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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)

2023 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board ("**Board**") of directors ("**Directors**") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "**Company**") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**1,194,632**	1,186,531
Cost of sales and services		**(898,107)**	(842,068)
Gross profit		**296,525**	344,463
Other income and gains	*5*	**5,971**	7,824
Selling and distribution expenses		**(43,703)**	(31,050)
Administrative expenses		**(106,297)**	(116,587)
Exchange gain, net		**227**	18,719
Other expenses, net	*6*	**(33,501)**	(18,018)
Finance costs	*7*	**(35,826)**	(20,083)
Gain on disposal of investment in a joint venture	*18*	**70,922**	—

	Notes	Six months ended 30 June **2023** **(Unaudited)** ***RMB'000***	 2022 (Unaudited) *RMB'000*
PROFIT BEFORE TAX	*8*	**154,318**	185,268
Income tax credit/(expense)	*9*	**3,713**	(31,976)
PROFIT FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY		**158,031**	153,292
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	*10*	**RMB0.16**	RMB0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**158,031**	153,292
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(16,567)**	(69,134)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(16,567)**	(69,134)
Other comprehensive 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	**3,796**	5,172
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**3,796**	5,172
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(12,771)**	(63,962)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY	**145,260**	89,330

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**As at 30 June 2023 (Unaudited) *RMB'000***	As at 31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,774,305**	1,769,994
Investment properties	*12*	**362,000**	362,000
Right-of-use assets		**638,052**	646,013
Long term prepayments and deposits		**61,765**	72,406
Total non-current assets		**2,836,122**	2,850,413
CURRENT ASSETS			
Completed properties held for sale		**2,230,796**	2,212,824
Inventories	*13*	**497,539**	402,694
Trade and bills receivables	*14*	**510,098**	378,856
Prepayments, other receivables and other assets		**744,102**	679,102
Pledged and restricted bank balances		**7,866**	14,920
Cash and bank equivalents		**87,265**	16,128
		4,077,666	3,704,524
Non-current asset classified as held for sale	*18*	**—**	—
Total current assets		**4,077,666**	3,704,524
CURRENT LIABILITIES			
Trade and bills payables	*15*	**669,184**	636,069
Other payables and accruals		**837,814**	838,326
Contract liabilities		**906,687**	704,255
Fixed rate bonds and notes	*16*	**71,800**	85,330
Interest-bearing bank and other borrowings	*17*	**1,155,523**	880,409
Due to a director		**345,396**	390,195
Tax payable		**43,620**	43,823
Provision		**48,225**	49,283
Total current liabilities		**4,078,249**	3,627,690

	Notes	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(583)**	76,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,835,539**	2,927,247
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*17*	**589,638**	810,239
Deferred tax liabilities		**294,289**	294,289
Long-term tax payable		**775,799**	789,187
Government grants		**99,614**	102,593
Total non-current liabilities		**1,759,340**	1,996,308
Net assets		**1,076,199**	930,939
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**88,856**	88,856
Reserves		**987,343**	842,083
Total equity		**1,076,199**	930,939

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

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 Unit 605–606, 6th Floor, Tower III, Enterprise Square, No. 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The Group is 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 2023 (the "**Period**").

In the opinion of 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 2023 have been prepared in accordance with International Accounting Standards ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. 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 2022.

Going concern basis

As at 30 June 2023, the Group recorded net current liabilities of approximately RMB583,000. The Group's current liabilities included contract liabilities of approximately RMB906,687,000 that are not financial liabilities and will not require future cash outflows. The Group's cash and cash equivalents as at 30 June 2023 was approximately RMB87,265,000.

As at 30 June 2023, the Group's current liabilities included interest-bearing bank and other borrowings of approximately RMB1,155,523,000. In addition, as at 30 June 2023, the Group had capital commitments that had been contracted but not provided for amounting to approximately RMB121,958,000.

In view of such circumstances, the Directors have given careful consideration to the future liquidity, performance and the available sources of financing of the Group 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:

(i) 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.

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

Subsequent to 30 June 2023 and up to the date of this announcement, the Group made the new banking facility up to RMB190 million with a bank. 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 reporting period. Taking into account the 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.

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 and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Adoption of amended IFRSs — effective on 1 January 2023

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 *Definition of Accounting Estimates* clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2023. The amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

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

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

(b) 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.

There were no intersegment sales during the six months ended 30 June 2023 and 2022.

