* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000
At 1 January 2020 (audited)	88,856	767,097	616,740	224,589	53,934	165,276	(1,664,502)	(197,021)	54,969
Loss for the period	–	–	–	–	–	–	(223,885)	–	(223,885)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(57,106)	(57,106)
Exchange differences related to the translation of the Company's financial statements into the presentation currency	–	–	–	–	–	–	–	4,170	4,170
Total comprehensive loss for the period	–	–	–	–	–	–	(223,885)	(52,936)	(276,821)
At 30 June 2020 (unaudited)	88,856	767,097	616,740	224,589	53,934	165,276	(1,888,387)	(249,957)	(221,852)

Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2021

Notes:

(a) Capital reserve represents the excess capital paid over the registered capital of Panyu Chu Kong Steel Pipe Co., Ltd. ("PCKSP") by Lessonstart Enterprises Limited ("Lessonstart").

(b) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 25% of the registered capital after such usage.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**22,315**	(224,023)
Adjustments for:		
Finance costs	**110,816**	173,449
Share of loss of a joint venture	**12,924**	5,503
Gain on disposal of subsidiaries	**(11,728)**	–
Loss/(gain) on disposal of items of property, plant and equipment	**19**	(226)
Bank interest income	**(2,009)**	(587)
Government grant income	**(5,266)**	(8,376)
Gain on compensation for land resumption	**(275,015)**	(293,698)
Depreciation of property, plant and equipment	**48,235**	48,086
Depreciation of right-of-use assets	**13,815**	15,064
Fair value loss on a derivative financial instrument	**–**	59
Impairment of other receivables	**–**	6,875
Reversal of impairment of trade receivables	**(89)**	–
Provision for claim of litigations	**33,251**	45,922
	(52,732)	(231,952)
Increase in inventories	**(26,035)**	(30,518)
Increase in properties under development	**(41,448)**	(80,696)
Increase in completed properties held for sale	**–**	(27)
Increase in trade and bills receivables	**(76,096)**	(82,599)
(Increase)/decrease in prepayments, other receivables and other assets	**(258,114)**	246,849
(Increase)/decrease in pledged and restricted bank balances	**(232,871)**	135,726
(Decrease)/increase in trade and bills payables	**(21,621)**	44,896
Increase in contract liabilities, other payables and accruals	**195,269**	99,031
Cash (used in)/generated from operations	**(513,648)**	100,710
Interest received	**2,009**	587
Interest paid	**(87)**	360
Corporate income tax paid	**(1)**	(8)
Land appreciation tax paid	**(426)**	(1,272)
Net cash flows from operating activities	**(512,153)**	100,377

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(7,566)**	(12,195)
Receipt of government grants		**3,124**	5,424
Disposal of a subsidiary	18	**8,511**	–
Receipt of compensation for land resumption		**752,397**	294,629
Net cash flows from investing activities		**756,466**	287,858
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**1,305,539**	427,461
Repayment of bank loans and other borrowings		**(1,471,739)**	(653,919)
Proceeds from issue of bonds		**–**	3,868
Repayment of bonds		**(42,741)**	(27,986)
Interest paid		**(287,355)**	(158,470)
Principal portion of lease payments		**(917)**	(1,584)
Increase in an amount due to a related party		**200,547**	–
Increase/(decrease) in an amount due to a director		**85,735**	(3,182)
Net cash flows used in financing activities		**(210,931)**	(413,812)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,382**	(25,577)
Effect of foreign exchange rate changes, net		**34,898**	(19,296)
Cash and cash equivalents at 1 January		**19,466**	58,585
CASH AND CASH EQUIVALENTS AT 30 JUNE		**87,746**	13,712

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 principal 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 involved 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 2021 (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 2021 have been prepared in accordance with 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 2020.

Going concern basis

The Group recorded a consolidated loss of RMB41,721,000 for the six months ended 30 June 2021. As at 30 June 2021, the Group recorded net current liabilities of RMB673,426,000.

