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中國管業集團有限公司
China Pipe Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00380)

**CONTINUING CONNECTED TRANSACTION
CONSULTANCY SERVICES AGREEMENT
SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement of the Company dated 1 April 2022 (the “**Announcement**”) in relation to the Consultancy Services Agreement. Capitalised terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The Board wishes to further inform the Shareholders and potential investors of the Company of the following information in relation to the Consultancy Services Agreement.

INFORMATION ABOUT BCL

BCL is a limited company incorporated in the British Virgin Islands and principally engaged in investment holding and consultancy services. Mr. Lai is the sole shareholder and sole director of BCL. Since 2008, BCL has been solely operated by Mr. Lai and there are no employees.

SCOPE OF SERVICES UNDER THE PREVIOUS CONSULTANCY SERVICE AGREEMENT PROVIDED BY BCL

Pursuant to the Previous Consultancy Services Agreement, BCL had provided the following services to the Company, including but not limited to, (i) providing professional advice on brand building, investment and corporate strategy development; (ii) assisting the Group to explore the opportunities of expanding and sourcing from new supplier markets, e.g., Vietnam and India, for a competitive price in order to save cost and further diversify its supplier base. Under the Previous Consultancy Services Agreement period, the Group has initially successfully procured the pipe products from the new supplier markets; (iii) introducing new potential suppliers to the Company; (iv) helping the Company to maintain a long-term business relationship with its business partners in the global market; (v) providing guidance to the Group to streamline its operations by digitalization and technologies, in particular, the set-up of

the Enterprise Resource Planning System to improve organizational and operational efficiency; and (vi) giving technical advice with regard to the operation, sales, management and product development of the Group (collectively known as the “**Consultancy Services**”).

In view of Mr. Lai’s extensive knowledge of the Group’s operation and the industry, and his experience, personal network and goodwill, the Company believes that it will benefit from his continual guidance and advice for the Group’s business advancement and corporate development.

REASONS FOR ENTERING INTO THE CONSULTANCY SERVICE AGREEMENT

Mr. Lai acted as an executive director and the chairman of the Board for the period from 2009 to 2018 and supervised the Group’s overall management, and he resigned as an executive director and the chairman of the Board due to family reasons as disclosed in the announcement dated 29 March 2018. Apart from Mr. Lai Fulin, the younger brother of Mr. Lai, none of the Board members are relatives of Mr. Lai and/or are nominated by Mr. Lai.

Mr. Lai has over 13 years of experience in the industry and more than 20 years of experience in the professional sector, investment management and strategy management of the global market. He has developed a deep understanding of the operations and knowledge in managing the business of the Group as well as the strategic planning. The Board believes that it is in the interest of the Company to employ Mr. Lai as the consultant for the Consultancy Services. In light of the trust and confidence the Company has in Mr. Lai, the Company believes that it will benefit from Mr. Lai’s extensive experience and global suppliers’ network, in particular, the Company plans to set up logistic and procurement centres in Shenzhen and Guangdong-Hong Kong-Macao Greater Bay Area to lower the costs of operations. Mr. Lai will also assist the Company in conducting market research and negotiating with potential suppliers to expand the Company’s suppliers’ network, e.g., in Vietnam and India, to minimize the suppliers’ concentration risk. It is expected there will be more business opportunities brought to the Company leveraging the extensive network of Mr. Lai, and it can assist the Company in the investment aspect and new business development. In addition, Mr. Lai through BCL shall continue to provide the similar scope of services as mentioned above.

BASIS OF DETERMINATION OF THE CONSULTANCY SERVICE FEE

The consultancy service fee of HK\$4.476 million was determined with reference to (i) experience, duties and responsibilities of Mr. Lai under the Consultancy Services Agreement; (ii) the consultancy fee payable to Mr. Lai under the Previous Consultancy Services Agreement of HK\$4.476 million per annum; and (iii) the annual remuneration of Mr. Lai during his previous employment with the Company. The Company also takes the following factors into consideration: (i) based on the annual report of the Company for the years ended 31 December 2019, 2020 and 2021, the net profit attributable to equity holders of the Company was approximately HK\$6.8 million, HK\$20.2 million and HK\$62.3 million

respectively. The figures represented a huge upsurge of approximately 197.1% from 2019 to 2020 and 208.4% from 2020 to 2021; and (ii) the Group has been enjoying stable profits in the past few years and maintained a solid financial position despite the challenging circumstances under the COVID-19 pandemic.

The Company is of the view that the aforesaid determination basis is fair and reasonable taking into account the unique nature of the consultancy industry and consultancy fees are usually fixed on a case-by-case basis. The Company believes that it will benefit from Mr. Lai's continual guidance and advice and considers that it is fair and reasonable to take into account Mr. Lai's previous annual remuneration, which was highly relevant to his experience and expertise.

Furthermore, having considered the previous satisfactory working relationship with Mr. Lai and that the Consultancy Services Agreement is of a term of one year only, the Directors are of the view that paying the consultancy services fee fully upon signing of the Consultancy Services Agreement while keeping other terms of the consultancy unchanged (in particular BCL has agreed not to increase the amount of consultancy services fee) is a normal commercial deal acceptable to the Company. It was agreed by the Company and BCL that if either the Company or BCL decides to terminate the Consultancy Service Agreement prior to the expiry date (31 March 2023), the Company has the right to request BCL to indemnify the Company by paying back the consulting service fee of HK\$4.476 million on a pro-rata basis. Hence, the Directors believe that the Consultancy Service Agreement is on normal commercial terms, and is fair and reasonable and in the interest of the Company and its shareholders as a whole.

By order of the Board
China Pipe Group Limited
Lai Fulin
Chairman

Hong Kong, 26 April 2022

As at the date of this announcement, the Board consists of Mr. Lai Fulin and Mr. Yu Ben Ansheng as executive directors; and Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Mr. Guan Zhiqiang as independent non-executive directors.