Six months ended 30 June 2023 (unaudited)	Steel pipes	Property development and investment	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	**1,194,465**	**167**	**1,194,632**
Segment results:	**203,817**	**(43,138)**	**160,679**
Reconciliation:			
Corporate and other unallocated income			**113**
Corporate and other unallocated expenses			**(2,342)**
Unallocated finance costs			**(4,132)**
Profit before tax			**154,318**
Segment assets:	**3,300,551**	**3,954,416**	**7,254,967**
Reconciliation:			
Elimination of intersegment receivables			**(662,950)**
Corporate and other unallocated assets			**321,771**
Total assets			**6,913,788**
Segment liabilities:	**3,811,237**	**2,540,724**	**6,351,961**
Reconciliation:			
Elimination of intersegment payables			**(662,950)**
Corporate and other unallocated liabilities			**148,578**
Total liabilities			**5,837,589**
Other segment information:			
Depreciation and amortisation	**(46,814)**	**(8)**	**(46,822)**
Capital expenditure*	**(42,970)**	**—**	**(42,970)**

Six months ended 30 June 2022 (unaudited)	Steel pipes	Property development and investment	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	845,798	340,733	1,186,531
Segment results:	118,006	67,362	185,368
Reconciliation:			
Corporate and other unallocated expenses			(100)
Profit before tax			185,268
Segment assets:	2,710,210	6,006,802	8,717,012
Reconciliation:			
Elimination of intersegment receivables			(1,626,804)
Corporate and other unallocated assets			345,048
Total assets			7,435,256
Segment liabilities:	4,233,760	3,735,639	7,969,399
Reconciliation:			
Elimination of intersegment payables			(1,626,804)
Corporate and other unallocated liabilities			177,815
Total liabilities			6,520,410
Other segment information:			
Depreciation and amortisation	(30,237)	(14)	(30,251)
Capital expenditure*	(44,893)	—	(44,893)

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

Information about steel pipe products and services and sales of property

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**715,802**	628,888
SSAW steel pipes	**357,663**	45,047
Steel pipe manufacturing services:		
LSAW steel pipes	**81,192**	101,825
SSAW steel pipes	**12,111**	20,042
Others*	**27,697**	49,996
	1,194,465	845,798
Sale of properties	**167**	340,733
	1,194,632	1,186,531

* *Others mainly included the manufacture and sales of steel fittings, screw-thread steels and scrape materials, and the trading of equipment and steel plates.*

Geographical information

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**477,375**	923,290
Africa	**110,028**	11,420
Other Asian countries	**162,860**	186,394
Middle East	**348,050**	57,420
Europe	**—**	8,007
South America	**96,319**	—
	1,194,632	1,186,531

(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 the six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Customer A	**223,912**	N/A
Customer B	**N/A**	125,942

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Manufacture and sale of welded steel pipes and the provision of related manufacturing services	**1,194,465**	845,798
Sale of properties	**—**	340,566
	1,194,465	1,186,364
Revenue from lease contracts		
Rental income	**167**	167
	1,194,632	1,186,531
Other income and gains		
Bank interest income	**135**	3,648
Subsidy income from the PRC government*	**2,966**	3,473
Others	**2,870**	703
	5,971	7,824

* *The subsidy income represented subsidies granted by the local finance bureaus in the People's Republic of China ("**PRC**") 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.*

Revenue from contracts with customers:

(i) Disaggregated revenue information:

Six months ended 30 June 2023 (unaudited)	**Steel pipes** *RMB'000*	**Property development and investment** *RMB'000*	**Total** *RMB'000*
Sales of goods/properties	**1,101,162**	—	**1,101,162**
Rendering of services	**93,303**	—	**93,303**
Total revenue from contracts with customers	**1,194,465**	—	**1,194,465**
Geographical markets			
Mainland China	**477,208**	—	**477,208**
Africa	**110,028**	—	**110,028**
Other Asian countries	**162,860**	—	**162,860**
Middle East	**348,050**	—	**348,050**
South America	**96,319**	—	**96,319**
Total revenue from contracts with customers	**1,194,465**	—	**1,194,465**
Timing of revenue recognition			
Goods/properties transferred at a point in time	**1,101,162**	—	**1,101,162**
Services transferred over time	**93,303**	—	**93,303**
Total revenue from contracts with customers	**1,194,465**	—	**1,194,465**

