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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**

The Board announces that on 9 December 2021 (after trading hours), PCK (Lianyungang), an indirect wholly-owned subsidiary of the Company, entered into the Agreement with CECW, pursuant to which CECW shall purchase from PCK (Lianyungang), and PCK (Lianyungang) shall sell to CECW, the Land. The consideration payable by CECW is approximately RMB102.1 million.

The Land, which has not been developed yet, was initially purchased by the Group for establishing a steel plate processing production line in Lianyungang. The Land is vacant and is subject to land idle charge.

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.

As no Shareholder has a material interest in the Land Sale, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Land Sale. As the Company will obtain a written approval of the Land Sale 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, pursuant to Rule 14.44 of the Listing Rules, the Company is not required to convene a general meeting for approving the Land Sale.

A circular setting out, among other matters, details of the Land Sale and a valuation report in respect of the Land is expected to be despatched to the Shareholders on or before 29 January 2022, which is more than 15 business days after the date of this announcement as additional time will be required to prepare the circular.

**As of the Land Sale is subject to the fulfilment of conditions precedent and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## THE AGREEMENT

The Board announces that on 9 December 2021 (after trading hours), PCK (Lianyungang), an indirect wholly-owned subsidiary of the Company, entered into the Agreement with CECW, pursuant to which CECW shall purchase from PCK (Lianyungang), and PCK (Lianyungang) will sell to CECW, the Land. The consideration payable by CECW is approximately RMB102.1 million.

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.

### 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. 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. 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 preliminary 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 shall be paid in cash in the following manners:

- (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
- (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 Land Sale shall be subject to the Company having obtained the Shareholders’ approval for the transaction as contemplated under the Agreement in accordance with the Listing Rules.

### **COMPLETION**

Completion of the Land Sale shall take place after the conditions precedent have 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.

### **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, 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.

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. 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 need to be countermanded to Lianyungang Natural Resources and Planning Bureau.

The Board considers that the Land Sale could provide the Group with cash flow, replenish its liquidity and 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, as assessed by the independent valuer appointed by the Company, is close to the net book value before reduction of government subsidy, 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.

## **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.

As no Shareholder has a material interest in the Land Sale, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Land Sale. As the Company will obtain a written approval of the Land Sale 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, pursuant to Rule 14.44 of the Listing Rules, the Company is not required to convene a general meeting for approving the Land Sale.

A circular setting out, among other matters, details of the Land Sale and a valuation report in respect of the Land is expected to be despatched to the Shareholders on or before 29 January 2022, which is more than 15 business days after the date of this announcement as additional time will be required to prepare the circular.

## DEFINITIONS

In this announcement, unless the context requires otherwise, 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 has 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
“Land Sale”	the sale of the Land to CECW pursuant to the Agreement
“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 announcement, 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

\* *Unofficial transliteration from Chinese name for identification purposes only*

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

Guangdong Province, the PRC, 9 December 2021

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