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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

Reference is made to the announcement of the Company dated 1 April 2022 and its supplemental announcement dated 26 April 2022 in relation to the Previous Consultancy Services Agreement. The Previous Consultancy Services Agreement expired on 31 March 2023.

The Board announces that on 3 April 2023, the Consultancy Services Agreement was entered into between the Company and BCL on substantially the same terms as the Previous Consultancy Services Agreement, pursuant to which the Company agreed to appoint BCL for the provision of certain consultancy services.

As at the date of this announcement, Mr. Lai Guanglin (“**Mr. Lai**”), who is the controlling shareholder of the Company by indirectly holding approximately 32.93% of the issued share capital of the Company, is the connected person of the Company. BCL, a company directly wholly-owned by Mr. Lai, is therefore an associate of Mr. Lai and a connected person of the Company under Rule 14A.13(3) of the Listing Rules. As such, the provision of services by BCL under the Consultancy Services Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the consultancy fees for the Term payable by the Company to BCL under the Consultancy Services Agreement is more than 0.1% but less than 5%, the said continuing connected transaction is subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 1 April 2022 in relation to the Previous Consultancy Services Agreement. The Previous Consultancy Services Agreement expired on 31 March 2023.

The Board announces that on 3 April 2023, the Consultancy Services Agreement was entered into between the Company and BCL on substantially the same terms as the Previous Consultancy Services Agreement, pursuant to which the Company agreed to appoint BCL for the provision of certain consultancy services. The details of the Consultancy Services Agreement are set out below:

THE PRINCIPAL TERMS OF THE CONSULTANCY SERVICES AGREEMENT

- Date : 3 April 2023

- Parties : The Company; and
BCL

- Scope of Services : 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) conducting market research, negotiating with potential suppliers, and exploring the opportunities to expand and source from new supplier markets, e.g. Vietnam and India, for a competitive price to save costs and further diversify its supplier base; (iii) introducing new potential suppliers to the Company; (iv) helping the Company to maintain long-term business relationships 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 “**Previous Consultancy Services**”).

In addition to the Previous Consultancy Services, BCL shall provide the Company with consultancy services in relation to corporate strategy, including but not limited to (i) exploring business opportunities in the Greater Bay Area; (ii) advising and assisting the set-up of the Company’s logistics center in Shenzhen; and (iii) assisting in brand building and promoting the Company image (the “**Consultancy Services**”). The scope of services can be adjusted by

the Parties from time to time subject to their mutual agreement in writing.

- Term : Commencing from the date of the Consultancy Services Agreement, i.e. 3 April 2023 and expiring on 31 March 2024, both dates inclusive (the “**Term**”).
- Fee : The consulting service fee is HK\$4,476,000 for the Term, which shall be in 12 installments payable monthly in arrears on the last Business Day of each month.

ANNUAL CAPS

Historical figures

The historical transaction amounts in respect of the Previous Consultancy Services Agreement for the year ended 31 December 2022 and the three months ended 31 March 2023 are as follows:

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| Period for the year ended 31 December 2022 | HK\$4,476,000* |
| Period for the three months ended 31 March 2023 | HK\$1,119,000 |

** Inclusive of the historical transaction amount in respect of both a consultancy services agreement for the period from 1 January 2022 to 31 March 2022 and the Previous Consultancy Services Agreement for the period from 1 April 2022 to 31 December 2022.*

The Directors have considered the transaction amounts under the Previous Consultancy Services Agreement and the actual transaction amounts did not exceed the annual caps for the year ended 31 December 2022 and for the three months ended 31 March 2023.

Proposed Annual Caps

The annual cap of the consultancy fee payable by the Company under the Consultancy Services Agreement is as follows:

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| Period from 3 April 2023 to 31 December 2023 | HK\$3,357,000 |
| Period from 1 January 2024 to 31 March 2024 | HK\$1,119,000 |

In arriving at the above proposed annual caps, the Directors have taken into account (i) the annual maximum fee payable by the Company to BCL under the Consultancy Services Agreement; and (ii) the historical transaction amounts of the Previous Consultancy Services Agreement.