Six months ended 30 June 2022 (unaudited)	Steel pipes RMB'000	Property development and investment RMB'000 (Restated)	Total RMB'000 (Restated)
Sales of goods/properties	723,931	340,566	1,064,497
Rendering of services	121,867	—	121,867
Total revenue from contracts with customers	845,798	340,566	1,186,364
Geographical markets			
Mainland China	582,557	340,566	923,123
Africa	11,420	—	11,420
Other Asian countries	186,394	—	186,394
Middle East	57,420	—	57,420
Europe	8,007	—	8,007
Total revenue from contracts with customers	845,798	340,566	1,186,364
Timing of revenue recognition			
Goods/properties transferred at a point in time	723,931	340,566	1,064,497
Services transferred over time	121,867	—	121,867
Total revenue from contracts with customers	845,798	340,566	1,186,364

(ii) ***Performance obligations:***

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

Sale of steel pipes

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Transportation and handling activities that occur before customer obtain control are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Payment is generally due 30 days to 90 days 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

Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these manufacturing services based on the stage of completion of the contract using input method. Payment is generally due within 50 days from the date of delivery or customer acceptance of the product processed.

6. OTHER EXPENSES, NET

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Compensation	**2,685**	24,672
Loss on disposal of property, plant and equipment	**46**	158
Write-off of property, plant and equipment	**2**	225
Provision/(reversal) of claim arising from litigations	**1,614**	(7,486)
Inventories written off	**3,812**	—
Impairment of other receivables	**25,162**	335
Others	**180**	114
	33,501	18,018

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank and other borrowings (including bonds and notes)	**35,458**	41,310
Interest on discounted bills	**353**	2,094
Interest on lease liabilities	**15**	40
Total interest expenses	**35,826**	43,444
Less: Interest capitalised	**—**	(23,361)
	35,826	20,083

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**898,107**	635,024
Cost of properties sold	**—**	207,044
Depreciation of property, plant and equipment	**37,690**	22,033
Depreciation of right-of-use assets	**9,132**	8,218
Loss on disposal of property, plant and equipment	**46**	158

9. 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.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profit currently arising in Hong Kong for the Period.

All subsidiaries of the Group operating in Mainland China are taxed in accordance with the Corporate Income Tax Law. There were three types of tax rates during the Period for the Group, including the 25% tax rate, the 15% tax rate for the High and New Technology Enterprise, and the preferential tax rate policy for small and low-profit enterprises.

The major components of the income tax (credit)/expense in the interim condensed consolidated statement of profit or loss are as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current — Mainland China:		
Charge for the Period	**11,425**	31,976
Over-provision in prior period	**(15,138)**	—
Total tax (credit)/expense for the Period	**(3,713)**	31,976

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the Period attributable to owners of the Company and the weighted average number of ordinary shares of 1,011,142,000 (at 30 June 2022: 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 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
At beginning of the period/year	**1,769,994**	1,874,309
Additions	**42,970**	13,312
Disposals	**(967)**	(55,970)
Depreciation	**(37,690)**	(61,432)
Write-off	**(2)**	(225)
At end of the period/year	**1,774,305**	1,769,994

The Group's property, plant and equipment with a net carrying amount of approximately RMB654,778,000 (31 December 2022: RMB598,109,000) were pledged to secure the Group's bank loans and other borrowings, as further detailed in note 17.

12. INVESTMENT PROPERTIES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Commercial properties in Mainland China, the PRC		
Carrying amount at beginning of the period/year	**362,000**	370,000
Net loss from a fair value adjustment	**—**	(8,000)
Carrying amount at end of the period/year	**362,000**	362,000

13. INVENTORIES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Raw materials	**187,129**	134,249
Work in progress	**124,717**	79,168
Finished goods	**199,354**	202,938
	511,200	416,355
Less: Provision against slow-moving and obsolete inventories	**(13,661)**	(13,661)
	497,539	402,694

14. TRADE AND BILLS RECEIVABLES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Trade receivables	**499,145**	407,709
Impairment allowance	**(28,853)**	(28,853)
Trade receivables, net	**470,292**	378,856
Bills receivable	**39,806**	—
	510,098	378,856

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Within 60 days	**269,510**	153,001
61 to 90 days	**6,153**	17,342
91 to 180 days	**46,372**	58,830
181 to 365 days	**18,467**	18,282
1 to 2 years	**13,702**	57,804
2 to 3 years	**46,976**	7,456
Over 3 years	**69,112**	66,141
	470,292	378,856

15. 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 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Trade payables		
Within 90 days	**417,317**	372,595
91 to 180 days	**35,270**	51,645
181 to 365 days	**32,986**	35,803
1 to 2 years	**29,487**	44,972
2 to 3 years	**43,071**	33,622
Over 3 years	**75,079**	66,548
	633,210	605,185
Bills payable	**35,974**	30,884
	669,184	636,069

The trade payables are non-interest-bearing and are normally settled within a year. The maturity dates of all the bills payable are within 365 days.