2. Basis of Preparation (Continued)

Going concern basis (Continued)

In view of these circumstances, the Directors have considered the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

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

(1) Actively working on the land restoration under the land resumption compensation agreement entered on 15 September 2020 (the "Land Resumption Compensation Agreement")

The Group is actively working on the land restoration, including but not limited to soil remediation under the Land Resumption Compensation Agreement, and expects to receive the remaining compensation amounting to RMB1,036 million and the early completion bonus payments amounting to RMB691 million in the second half of 2021.

(2) Active negotiations with debtors on outstanding receivables

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

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

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

2. Basis of Preparation (Continued)

Going concern basis (Continued)

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

Subsequent to 30 June 2021 and up to the date of this report, the Group renewed the existing loans of RMB457 million with related banks. The Group will continue to actively negotiate with the banks for the renewal of the Group's borrowings when they fall due or obtain additional sources of finance to meet the Group's working capital and financial requirements in the near future. The Directors have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the banks which will enhance the Group's ability to renew the Group's loans upon expiry.

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 fulfilment of land restoration including but not limited to soil remediation under the Land Resumption Compensation Agreement which could provide additional funds for the Group, coupled with positive cash flows from the Group's steel pipes business and the continued sale of the Group's existing real estate projects, the Directors considered that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the interim condensed consolidated financial statements of the Group have been prepared on a going concern basis.

However, the progress of fulfilment of the land restoration under the Land Resumption Compensation Agreement including the soil remediation influences the future cash flow prospects and the fulfilment of the land restoration is subject to the acceptance by the local authorities. Further, the current market situation is uncertain and vulnerable, and it may also further impact the Group's future sales. 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 which 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 applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) for the first time for the current period's financial information.

Amendments to IFRS 9, IAS39, IFRS7, IFRS4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendments to IFRS 16	*Covid-19-Related Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

3. Changes in Accounting Policies and Disclosures (Continued)

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the covid-19 pandemic.

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) 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.

4. Operating Segment Information (Continued)

Six months ended 30 June 2021 (unaudited)	Steel pipes RMB'000	Property development and investment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	863,999	218	864,217
Segment results :	77,102	(23,977)	53,125
Reconciliation:			
Corporate and other unallocated expenses			(30,810)
Loss before tax			22,315
Segment assets :	4,870,244	5,664,847	10,535,091
Reconciliation:			
Elimination of intersegment receivables			(2,355,513)
Corporate and other unallocated assets			375,796
Total assets			8,555,374
Segment liabilities :	6,485,924	3,402,203	9,888,127
Reconciliation:			
Elimination of intersegment payables			(2,355,513)
Corporate and other unallocated liabilities			190,078
Total liabilities			7,722,692
Other segment information:			
Share of loss of a joint venture	(12,924)	–	(12,924)
Depreciation and amortisation	(62,036)	(14)	(62,050)
Capital expenditure*	(17,794)	–	(17,794)

4. Operating Segment Information (Continued)

Six months ended 30 June 2020 (unaudited)	Steel pipes RMB'000	Property development and investment RMB'000	Total 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 and amortisation	(63,047)	(103)	(63,150)
Capital expenditure*	(12,960)	(20)	(12,980)

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

4. Operating Segment Information (Continued)

Information about steel pipe products and services

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Manufacture and sale of steel pipes:		
LSAW steel pipes	**683,245**	228,612
ERW steel pipes	**2,600**	5,619
SSAW steel pipes	**30,948**	31,045
Steel pipe manufacturing services:		
LSAW steel pipes	**59,992**	37,501
ERW steel pipes	**–**	10,682
SSAW steel pipes	**55,278**	38,790
Others*	**32,154**	15,494
	864,217	367,743

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

4. Operating Segment Information (Continued)

Geographical information

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Sales to external customers:		
Mainland China	**365,190**	350,836
Africa	**351,464**	–
Other Asian countries	**32,430**	16,415
Middle East	**51,614**	492
European Union	**30,520**	–
America	**20,424**	–
Oceania	**12,575**	–
	864,217	367,743

