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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited**, you should at once hand this circular to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHU KONG PETROLEUM AND NATURAL GAS STEEL PIPE HOLDINGS LIMITED

珠江石油天然氣鋼管控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1938)

**MAJOR TRANSACTION
LAND SALE**

Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

The Disposals have been approved by written shareholders’ approval, pursuant to Rule 14.44 of the Listing Rules in lieu of general meeting of the Company. This circular is being despatched to the Shareholders for information only.

30 December 2021

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DEFINITIONS

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

“Agreement”	the agreement dated 9 December 2021 entered into between CECW as the purchaser and PCK (Lianyungang) as the Vendor in respect of the Land Sale
“Board”	the board of Directors
“Bournam”	Bournam Profits Limited, a company incorporated in British Virgin Islands which is solely and beneficially owned by Mr. Chen Chang.
“CECW”	National East, Central and West Regional Cooperation Demonstration Zone (Lianyungang Xuwei New District) Management Committee* (國家東中西區域合作示範區(連雲港徐圩新區)管理委員會), being an office of Lianyungang City People’s Government * (連雲港市人民政府) in the PRC
“Company”	Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (珠江石油天然氣鋼管控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1938)
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with any member of the Group, the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates (within the meaning of the Listing Rules)
“Land”	five land parcels in Lianyungang which have a total site area of approximately 1.4 million square meters and are located at North of Zhongtong Road and East of 226 Sheng Road, Xuwei New Area, Lianyungang City, Jiangsu Province, the PRC (中國江蘇省連雲港市徐圩新區226省道東及中通道北), which are owned by PCK (Lianyungang) with land certificates number LY002229, LY002230, LY002231, LY003044 and 0004548

DEFINITIONS

“Land Sale”	the sale of the Land to CECW pursuant to the Agreement
“Latest Practicable Date”	23 December 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	Mr. Chen Chang, an executive Director and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or “PCK (Lianyungang)”	Panyu Chu Kong Steel Pipe (Lianyungang) Co., Limited* (番禺珠江鋼管(連雲港)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

* *The English translation of the Chinese names or words in this circular, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names or words*

LETTER FROM THE BOARD



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)

Executive Directors:

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

Independent non-executive Directors:

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

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Hong Kong

30 December 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION LAND SALE

INTRODUCTION

Reference is made to the Company's announcement dated 9 December 2021 in relation to the Land Sale.

LETTER FROM THE BOARD

The Company has obtained a written Shareholders' approval of the Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Mr. Chen and Bournam, who collectively hold 706,261,000 shares in the Company, representing approximately 69.85% of the total voting rights at the general meeting of the Company as at the Latest Practicable Date. Accordingly, the written approval from Mr. Chen and Bournam will be accepted in lieu of holding a general meeting of the Company and no general meeting will be convened for the purpose of approving the Agreement and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further information in relation to the Agreement and the transaction contemplated thereunder and other information as required under the Listing Rules.

THE AGREEMENT

Details of the Agreement are summarised as follows:

Date

9 December 2021

Parties

Vendor: PCK (Lianyungang), an indirect wholly-owned subsidiary of the Company

Purchaser or CECW: National East, Central and West Regional Cooperation Demonstration Zone (Lianyungang Xuwei New District) Management Committee* (國家東中西區域合作示範區(連雲港徐圩新區)管理委員會)

CECW is an office under Lianyungang City People's Government* (連雲港市人民政府), which is responsible for managing the affairs of Xuwei New District in Lianyungang City, the PRC. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, CECW and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

Land to be sold

The Land, which has not yet been developed, was initially purchased by the Group for establishing a steel plate processing production line in Lianyungang in 2013 and 2014. The PRC government is currently promulgating the policy of “carbon peaking and carbon neutrality (“雙碳政策”)”. It aims to creating a green, low carbon and circular economy, increasing the share of non-fossil energy consumption, and lowering carbon dioxide emission etc. The production of steel plate involves burning large volume of coal to process the steel plate, which releases large amount of carbon dioxide that is not supported by the current government policy. Due to change of government policy, the Group cannot implement such plan. The Land is subject to land idle charge as it is vacant and no construction has been commenced on the Land. As such, Lianyungang City People’s Government requested PCK (Lianyungang) to sell back the Land.