16. FIXED RATE BONDS AND NOTES

	30 June 2023				31 December 2022			
	Principal at original currency 'million	**Contractual interest rate (%) per annum**	**Maturity**	**(Unaudited) *RMB'000***	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	(Audited) *RMB'000*
Current								
2017 Bonds A	**US$0.5**	**7.0**	**2023**	**3,572**	US$1.1	7.0	2023	7,615
2020 Notes	**HK$68**	**12.0**	**2023**	**62,696**	HK$80	12.0	2023	71,462
2022 Bonds A	**N/A**	**N/A**	**N/A**	**—**	HK$1	6.0	2023	893
2022 Bonds B	**HK$2**	**8.0**	**2024**	**1,844**	HK$2	6.0	2023	1,787
2022 Bonds C	**HK$3**	**8.0**	**2023**	**2,766**	HK$3	6.0	2023	2,680
2022 Bonds D	**HK$1**	**6.0**	**2023**	**922**	HK$1	6.0	2023	893
				71,800				85,330

US$3,000,000 7% bonds due in 2023 (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 June 2022 and further extended to 31 July 2023 by the Company and the investor. The bonds bear interest at a fixed coupon interest rate of 7% per annum, payable semiannually in arrears commencing on 28 October 2017. The bonds are unsecured. As at 30 June 2023, the Company had partially redeemed the 2017 Bonds A with a principal amount of US$2,500,000. The balance of the principal amount will be repayable on 31 July 2023.

HK$140,000,000 12% notes due in 2023 (2020 Notes)

On 27 April 2020, the Group issued 12% notes due on 27 April 2022 but the expiry date could be extended to 22 December 2023 with a principal amount of HK$140,000,000 to an investment fund (the "**2020 Notes**"). The notes bear interest at a fixed rate of 12% per annum, payable semiannually in arrears. 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 2023, the Company had partially redeemed the 2020 Notes with a principal amount of HK$72,000,000. The Company and the noteholder mutually agreed to extend the maturity date to 22 December 2023.

HK$1,000,000 6% Bonds due in 2023 (2022 Bonds A)

On 3 January 2022, the Group issued bonds with a principal amount of HK$1,000,000 to an individual investor (the "**2022 Bonds A**"). The bonds has been paid in full by 4 January 2023. The bonds bear interest at a fixed coupon interest rate of 6% per annum, payable monthly in arrears. The bonds are unsecured.

HK$2,000,000 8% bonds due in 2024 (2022 Bonds B)

On 8 January 2022, the Company issued bonds with a principal amount of HK$2,000,000 to an individual investor (the "**2022 Bonds B**"). The bonds should be repayable in full by 9 January 2023 but the expiry date has been extended to 10 January 2024. The bonds bear interest at a fixed coupon interest rate of 8% per annum from 9 January 2023 (31 December 2022: 6% per annum), payable monthly in arrears. The bonds are unsecured.

HK$3,000,000 8% bonds due in 2023 (2022 Bonds C)

On 8 January 2022, the Company issued bonds with a principal amount of HK$3,000,000 to an individual investor (the "**2022 Bonds C**"). The bonds should be repayable in full by 9 January 2023 but the expiry date has been extended to 10 October 2023. The bonds bear interest at a fixed coupon interest rate of 8% per annum from 9 January 2023 (31 December 2022: 6% per annum), payable monthly in arrears. The bonds are unsecured.

HK$1,000,000 6% bonds due in 2023 (2022 Bonds D)