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

Information about major customers

External customers that each contributes over 10% of total revenue of the Group for any of the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Customer A	**351,464**	N/A
Customer B	**N/A**	41,493

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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue from contracts with customers		
Manufacture and sale of welded steel pipes and the provision of related manufacturing services	**863,999**	367,194
Revenue from other sources		
Gross rental income	**218**	549
	864,217	367,743
Other income and gains		
Bank interest income	**2,009**	587
Subsidy income from the PRC government*	**5,266**	8,376
Gain on land restoration compensation**	**275,015**	–
Gain on disposal of a subsidiary	**11,728**	–
Others	**3,999**	2,086
	298,017	11,049

* The subsidy income represented subsidies granted by the local finance bureaus to certain subsidiaries of the Group, 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 2021, compensation in relation to the land restoration under the Land Resumption Compensation Agreement amounting to RMB345 million was received with a net gain of RMB275 million.

5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers:

(i) Disaggregated revenue information:

Six months ended 30 June 2021 (unaudited)	Steel pipes RMB'000	Property development and investment RMB'000	Total RMB'000
Sales of goods/properties	748,729	–	748,729
Rendering of services	115,270	–	115,270
Total revenue from contracts with customers	863,999	–	863,999
Geographical markets			
Mainland China	364,972	–	364,972
Africa	351,464	–	351,464
Other Asian countries	32,430	–	32,430
Middle East	51,614	–	51,614
European Union	30,520	–	30,520
America	20,424	–	20,424
Oceania	12,575	–	12,575
Total revenue from contracts with customers	863,999	–	863,999
Timing of revenue recognition			
Goods/properties transferred at a point in time	748,729	–	748,729
Services transferred over time	115,270	–	115,270
Total revenue from contracts with customers	863,999	–	863,999

5. Revenue, Other Income and Gains (Continued)

(i) Disaggregated revenue information: (Continued)

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 in time	280,221	–	280,221
Services transferred over time	86,973	–	86,973
Total revenue from contracts with customers	367,194	–	367,194

5. Revenue, Other Income and Gains (Continued)

(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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and government loans	**61,107**	62,823
Interest on other loans (including bonds and short term notes)	**82,673**	145,846
Interest on discounted bills	**4,020**	588
Interest on lease liabilities	**87**	360
Total interest expenses	**147,887**	209,617
Less: Interest capitalised	**(37,071)**	(36,168)
	110,816	173,449

7. Profit/(Loss) Before Tax

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**765,394**	282,125
Depreciation of property, plant and equipment	**48,235**	48,086
Depreciation of right-of-use assets	**13,815**	15,064
Impairment of other receivables*	**–**	6,875
Provision of claim for litigations*	**33,251**	45,922
Loss/(gain) on disposal of property, plant and equipment, net	**19**	(226)

* 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 and Indonesia 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 expense/(credit) in the interim condensed consolidated statement of profit or loss are as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current – Mainland China charge for the Period	**64,084**	1
Deferred	**(48)**	(139)
Total tax expense/(credit) for the Period	**64,036**	(138)

9. Loss Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,011,142,000 (at 30 June 2020: 1,011,142,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The calculation of basic and diluted loss per share are based on:

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(41,721)**	(223,885)

	Number of shares	
	2021	2020
Shares		
Weight average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**1,011,142,000**	1,011,142,000

10. Property, Plant and Equipment

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
At beginning of the period/year	**2,530,037**	2,604,239
Additions	**17,794**	61,348
Disposals	**(611)**	(24,167)
Assets classified as held for sale	**–**	(12,628)
Depreciation	**(48,235)**	(98,748)
Exchange realignment	**–**	(7)
At end of the period/year	**2,498,985**	2,530,037

The Group's property, plant and equipment with a net carrying amount of approximately RMB1,085,125,000 (31 December 2020: RMB1,197,950,000) were pledged to secure the Group's bank borrowings, as further detailed in note 15.