The Land has a total site area of approximately 1.4 million square meters and is located at North of Zhongtong Road and East of 226 Sheng Road, Xuwei New Area, Lianyungang City, Jiangsu Province, the PRC (中國江蘇省連雲港市徐圩新區226省道東及中通道北). The current usage of the Land is industrial. As at 31 October 2021, the net book value of the Land before reduction of government subsidy and after reduction of government subsidy as recognized in the Company’s accounts was approximately RMB253 million and RMB57 million respectively.

The Land has not yet been developed over years and has not been generating revenue for the two financial years immediately preceding the Land Sale. The Land is pledged to banks and the pledge needs to be released prior to completion of the Land Sale. No building nor construction is erected on the Land. Therefore, no material cost in relation to land restoration work is expected to be incurred.

The Company has engaged an independent valuer, RHL Appraisal Limited, to prepare a valuation report (the “**Valuation Report**”) using direct comparison approach in respect of the Land in order to support its market value when determining the consideration. According to the Valuation Report, as at 30 November 2021, assuming that the Land can be freely transferred in the open market, the market value of the Land for industrial use is approximately RMB256 million.

Consideration and Payment Terms

The consideration of approximately RMB102.1 million will be paid in cash as follows:

- (1) 50% of the consideration shall be payable by CECW within 15 days after returning the land certificates and state-owned land use right assignment contracts of the Land to CECW; and

LETTER FROM THE BOARD

- (2) The remaining 50% of the consideration shall be payable by CECW within 30 days after returning the land certificates and state-owned land use right assignment contracts of the Land to CECW.

The consideration for the Land Sale was arrived at after arm's length negotiations between CECW and PCK (Lianyungang) with reference to the market price of other similar lands in the vicinity of the Land after reduction of government subsidy.

CONDITIONS PRECEDENT

The Land should be free of encumbrances when transferred to CECW.

The transaction contemplated under the Agreement are conditional on the Company having obtained the Shareholders' approval of the Agreement and the transaction contemplated thereunder in accordance with the Listing Rules and other applicable laws, which has been satisfied by the obtaining of a written Shareholder's approval from Mr. Chen and Bournam, who collectively hold a total of 706,261,000 Shares, representing approximately 69.85% of the voting rights at the general meeting of the Company as at the Latest Practicable Date.

COMPLETION

Completion of the Land Sale shall take place after the condition precedent has been fulfilled. On completion, PCK (Lianyungang) shall transfer the Land to CECW free of encumbrances by returning the land certificates and state-owned land use right assignment contracts of the Land to CECW.

The completion date of the Land Sale is expected to be before 31 January 2022.

INFORMATION OF THE COMPANY AND THE VENDOR

The Company is an investment holding company, the subsidiaries of which are principally engaged in the manufacture and sales of welded steel pipes, provision of related manufacturing services and property development and investment.

The Vendor is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in the manufacture and sales of welded steel pipes, and provision of related manufacturing services.

INFORMATION OF CECW

CECW is an office under Lianyungang City People's Government* (連雲港市人民政府), which is responsible for managing the affairs of Xuwei New District in Lianyungang City, the PRC.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) CECW is a government department in the PRC; and (ii) CECW and its ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS FOR ENTERING INTO THE AGREEMENT

The Group is principally engaged in the manufacture and sales of welded steel pipes and property development and investment. The Land was initially purchased by the Group for establishing a steel plate processing production line in Lianyungang. The PRC government is currently promulgating the policy of "carbon peaking and carbon neutrality ("雙碳政策")". It aims to creating a green, low carbon and circular economy, increasing the share of non-fossil energy consumption, and lowering carbon dioxide emission etc. The production of steel plate processing involves burning large volume of coal to process the steel plate, which releases large amount of carbon dioxide that is not supported by the current government policy. Due to change of government policy, the Group cannot implement such plan. The Land is subject to land idle charge as it is vacant and no construction has been commenced on the Land. According to the notice issued by the Lianyungang Natural Resources and Planning Bureau, the Land is idle and needs to be countermanded to Lianyungang Natural Resources and Planning Bureau.

The Board considers that the Land Sale could provide the Group with cash flow to repay the mortgages with banks, replenish its liquidity and strengthen the financial position of the Group and avoid the land idle charge as opposed to holding the Land without use. The Land Sale can enhance utilization efficiency of assets. The Land Sale will not have material effect on the business and operation of the Group.