On 30 September 2022, the Company issued bonds with a principal amount of HK$1,000,000 to an individual investor (the "**2022 Bonds D**"). The bonds should be repayable in full by 1 October 2023. The bonds bear interest at a fixed coupon interest rate of 6% per annum, payable monthly in arrears. The bonds are unsecured.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023			31 December 2022		
	Effective interest rate	**Maturity**	**(Unaudited)**	Effective interest rate	Maturity	(Audited)
	%		***RMB'000***	*%*		*RMB'000*
Current						
Lease liabilities	**2.51**	**2024**	**396**	2.51	2023	686
Bank loans						
— secured	**3.50–7.00**	**2023–2024**	**353,840**	3.50–5.88	2023	373,928
— unsecured	**4.70–5.44**	**2023–2024**	**57,951**	4.70–5.44	2023	59,622
Other borrowings						
— secured	**6.50–9.09**	**2023–2024**	**50,500**	N/A	N/A	—
— unsecured	**11.20**	**2023–2024**	**284,836**	11.20	2023	265,173
Current portion of long term bank loans						
— secured	**4.90–5.88**	**2023–2024**	**408,000**	4.90–5.88	2023	181,000
			1,155,523			880,409
Non-current						
Lease liabilities	**N/A**	**N/A**	**—**	2.51	2024	36
Other borrowings						
— secured	**6.50–9.09**	**2024–2025**	**41,683**	N/A	N/A	—
Bank loans						
— secured	**4.90–5.88**	**2024–2028**	**547,955**	4.90–5.88	2024–2028	810,203
			589,638			810,239
			1,745,161			1,690,648

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**819,791**	614,550
In the second year	**423,955**	680,203
In the third to fifth years, inclusive	**12,000**	—
Beyond five years	**112,000**	130,000
	1,367,746	1,424,753
Other borrowings repayable:		
Within one year	**335,336**	265,173
In the second year	**41,683**	—
	377,019	265,173
Lease liabilities repayable:		
Within one year	**396**	686
In the second year	**—**	36
	396	722
	1,745,161	1,690,648

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

(a) the pledge of certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB654,778,000 (31 December 2022: RMB598,109,000) as at the end of the Period;

(b) the pledge of certain of the Group's leasehold land with a net carrying amount of approximately RMB483,134,000 (31 December 2022: RMB489,399,000) as at the end of the Period; and

(c) the pledge of certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB1,138,147,000 (31 December 2022: RMB913,698,000) as at the end of the Period.

Except for the bank loans and other borrowings of approximately RMB2,319,000 (31 December 2022: RMB2,494,000) as at 30 June 2023, which are denominated in HK$, all borrowings are denominated in RMB.

The Group had the following undrawn banking facilities:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Floating rate		
— expiring within one year	**240,681**	975,052
— expiring beyond one year	**722,595**	714,797
Total undrawn banking facilities	**963,276**	1,689,849

18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 26 April 2022, Panyu Chu Kong Steel Pipe Co., Ltd. ("**PCKSP**"), an indirect wholly-owned subsidiary of the Company, entered into the disposal agreement with the joint venture partner, Abdel Hadi Abdullah Al Qahtani & Sons, Co. (the "**AHQ**"), pursuant to which AHQ has conditionally agreed to purchase, and PCKSP has conditionally agreed to sell, 50% equity interest in a joint venture, Al-Qahtani PCK Pipe Company (the "**JV Company**"). The consideration payable by AHQ is SR41.5 million (equivalent to approximately RMB75,342,000). Investment in a joint venture was classified as non-current asset classified as held for sale as at 31 December 2022.

The transaction for disposal of interest in the JV Company has been completed during the Period and the Group recognised a gain on disposal of investment in a joint venture of approximately RMB70,922,000, after deducting costs of disposal of approximately RMB4,420,000.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Financial Results

For the Period, we recorded a revenue of approximately RMB1,194.6 million (six months ended 30 June 2022 ("**1H2022**"): RMB1,186.5 million), representing an increase of approximately 0.7% as compared with the corresponding period in 2022. Profit attributable to ordinary equity holders of the Company was RMB158.0 million (1H2022: RMB153.3 million). Earnings per share for the Period was RMB0.16 (1H2022: RMB0.15). The Board did not recommend the payment of interim dividend for the Period (1H2022: Nil).

Revenue

Revenue of the Group mainly comprises (i) sales of steel pipe, and (ii) sales of property.

During the Period, we recorded a revenue of approximately RMB1,194.6 million (1H2022: RMB1,186.5 million), representing an increase of approximately 0.7% as compared with the corresponding period in 2022. The revenue increase was due to the increase in sales of steel pipes especially increase in demand from overseas market.

The following table sets forth the revenue and gross profit by business segments for each of the periods indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000 **(Unaudited)**	***% to total***	*RMB'000* (Unaudited)	*% to total*
Revenue				
Steel Pipes	**1,194,465**	**100.0%**	845,798	71.3%
Property development and investment	**167**	**0.0%**	340,733	28.7%
	1,194,632	**100.0%**	1,186,531	100.0%

During the Period, the steel pipe revenue from domestic sales and overseas sales represented approximately 40.0% (1H2022: 68.9%) and approximately 60.0% (1H2022: 31.1%) respectively of our total steel pipe revenue.