11. Investment Properties

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Commercial properties in Mainland China, PRC		
Carrying amount at 1 January	**387,000**	407,000
Net loss from a fair value adjustment	**–**	(20,000)
Carrying amount at end of the period/year	**387,000**	387,000

12. Inventories

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Raw materials	**125,346**	127,688
Work in progress	**100,449**	88,253
Finished goods	**218,167**	201,986
	443,962	417,927
Less: Provision against slow-moving and obsolete inventories	**(2,218)**	(2,218)
	441,744	415,709

13. Trade and Bills Receivables

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	**562,038**	506,570
Impairment	**(6,244)**	(6,333)
Trade receivables, net	**555,794**	500,237
Bills receivable	**26,806**	11,301
	582,600	511,538

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.

13. Trade and Bills Receivables (Continued)

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 60 days	**359,445**	343,253
61 to 90 days	**7,342**	11,429
91 to 180 days	**39,662**	19,290
181 to 365 days	**47,414**	28,418
1 to 2 years	**21,404**	10,642
2 to 3 years	**13,100**	14,333
Over 3 years	**67,427**	72,872
	555,794	500,237

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 90 days	**291,636**	423,131
91 to 180 days	**67,005**	33,100
181 to 365 days	**40,607**	19,192
1 to 2 years	**19,498**	56,746
2 to 3 years	**16,520**	29,517
Over 3 years	**64,534**	47,882
	499,800	609,568
Bills payable	**12,190**	4,943
	511,990	614,511

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Current				
Lease liabilities	9.51	2021-2022	**1,292**	2,011
Bank loans				
– secured	4.71-6.09	2021-2022	**593,900**	402,900
– unsecured	N/A	N/A	**–**	59,000
Other borrowing				
– secured	10.00	2021	**18,830**	238,272
– unsecured	6.60-24.00	2021	**906,660**	398,270
Government loans				
– secured	4.90	2021-2022	**88,000**	88,000
Current portion of long term loans				
– secured	4.90-7.00	2021-2022	**174,200**	989,883
			1,782,882	2,178,336
Non-current				
Lease liabilities	N/A	N/A	**–**	354
Bank loans				
– secured	4.90-7.00	2022-2028	**1,649,705**	1,240,755
Government loans				
– secured	4.90	2022-2023	**83,000**	132,000
			1,732,705	1,373,109
			3,515,587	3,551,445

15. Interest-Bearing Bank and Other Borrowings (Continued)

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**768,100**	613,300
In the second year	**690,500**	199,850
In the third to fifth years, inclusive	**839,205**	918,905
Beyond five years	**120,000**	122,000
	2,417,805	1,854,055
Government loans repayable:		
Within one year	**88,000**	88,000
In the second year	**83,000**	88,000
In the third to fifth years, inclusive	**–**	44,000
	171,000	220,000
Other borrowings payables:		
Within one year	**925,490**	1,475,025
	925,490	1,475,025
Lease liabilities repayable:		
Within one year	**1,292**	2,011
In the second year	**–**	354
	1,292	2,365
	3,515,587	3,551,445

15. Interest-Bearing Bank and Other Borrowings (Continued)

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

(a) the pledge of certain property, plant and equipment of the Group with a net carrying amount of approximately RMB1,085,125,000 (31 December 2020: RMB1,197,950,000) as at the end of the Period;

(b) the pledge of certain leasehold land of the Group with a net carrying amount of approximately RMB696,358,000 (31 December 2020: RMB816,224,000) as at the end of the Period;

(c) the pledge of certain of the Group's time deposits with an aggregate carrying amount of RMB232,227,000 (31 December 2020: RMB2,000) as at the end of the Period;

(d) the pledge of certain of the Group's properties under development with an aggregate carrying amount of RMB1,300,033,000 (31 December 2020: RMB1,264,749,000) as at the end of the Period;

(e) the pledge of certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB102,638,000 (31 December 2020: RMB102,638,000) as at the end of the Period;

(f) the pledge of trade receivable of the Group with an aggregate carrying amount of RMB2,551,000 (31 December 2020: RMB2,551,000) as at the end of the Period;

(g) the pledge of certain of the Group's prepayments, other receivables and other assets amounting to Nil (31 December 2020: RMB115,655,000) as at the end of the Period; and

(h) the pledge of right over remaining compensation of land restoration under the Land Resumption Compensation Agreement amounting to RMB690,000,000 (31 December 2020: Nil) as at the end of the Period.