BASIS OF DETERMINATION OF THE CONSULTANCY SERVICE FEE

The consultancy service fee was determined with reference to (i) scope of services of Mr. Lai under the Consultancy Services Agreement; (ii) the historical transaction amounts under the Previous Consultancy Services Agreement; 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) 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; and (ii) despite the market trend of increasing consultancy service fees, the fees payable to Mr. Lai under the Consultancy Services Agreement has remained the same over the previous three years.

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.

INFORMATION ABOUT THE PARTIES

The Company is incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in trading of construction materials, mainly pipes and fittings in Hong Kong and Macau.

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. As of the date of this announcement, BCL has been solely operated by Mr. Lai and there are no employees.

REASONS FOR ENTERING INTO THE CONSULTANCY SERVICES AGREEMENT

Throughout the term of the Previous Consultancy Services Agreement, BCL had successfully expanded the Company's suppliers' network which increases the consistency and reliability of the supply of pipes and fittings to meet the Company's customers' demands. In view of the established long-term relationship with BCL, the Board believes that the Consultancy Services Agreement is conducive to developing strategies focusing in the Greater Bay Area to lower the costs of operations.

The Company has developed strong trust and confidence in Mr. Lai throughout 14 years of partnership. The Company believes that Mr. Lai's extensive experience in investment management and strategy management of the global market and global suppliers' network will benefit the Company with more business and investment opportunities.

In view of Mr. Lai's extensive knowledge of the Group's operation and the industry, 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. The Board believes that it is in the interest of the Company to employ BCL as the consultant for the Consultancy Services.

The entering into of the Consultancy Services Agreement is in the ordinary and usual course of business of the Company. The Directors (including the independent non-executive Directors) believe that the Consultancy Services Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Lai, who is the controlling shareholder of the Company by indirectly holding approximately 32.93% of the issued share capital of the Company, is the connected person of the Company. BCL, a company directly wholly-owned by Mr. Lai, is an associate of Mr. Lai and therefore a connected person of the Company under Rule 14A.13(3) of the Listing Rules. As such, the provision of services by BCL under the Consultancy Services Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the consultancy fees for the Term payable by the Company to BCL under the Consultancy Services Agreement is more than 0.1% but less than 5%, the said continuing connected transaction is subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

At a Board meeting convened to consider the Consultancy Services Agreement and the annual caps, Mr. Lai Fulin an executive Director and the Chairman of the Company, being the younger brother of Mr. Lai, regarded as potentially having a material interest in the Consultancy Services Agreement and accordingly abstained from voting on the relevant resolutions.

DEFINITIONS

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

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| “associates” | has the meaning ascribed to it under the Listing Rules |
| “BCL” | Brothers Capital Limited, a limited company incorporated in the British Virgin Islands |
| “Board” | the board of Directors |
| “Business Day(s)” | A day (other than a Saturday, a Sunday, or public holidays) on which banks are open for general business in Hong Kong; |
| “Company” | China Pipe Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consultancy Services Agreement” | a consultancy services agreement dated 3 April 2023 and entered into between the Company and BCL, pursuant to which BCL will provide consultancy services to the Company |
| “Director(s)” | the director(s) of the Company |
| “Greater Bay Area” | The Guangdong-Hong Kong-Macao Greater Bay Area of the People’s Republic of China |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Previous Consultancy Services Agreements” | the consultancy services agreement entered into between the Company and BCL on 1 April 2022 |
| “Shareholder(s)” | holder(s) of the shares in the share capital of the Company |

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| “Shenzhen” | Shenzhen city of the People’s Republic of China |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

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

Hong Kong, 3 April 2023

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, Mr. Guan Zhiqiang and Wang Chaolong as independent non-executive directors.