Sales by geography — Steel Pipes

	Six months ended 30 June			
	2023		2022	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
	(Unaudited)		(Unaudited)	
Domestic sales	**477,208**	**40.0%**	582,557	68.9%
Overseas sales	**717,257**	**60.0%**	263,241	31.1%
Total steel pipes and manufacturing services	**1,194,465**	**100.0%**	845,798	100.0%

Sales by products — Steel Pipes

	Six months ended 30 June			
	2023		2022	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
	(Unaudited)		(Unaudited)	
Manufacture and sale of steel pipes				
LSAW steel pipes	**715,802**	**59.9%**	628,888	74.4%
SSAW steel pipes	**357,663**	**30.0%**	45,047	5.3%
Sub-total	**1,073,465**	**89.9%**	673,935	79.7%
Steel pipes manufacturing services				
LSAW steel pipes	**81,192**	**6.8%**	101,825	12.0%
SSAW steel pipes	**12,111**	**1.0%**	20,042	2.4%
Sub-total	**93,303**	**7.8%**	121,867	14.4%
Others	**27,697**	**2.3%**	49,996	5.9%
Total	**1,194,465**	**100.0%**	845,798	100.0%

Steel Pipes

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales	**1,194,465**	845,798
Cost of sales and services	**(898,107)**	(635,024)
Gross profit	**296,358**	210,774

Gross Profit and Gross Profit Margin — Steel Pipes

During the Period, our gross profit of steel pipes was approximately RMB296.4 million (1H2022: RMB210.8 million), representing an increase of approximately 40.6% as compared with the corresponding period in 2022. The overall gross profit margin was approximately 24.8%, which was similar to that for the same period in 2022 which was approximately 24.9%.

Property development and investment

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Property sales:		
Sales	—	340,566
Cost of sales	—	(207,044)
Gross profit	—	133,522
Rental income	**167**	167
Total revenue	**167**	340,733

Revenue under property development and investment mainly comprises sales of property of Phase II of Golden Dragon City Fortune (金龍城財富廣場) ("**GDC**") and rental income from shops in Phase I of GDC. Revenue under property development and investment was RMB167,000 in 2023 as compared with the amount of approximately RMB340.7 million in 2022, representing a decrease of approximately 100.0%. No recognition of sales of property of GDC during the Period.

Cost of sales primarily represents the costs we incurred directly for the Group's property development activities. The principal component of cost of sales is costs of properties sold, which include the direct costs of construction and the costs of obtaining land use rights. Cost of sales was nil in 2023 as compared with RMB207.0 million in 2022.

Gross profit of property sales was nil in 2023 as compared with the amount of approximately RMB133.5 million in 2022, representing a decrease of 100.0%.

All revenue under property development and investment was domestic in nature.

Other income and gains for the Period were approximately RMB6.0 million (1H2022: RMB7.8 million), representing a decrease of approximately 23.7% as compared with the corresponding period in 2022. Such decrease was mainly due to the decrease in bank interest income.

Selling and distribution expenses for the Period were approximately RMB43.7 million (1H2022: RMB31.1 million), representing an increase of approximately 40.8% as compared with the corresponding period in 2022. The increase in selling and distribution expenses was due to the increase in commission and consultant fees.

Administrative expenses for the Period were approximately RMB106.3 million (1H2022: RMB116.6 million), representing a decrease of approximately 8.8% as compared with the corresponding period in 2022. The decrease in administrative expenses was mainly due to the decrease in stamp duty and related tax expenses.

Finance costs for the Period were approximately RMB35.8 million (1H2022: RMB20.1 million), representing an increase of approximately 78.4% as compared with the corresponding period in 2022. The increase in finance costs was mainly due to the increase in interest rate and total borrowing.

The Group recorded other expenses of approximately RMB33.5 million for the Period (1H2022: RMB18.0 million), representing an increase of approximately 85.9% as compared with the corresponding period in 2022. The increase was due to the impairment of other receivables.

The Group recorded exchange gain of approximately RMB227,000 during the Period as compared to exchange gain of approximately RMB18.7 million during the corresponding period in 2022. The exchange gain was mainly due to slow down in the appreciation of HKD against RMB.

Income tax credit of approximately RMB3.7 million were recorded for the Period (1H2022: income tax expense of RMB32.0 million). The income tax credit during the Period was mainly due to overprovision of income tax in prior period.