Except for the bank loans and other borrowings of nil and RMB1,776,000 (31 December 2020: RMB101,788,000 and RMB4,413,000) as at 30 June 2021, which are denominated in US$ and HK$, all borrowings are in RMB.

15. Interest-Bearing Bank and Other Borrowings (Continued)

The Group had the following undrawn banking facilities:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Floating rate		
– expiring within one year	61,600	14,600

16. Fixed Rate Bonds and Notes

	30 June 2021				31 December 2020			
	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
Current								
2017 Bonds A	US$1.6	7.0	2021	10,415	US$1.8	7.0	2021	11,545
2017 Bonds B	HK$10	7.0	2021	8,200	HK$10	7.0	2021	7,889
2017 Bonds C	HK$10	6.0	2021	8,091	HK$10	6.0	2021	7,736
2019 Bonds A	HK$3	6.0	2021	2,496	HK$3	5.0	2021	2,525
2020 Bonds A	HK$2	6.0	2022	1,664	HK$2	5.5	2021	1,683
2020 Bonds B	N/A	N/A	N/A	–	HK$2	6.0	2021	1,683
2020 Bonds C	HK$1	6.0	2021	832	HK$1	6.0	2021	842
2020 Notes	HK$90	12.0	2022	73,422	N/A	N/A	N/A	–
				105,120				33,903
Non-Current								
2020 Notes	N/A	N/A	N/A	–	HK$140	12.0	2022	114,608
				–				114,608
				105,120				148,511

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

On 28 April 2017, the Group issued bonds with a principal amount of US$3,000,000 to an individual investor (the "2017 Bonds A"). The bonds should be repayable in full by 28 April 2020 but the expiry date has been extended to 30 September 2021. The bonds bear interest at a fixed coupon interest rate at 7% per annum for three years payable semiannually, commencing on 28 October 2017. The bonds are unsecured. As at 30 June 2021, the Company had partially redeemed the 2017 Bonds A with a principal amount of US$1,350,000.

16. Fixed Rate Bonds and Notes (Continued)

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

On 24 August 2017, the Group issued bonds with a principal amount of HK$10,000,000 to an individual investor (the "2017 Bonds B"). The bonds should be repayable in full by 24 August 2021 but the expiry date has been extended to 25 November 2021. The bonds bear interest at a fixed coupon interest rate of 7% per annum for four years payable semiannually, commencing on 24 February 2018. From 25 August 2021, the interest rate of the 2017 Bonds B increased from 7% per annum to 8% per annum. The bonds are unsecured.

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

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

HK$3,000,000 6% bonds due in 2021 (2019 Bonds A)

On 30 August 2019, the Group issued a bond with a principal amount of HK$3,000,000 to an individual investor (the "2019 Bonds A"). The bonds should be repayable in full by 28 February 2020 but the expiry date has been extended to 8 January 2022. The bonds bear interest at a fixed coupon interest rate at 5% per annum for half year payable semiannually. From 6 January 2021, the interest rate of the 2019 Bonds A increased from 5% per annum to 6% per annum. The bonds are unsecured.

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

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

16. Fixed Rate Bonds and Notes (Continued)

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

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

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

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

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

On 27 April 2020, the Group issued 12% notes due on 27 April 2022 with a principal amount of HK$140,000,000 to an investment fund (the "2020 Notes"). Pursuant to the purchase agreement, specific performance obligations are imposed on the controlling shareholder of the Group. Any breach of the specific performance obligations may constitute a breach under the note purchase agreement, pursuant to which the investment fund is entitled to redeem the 2020 Notes immediately in accordance with the terms and conditions. As at 30 June 2021, the Company had partially redeemed the 2020 Notes with a principal amount of HK$50,000,000.