The valuation of the Land, as assessed by the independent valuer appointed by the Company, is close to the net book value of the Land before reduction of government subsidy, and the Directors are of the view that the terms of the Agreement are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE LAND SALE

Based on the information available, loss before tax from the Land Sale is expected to be approximately RMB150.9 million. There is no tax directly associated with the Land Sale. The calculations are only estimates provided for illustrative purposes and are subject to further review by the auditors of the Company.

INTENDED USE OF PROCEEDS OF THE LAND SALE

After deducting expenses, the net proceeds from the Land Sale shall amount to approximately RMB101.8 million. It is intended that the net proceeds from the Land Sale will be applied for repayment of debts of the Group.

LETTER FROM THE BOARD

The Land is part of the assets under five mortgages. The amount used to release the bank pledge of the Land is approximately RMB166 million. After utilizing the net proceeds from the Land Sale of approximately RMB101.8 million, the Group will use its internal fund of approximately RMB64.2 million to release the pledge.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios by reference to Rule 14.07 of the Listing Rules is more than 25% but less than 75%, the Land Sale constitutes a major transaction of the Company and is subject to the requirements of reporting, announcement and Shareholders' approval under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) a written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Agreement and the transaction contemplated thereunder and hence, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transaction contemplated thereunder.

The Company has obtained a written Shareholders' approval of the Agreement and the transaction contemplated thereunder from Mr. Chen and Bournam, who collectively hold 706,261,000 Shares, representing approximately 69.85% of the total voting rights at the general meeting of the Company as at the Latest Practicable Date, particulars of which are as follows:

	Numbers of shares held	Percentage of shareholding in the Company
Bournam	701,911,000	69.42%
Mr. Chen	<u>4,350,000</u>	<u>0.43%</u>
Total	<u><u>706,261,000</u></u>	<u><u>69.85%</u></u>

Accordingly, the written approval from Mr. Chen and Bournam will be accepted in lieu of holding a general meeting of the Company and no general meeting will be convened for the purpose of approving the Agreement and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the Land Sale is in the interests of the Company and the Shareholders as a whole, and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Your faithfully,
On behalf of the Board
**Chu Kong Petroleum and Natural Gas
Steel Pipe Holdings Limited**
Chen Chang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021, including the notes thereto, have been disclosed in the following documents which are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pck.com.cn) or (www.pck.todayir.com).

- Annual report of the Company for the year ended 31 December 2020 published on 22 April 2021, from pages 95 to 242;
- Annual report of the Company for the year ended 31 December 2019 published on 28 April 2020, from pages 103 to 246;
- Annual report of the Company for the year ended 31 December 2018 published on 18 April 2019, from pages 116 to 262; and
- Interim report of the Company for the six months ended 30 June 2021 published on 9 September 2021, from pages 19 to 58.

2. STATEMENT OF INDEBTEDNESS**Bank and other borrowings**

As at the close of business on 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total borrowings of the Group comprised the following:

	<i>RMB'000</i>
Bank loans	
– Secured	1,853,125
Government loans	
– Secured	166,000
Other borrowing	
– Unsecured	471,140
Fixed rate bonds	
– HKD140 million 12% Notes due 2022	70,480
– USD3 million 7% Bonds due 2021	10,268
– HKD10 million 7% Bonds due 2021	8,179
– HKD3 million 6% Bonds due 2021	2,454
– HKD2 million 6% Bonds due 2021	1,634
– HKD1 million 6% Bonds due 2021	822
– HKD2 million 6% Bonds due 2021	1,634
	<u>2,585,736</u>

As at 30 November 2021, the Group's bank and other borrowings were secured by:

- (a) a charge over certain property, plant and equipment of the Group with a net carrying amount of approximately RMB1,068,759,000;
- (b) a charge over certain leasehold lands of the Group with a net carrying amount of approximately RMB709,915,000;
- (c) certain of the Group's deposits amounting to RMB245,419,000; and
- (d) a charge over certain of the properties under development and completed properties held for sale by the Group amounting to RMB1,340,754,000.

Fixed rate bonds

As at the close of business on 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding fixed rate bonds with an aggregate principal amount of approximately RMB95 million and interest accrued of approximately RMB11.5 million.

Financial Guarantee

As at 30 November 2021, the Group had the following outstanding contingent liabilities:

- (a) guarantee of RMB77.8 million to certain purchasers of the Group's properties for mortgage facilities; and
- (b) guarantee of RMB514.7 million to a joint venture company for banking facilities in Saudi Arabia of which RMB352.4 million was utilized by the joint venture company.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills and payables) or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 November 2021.