As a result of the above, the net profit attributable to ordinary equity holders of the Company was approximately RMB158.0 million (1H2022: RMB153.3 million). Earnings per share for the Period was RMB0.16 (1H2022: RMB0.15).

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).

During the Period, we received new orders of approximately 314,000 tonnes of steel pipes. The Group received some sizable orders like East African Crude Oil Pipeline project of 80,000 tons during the Period. We delivered approximately 211,000 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), is a large scale integrated commercial complex of offices, shops, apartments and villas. The land area of the converted land accounted for approximately 25% of the total land area of our factory in Panyu. The total permitted construction area of the land (including underground construction area) is approximately 550,000 m^2.

Below is a summary information of GDC:

Address:	Qinghe Road, Shiji Town, Panyu District, Guangzhou City, Guangdong, PRC
Usage:	Large scale integrated commercial complex of offices, shops, apartments and villas
The total permitted construction area (including underground construction area)	Phase I: 135,000 m^2 Phase II: 191,000 m^2 Phase III: 224,000 m^2

The Group recorded most of the sales of the first phase of GDC in 2018. The Group started to recognise sales of the second phase of GDC in 2022. The land with respect to 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.

FUTURE PLAN AND PROSPECTS

Faced with the energy crisis resulting from inflation, financial sector turmoil, monetary tightening and the ongoing Russia-Ukraine war, geopolitical tensions remain severe. The World Bank stated that the global economy is still in an unstable state, and the economy is expected to grow slowly in 2023–2024. The annual global economic growth will drop to about 2.5%. The demand for oil and natural gas in various countries may decrease, and the price of oil and natural gas will hover at a low level. The Group expects that the second half of 2023 will still be full of challenges for the oil and gas industry. In the long run, with the insufficient construction of oil and gas pipelines, China's emphasis on energy security and energy transformation are expected to continue to support the oil and gas sector.

According to the Medium and Long-Term Oil and Gas Pipeline Network Plan (《中長期油氣管網規劃》) formulated by the National Development and Reform Commission, 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 pipelines are expected to reach 163,000 kilometers, 37,000 kilometers and 40,000 kilometers, respectively. According to the National Energy Administration, the scale of the domestic oil and gas pipeline network will reach approximately 210,000 kilometers by 2025. It is expected that investment in key areas of energy will increase by more than 20% during the "14th Five-Year Plan" period compared with that during the "13th Five-Year Plan" period, enhance the supply capacity of oil and gas, improve the long-distance pipeline system of crude oil and refined oil, accelerate the construction and interconnection of the natural gas pipeline network, and expand trunk channels, such as the west-east gas transmission and Sichuan-east gas transmission as well as north-south connecting lines, and the scale of the national oil and gas pipeline network will reach approximately 210,000 kilometers by 2025. According to the China Natural Gas Development Report (2022), the mileage of long-distance oil and gas pipelines in China reached 150,000 kilometers in 2021, of which the total mileage of trunk natural gas pipelines reached 116,000 kilometers. The Resolution on the 14th Five-Year Plan and the 2035 Vision Outline (《十四個五年規劃和二零三五年遠景目標綱要的決議》) proposes to improve the construction of crude oil and refined oil pipeline networks and accelerate the construction of natural gas pipeline networks. In order to keep up with the progress of the "14th Five-Year Plan" and achieve its goals, the Group will benefit from the construction of oil and natural gas pipelines.

China Oil & Gas Pipeline Network Corporation ("**Pipe China**"), which was established in late 2019, has also given to the full play of the "national network" by vigorously accelerating the construction of pipeline networks in recent years, achieved interconnection and interoperability of pipeline networks, and constructed an oil and gas pipeline 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, so as to enhance oil and gas transportation capacity and ensure a safe and stable supply of oil and gas energy. Pipe China plans to build a natural gas pipeline network of "5 verticals, 5 horizontals" in the next five years. By 2025, the natural gas pipeline network of Pipe China will form a trunk pipe network pattern of "four major (inlet) channels" and "5 verticals, 5 horizontals". Pipe China forecasts that the growth of the natural gas market will focus on the eastern region, including the Bohai Rim, Southeast region, South Central region and Yangtze River Delta, which will be immensely beneficial to the Group's production base in Zhuhai. In addition, Pipe China will continue to build a new oil and gas market pattern of "X+1+X", featured by multiple sources and supply channels for upstream resources, a common efficient transmission pipeline network at the midstream, and a diversified downstream distributors in an competitive market. With the establishment of Pipe China, the construction of the oil and gas pipeline network in China will be significantly accelerated, which will facilitate the operational development of the Group.