17. Issued Capital

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Authorised:		
10,000,000,000 (31 December 2020: 10,000,000,000) ordinary shares of HK$0.10 each	**878,335**	878,335
Issued and fully paid:		
1,011,142,000 (31 December 2020: 1,011,142,000) ordinary shares of HK$0.10 each	**88,856**	88,856

18. Disposal of a Subsidiary

	15 January 2021 (Unaudited) RMB'000
Net assets disposed of:	
Property, plant and equipment	**12,628**
Right-of-use assets	**2,966**
Inventories	**1,648**
Trade receivables	**1,087**
Cash and bank balances	**257**
Prepayments and other receivables	**717**
Trade payables	**(539)**
Other payables	**(1,913)**
Lease liabilities	**(3,153)**
Deferred tax liabilities	**(1,483)**
	12,215
Gain on disposal of a subsidiary	**11,728**
	23,943
Satisfied by:	
Cash	**23,943**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Six months ended 30 June 2021 (Unaudited) RMB
Cash consideration	**23,943**
Consideration received in previous years	**(13,897)**
Consideration to be received subsequent to the current Period	**(1,278)**
Cash and bank balances disposed of	**(257)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**8,511**

19. Commitments

The Group had the following capital commitments:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	**258,984**	266,484
Plant and machinery	**35,216**	35,786
Capital contributions payable to joint venture	**104,424**	107,858
	398,624	410,128

20. Related Party Transactions

The directors are of the view that the following companies are related parties which entered into material transactions with the Group during the Period:

Name of related parties	**Relationship**
Guangzhou City Pearl River Machine Tool Works Co., Ltd. ("GZMT") 廣州市珠江機床廠有限公司	GZMT is a company of which Mr. Chen Chang is the ultimate equity owner.
Al-Qahtani PCK Pipe Company	Al-Qahtani PCK Pipe Company is a joint venture of the Group.

20. Related Party Transactions (Continued)

(a) Outstanding balances with a related party and a director:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Due from a related party		
GZMT	**–**	84,522
Due to a related party		
GZMT	**116,025**	–
Due to a director		
Mr. Chen Chang	**216,503**	130,768

The outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Salaries, allowances and benefits in kind	**1,918**	2,543
Retirement benefit scheme contributions	**32**	57
Total compensation paid to key management personnel	**1,950**	2,600

21. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000	**30 June 2021 (Unaudited) RMB'000**	31 December 2020 (Audited) RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (other than lease liabilities)	**3,514,295**	3,549,080	**3,612,366**	3,636,519
Fixed rate bonds and notes	**105,120**	148,511	**105,120**	157,006
Due to a director	**50,000**	50,000	**49,496**	49,104
	3,669,415	3,747,591	**3,766,982**	3,842,629

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, current portion of amounts due to a director and an amount due to a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the financial assets and liabilities included in interest-bearing bank and other borrowings, fixed rate bonds and notes and an amount due to a director have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings, fixed rate bonds and notes and an amount due to a director as at 30 June 2021 were assessed to be insignificant. The carrying amounts of these financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

21. Fair Value and Fair Value Hierarchy of Financial Instruments
(Continued)

Fair value hierarchy

The following tables illustrative the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 30 June 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable input (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	–	3,612,366	–	3,612,366
Fixed rate bonds and notes	–	105,120	–	105,120
Due to a director	–	49,496	–	49,496

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable input (Level 3) (Audited) RMB'000	Total (Audited) RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	–	3,636,519	–	3,636,519
Fixed rate bonds and notes	–	157,006	–	157,006
Due to a director	–	49,104	–	49,104

21. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

The Group did not have any financial assets measured at fair value as at 30 June 2021 (31 December 2020: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 (31 December 2020: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

22. Approval of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 27 August 2021.