The Directors have confirmed that there has been no material change in the borrowings and contingent liabilities of the Group since 30 November 2021.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into RMB at the rates of exchange prevailing at the close of business on 30 November 2021.

3. WORKING CAPITAL

As at the Latest Practicable Date, the Directors, after due and careful enquiry, are of the opinion that after taking into account the Land Sale, the present internal resources of the Group as well as the banking and other facilities available to the Group, the Group will have sufficient working capital for at least 12 months from the date of this circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP

In 2021, with the resumption of business activities, the demand for oil and gas across countries is constantly increasing. Oil and gas prices rebounded significantly since the start of 2021. However, persistence of the COVID-19 pandemic globally and sluggish economic recovery have added uncertainties to the economy of the world and have reduced the demand for oil and gas. The Group expects 2022 will still be a challenging year for the oil and gas industry.

2022 is the second 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. In order to keep up with the schedule of the “14th Five-Year Plan” and achieve its goal, construction of oil and gas pipeline is set to gain momentum and there will be more opportunities in the future.

In addition, PipeChina, established in late 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. Following the establishment of PipeChina, it is believed that China’s oil and gas pipeline network construction will be substantially accelerated in the future.

In April 2021, China reiterated its commitments at the Leaders Summit on Climate regarding “striving for carbon emissions peak by 2030 and carbon neutrality by 2060”, signaling that ecology-focused, green and low-carbon development will be the dominant strategy in the future. It indicates that China will be more focused on clean energy like wind power, gas, and hydropower. The construction of a series of pipeline and gas storage facilities, smart grid, construction of wind power and offshore wind power will be accelerated and will boost the demand of our products in the future.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 30 November 2021 of the Property to be disposed by the Group.



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RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
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Room 1010,10/F, Star House
Tsimshatsui, Hong Kong

23 December 2021

The Board of Directors

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

Suite 1, 15/F, Tower 3,
China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Dear Sir/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interest (“the Properties”) to be disposed by Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the “Company”) and its subsidiaries (together as the “Group”) located in the People’s Republic of China (“PRC”). We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 November 2021 (the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“Market Value”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In valuing the property, the “Direct Comparison Method” is adopted where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the International Valuation Standards 2020.

VALUATION ASSUMPTION

We have provided our opinion of market value of the Property under the assumption that:

- i. all necessary statutory approvals for the Properties or the subject building of which the Properties forms part of their use have been obtained;
- ii. transferable land use rights in respect of the Property for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;
- iii. no deleterious or hazardous materials or techniques have been used in the construction of the Properties; and
- iv. the Properties are connected to main services and sewers which are available on normal terms.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal advisers, 江蘇海郡律師事務所, concerning the validity of the titles to the Property.

LIMITING CONDITIONS

We have conducted on-site inspections to the Property on 6 December 2021 by Mr. Fan Chuanpeng who has over 8 years of experience in property valuation. During the course of inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that contamination, subsidence or other latent defects exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Property.

REMARKS

We have valued the property interest in Renminbi (RMB).

We enclose herewith the “Property Particulars and Opinion of Value”.

Serena S. W. Lau

FKIS, AAPI, MRICS, RPS(GP), MBA(HKU)

Managing Director

Jessie X. Chen

MRICS, MSc (Real Estate), BEcon

Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 20 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

PROPERTY PARTICULARS AND OPINION OF VALUE

Property	Description and tenure	Particulars of occupancy	Market Value
			as at 30 November 2021 RMB
Various industrial lands situated at the Xuwei New District, Lianyungang City, Jiangsu Province, the People's Republic of China (位於中國江蘇省連雲港市徐圩新區之工業土地)	The Property comprises 5 parcels of industrial land with total site area of approximately 1,406,313 sq.m. (15,137,427 sq.ft.). The land use rights of the Property were granted for a term of 50 years for industrial use.	The property is vacant and pending for future development.	256,000,000 (RENMINBI TWO HUNDRED AND FIFTY SIX MILLION ONLY)

Notes:

- Pursuant to 5 Stated-owned Land Use Right Certificates, the land use rights of the Property with total site area of approximately 1,406,313 sq.m. were granted to 番禺珠江鋼管(連雲港)有限公司("珠江連雲港") for industrial use with details as below:

No.	Expiring Date	Site Area (sq.m.)
(2014)LY002229	18-06-2064	460,552
(2014)LY002230	08-06-2064	143,945
(2014)LY002231	18-06-2064	139,111
(2015)LY003044	16-11-2065	299,190
(2016)0004548	19-11-2067	<u>363,515</u>
Total		<u><u>1,406,313</u></u>

- We have been provided with a legal opinion by the Group's PRC legal adviser, 江蘇海郡律師事務所, regarding the legal title of the property, which contains, *inter alia*, the followings:
 - the property is legally held by 珠江連雲港;
 - 珠江連雲港 is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
 - 5 parcels of land (certificate No. (2014) LY002229, (2014) LY002230, (2014) LY002231, (2015) LY003044, (2016) 0004548) are subject to 5 mortgages in favor of 中國進出口銀行 at the loan amount of RMB77.5 million, 江蘇銀行股份有限公司 at the loan amount of RMB39.9 million, 江蘇銀行股份有限公司 at the loan amount of RMB37.1 million, 江蘇銀行股份有限公司 at the loan amount of RMB77 million and 中國銀行股份有限公司 at the loan amount of RMB94.9 million respectively. In our valuation, we have not taken into account such mortgage.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, 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 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 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 (the “Model Code”) of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and options 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%
	Personal interest	Long	4,350,000	0.43%

Note:

- 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 Chang is deemed to be interested in the 701,911,000 shares held by Bournam Profits Limited.

Long positions in associated corporation

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as the Directors are aware, the following persons or corporations (not being a Director or a chief executive of the Company) have an interest or short position 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 been notified to the Company:

Name of shareholder	Capacity	Position	Number of Shares held	Percentage of shareholding in the Company
Bournam	Beneficial owner (Note 1)	Long	701,911,000	69.42%

Notes:

- The entire share capital of Bournam 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.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or was proposing to enter into a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which have been, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any contract or arrangement subsisting which is significant in relation to the business of the Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are material:

- (a) the Agreement;
- (b) the land use right transfer agreement in the amount of RMB30.25 million entered into between Chu Kong Steel Pipe (Yunfu) Company Limited * (珠江鋼管(雲浮)有限公司) and Yunfu City's Yun'an District Natural Resources Bureau (雲浮市雲安區自然資源局) dated 4 June 2021;
- (c) the land resumption compensation agreement in the compensation amount of RMB3,453.4 million entered into between Panyu Chu Kong Steel Pipe Co. Ltd and Guangzhou City Land Development Centre* (廣州市土地開發中心) dated 15 September 2020;
- (d) the supplemental agreements in relation to the disposal of 59% equity interest in Panyu Chu Kong Steel Pipe Co. Ltd and the disposal of 80% equity interest in Panyu Chu Kong Steel Pipe Co. Ltd dated 15 June 2020; and
- (e) the subscription agreement dated 27 April 2020 entered into with an independent third party (the “**Subscriber**”) pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for 12% bonds due April 2022 in an aggregate principal amount of HK\$140,000,000.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions, letters or advice contained in this circular:

Name	Qualifications
KTC Partners CPA Limited	Certified Public Accountants
RHL Appraisal Limited	Independent qualified professional valuer

As at the Latest Practicable Date, each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of the experts did not have any shareholdings in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for the securities in any member of the Group.

As at the Latest Practicable Date, each of the experts had not had any direct or indirect interests in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.pck.com.cn or www.pck.todayir.com) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 1 to 7 of this circular;
- (c) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;
- (d) the interim report of the Company for the six months ended 30 June 2021;
- (e) the property valuation report on the Land prepared by RHL Appraisal Limited, the text of which is set out in Appendix II to this circular;
- (f) the material contracts referred to in paragraph headed "8. Material contracts" in this appendix;
- (g) the letter of consent referred to under the paragraph headed "9. Experts and consents" in this appendix;
- (h) circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2020; and
- (i) this circular.

11. GENERAL

- (a) The company secretary of the Company is Ms. Wong Pui Shan. Ms. Wong is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. Ms. Wong holds a Master's degree of Science in Finance from the Chinese University of Hong Kong and a Bachelor's degree of Arts in Accountancy from the Hong Kong Polytechnic University.
- (b) The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The head office and principal place of business of the Company in the PRC is at 2/F., 3-5 Golden Dragon City, Yayun Avenue, 511450 Panyu District, Guangzhou City, Guangdong Province, the PRC.
- (d) The principal place of business of the Company in Hong Kong is at Suite Nos 1,2 and 19, 15th Floor, Tower 3, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.