In order to achieve the "dual carbon" strategic goal of "achieving peak carbon dioxide emission before 2030 and carbon neutrality before 2060", China indicates that ecology-focused green and low-carbon development will become the leading strategy in the future. The Group is also the pioneer of producing insulation pipes. Insulation pipes can effectively reduce 30% of the energy usage, which has significant impact on the reduction of carbon dioxide emission. This indicates that China will pay more attention to natural gas, wind power and hydro-power and other clean energies. The construction of a series of natural gas pipeline and storage facilities, smart grid, wind power and offshore wind power will be accelerated and will drive the demand for our products in the future.

The Group believes that the above policies will create business opportunities for the steel pipe manufacturing industry and the Group will firmly seize the opportunities to boost its sales. In view of our long-term strategic goal to become a leading global steel pipe manufacturer, the Group will grasp the opportunities of potential oil and natural gas development projects, expand our customer bases and market share by participating in more global oil and gas and engineering projects, diversify the use of steel pipes so as to offer steel pipes for projects in infrastructure and high-end construction fields, such as bridges, wind power generation, offshore platforms and water pipes, and continue to leverage the Group's strengths in the steel pipe industry to secure project orders.

EMPLOYEES

As at 30 June 2023, we had 824 full time employees in total (as at 31 December 2022: 824). To retain our employees, we provide competitive remuneration package including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory retirement benefit schemes for employees in their respective countries.

EXCHANGE RISK EXPOSURE

During the Period, most of our operating transactions were settled in RMB except for export sales which were mostly denominated in USD. Apart from the 5% 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 2023 (six months ended 30 June 2022: nil) to the shareholders of the Company.

FINANCIAL GUARANTEE

As at 30 June 2023, the Group guaranteed RMB32.2 million (as at 31 December 2022: RMB36.9 million) to certain purchasers of the Group's properties for mortgage facilities.

PLEDGE OF ASSETS

As at 30 June 2023, 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 RMB654.8 million (as at 31 December 2022: RMB598.1 million);

(ii) leasehold lands with an aggregate net book value of RMB483.1 million (as at 31 December 2022: RMB489.4 million); and

(iii) completed properties held for sale with an aggregate net book value of RMB1,138.1 million (as at 31 December 2022: RMB913.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, our cash and bank balances and current ratio, as a ratio of current assets to current liabilities, were approximately RMB87.3 million (as at 31 December 2022: RMB16.1 million) and 1.00 (as at 31 December 2022: 1.02) 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**"). The maturity date has been extended to 22 December 2023. 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 2023, our aggregate borrowings were approximately RMB1,817.0 million (as at 31 December 2022: approximately RMB1,776.0 million), of which approximately RMB1,744.8 million (as at 31 December 2022: RMB1,689.9 million) were bank loans and other borrowings, approximately RMB71.8 million (as at 31 December 2022: RMB85.3 million) were USD and HKD bonds and approximately RMB396,000 (as at 31 December 2022: RMB0.7 million) were lease liabilities.

Included in the aggregate borrowings as at 30 June 2023 were property development loans of around RMB805.4 million. Excluding the above loans, the loans for our steel pipe business as at 30 June 2023 were around RMB1,011.6 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 26.3% as at 30 June 2023 (as at 31 December 2022: 27.1%).

The maturity profile of our total borrowings as at 30 June 2023 was approximately 68% (as at 31 December 2022: 54%) of the total borrowings repayable within one year, and approximately 32% (as at 31 December 2022: 46%) of the total borrowings repayable over one year.

As at 30 June 2023, approximately 75% (as at 31 December 2022: 80%) 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 21% (as at 31 December 2022: 15%) of our total borrowings were denominated in RMB which carried fixed interest rate and approximately 4% (as at 31 December 2022: 5%) 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

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

EVENT AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant event subsequent to 30 June 2023 which would materially affect the Group's operating and financial performance.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2023.

CG CODE C.2.1

The Company is aware of the requirement under paragraph C.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 2023.

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 2023.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2023.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.pck.com.cn or pck.todayir.com. The interim report for the six months ended 30 June 2023 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises the following Directors: Mr Chen Chang, Mr Chen Guo Xiong and Ms Chen Zhao Nian as executive Directors; and Mr Chen Ping, Mr Tian Xiao Ren and Mr Au Yeung Kwong Wah as independent non-executive Directors.