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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") announces the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 together with the comparative figures of the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*5*	**2,362,015**	1,813,370
Cost of sales and services		**(1,891,392)**	(1,617,854)
Gross profit		**470,623**	195,516
Other income and gains	*5*	**238,743**	1,580,778
Selling and distribution expenses		**(55,062)**	(52,906)
Administrative expenses		**(245,826)**	(263,635)
Exchange gain/(loss), net		**16,416**	(33,476)
Other expenses	*6*	**(209,786)**	(376,014)
Fair value loss on investment properties		**(8,000)**	(17,000)
Impairment of property, plant and equipment		**—**	(596,765)
Finance costs	*7*	**(44,643)**	(144,253)
Share of loss of a joint venture		**—**	(15,020)

	Notes	**2022** *RMB'000*	2021 *RMB'000*
PROFIT BEFORE TAX	*8*	**162,465**	277,225
Income tax credit/(expense)	*9*	**569**	(371,579)
PROFIT/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY		**163,034**	(94,354)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		***RMB***	*RMB*
— Basic and diluted	*10*	**0.16**	(0.09)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	**163,034**	(94,354)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(68,152)**	67,149
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(68,152)**	67,149
Other comprehensive income/(loss) 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	**10,541**	(3,974)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**10,541**	(3,974)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(57,611)**	63,175
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	**105,423**	(31,179)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,769,994**	1,874,309
Investment properties		**362,000**	370,000
Right-of-use assets		**646,013**	661,172
Long term prepayments and deposits		**72,406**	61,494
Investment in a joint venture		**—**	—
Total non-current assets		**2,850,413**	2,966,975
CURRENT ASSETS			
Properties under development		**—**	2,255,293
Completed properties held for sale		**2,212,824**	385,203
Inventories		**402,694**	416,885
Trade and bills receivables	*11*	**378,856**	503,106
Prepayments, other receivables and other assets		**679,102**	1,125,353
Pledged and restricted bank balances		**14,920**	249,719
Cash and cash equivalents		**16,128**	20,588
		3,704,524	4,956,147
Non-current asset classified as held for sale		**—**	—
Total current assets		**3,704,524**	4,956,147
CURRENT LIABILITIES			
Trade and bills payables	*12*	**636,069**	1,289,635
Other payables and accruals		**838,326**	693,026
Contract liabilities		**704,255**	1,351,558
Fixed rate bonds and notes		**85,330**	88,930
Interest-bearing bank and other borrowings		**880,409**	881,394
Due to a director		**390,195**	449,111
Tax payable		**43,823**	25,844
Provision		**49,283**	30,488
Total current liabilities		**3,627,690**	4,809,986
NET CURRENT ASSETS		**76,834**	146,161
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,927,247**	3,113,136

	Notes	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**810,239**	839,905
Deferred tax liabilities		**294,289**	349,578
Long-term tax payable		**789,187**	767,930
Government grants		**102,593**	330,207
Total non-current liabilities		**1,996,308**	2,287,620
Net assets		**930,939**	825,516
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**88,856**	88,856
Reserves		**842,083**	736,660
Total equity		**930,939**	825,516

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 Group are involved in the following principal activities:

- manufacture and sale of welded steel pipes and the provision of related manufacturing services; and

- property development and investment

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Bournam Profits Limited ("Bournam"), which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting standards, International Accounting Standards ("IASs") and interpretations) issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Going concern basis

As at 31 December 2022, the Group maintained cash and cash equivalents of approximately RMB16,128,000 (2021: RMB20,588,000). The Group may not have adequate cash flows to pay creditors on due dates. As at 31 December 2022, the Group recorded net current assets of approximately RMB76,834,000 (2021: RMB146,161,000). In view of these circumstances, the directors of the Company have considered the future liquidity and performance of the Group and its available sources of finance 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:

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

Subsequent to 31 December 2022 and up to the date of this announcement, the Group obtained the new loan of RMB50,000,000 with related 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.

(2) Improvement of the Group's operating cash flows

The Group is taking measures to tighten cost control over various production costs and expenses with an aim to attain profitable and positive cash flow operations. The eventual outcome of the above measures is inherently uncertain and cannot be estimated with reasonable certainty.

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 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 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 consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Costs of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

The nature and the impact of the new and revised IFRSs are described below:

(a) Reference to the Conceptual Framework — Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

(b) Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

(c) Onerous Contracts — Costs of Fulfilling a Contract — Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group as there were no contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

(d) IFRS 1 First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

This amendment had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

(e) IFRS 9 Financial Instruments — Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

This amendment had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

(f) Illustrative Examples accompanying IFRS 16

The amendment to illustration example 13 accompanying IFRS 16 removes from the fact pattern a reimbursement relating to leasehold improvements, as the example had not explained clearly whether the reimbursement would meet the definition of a lease incentives in IFRS 16.

This amendment had no impact on the consolidated financial statements of the Group as it did not have any payments from the lessor relating to leasehold improvements during the reporting period.

(g) IAS 41 Agriculture — Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

This amendment had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

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) the property development and investment segment engages in development of properties for sale 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 resource 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.

There were no intersegment sales during the years ended 31 December 2022 and 2021.

Year ended 31 December 2022

	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Segment revenue (note 5)			
Sales to external customers	**1,810,097**	**551,918**	**2,362,015**
Segment results	**206,311**	**(46,982)**	**159,329**
Reconciliation:			
Corporate and other unallocated income			**14,758**
Corporate and other unallocated expenses			**(8,252)**
Unallocated finance costs			**(3,370)**
Profit before tax			**162,465**
Segment assets	**3,166,119**	**3,927,937**	**7,094,056**
Reconciliation:			
Elimination of intersegment receivables			**(874,825)**
Corporate and other unallocated assets			**335,706**
Total assets			**6,554,937**
Segment liabilities	**3,786,909**	**2,551,962**	**6,338,871**
Reconciliation:			
Elimination of intersegment payables			**(874,825)**
Corporate and other unallocated liabilities			**159,952**
Total liabilities			**5,623,998**
Other segment information			
Amounts included in the measure of segment results or segment assets:			
Subsidy income from the PRC government	**231,517**	**119**	**231,636**
Gain on disposal of property, plant and equipment	**1,752**	**—**	**1,752**
Impairment of trade receivables	**(24,225)**	**—**	**(24,225)**
(Impairment)/reversal of impairment of other receivables	**(2,412)**	**228**	**(2,184)**
Compensation	**(63)**	**(22,995)**	**(23,058)**
Provision of claim arising from litigation	**19,920**	**(38,715)**	**(18,795)**
Land resumption costs	**(108,450)**	**—**	**(108,450)**
Finance costs	**(41,273)**	**—**	**(41,273)**
Depreciation and amortisation	**(75,841)**	**(22)**	**(75,863)**
Capital expenditure*	**14,598**	**—**	**14,598**

Year ended 31 December 2021

	Steel pipes *RMB'000*	Property development and investment *RMB'000*	Total *RMB'000*
Segment revenue (note 5)			
Sales to external customers	1,802,568	10,802	1,813,370
Segment results	400,289	(70,843)	329,446
Reconciliation:			
Corporate and other unallocated expenses			(9,486)
Unallocated finance costs			(42,735)
Profit before tax			277,225
Segment assets	3,061,158	6,117,547	9,178,705
Reconciliation:			
Elimination of intersegment receivables			(1,607,400)
Corporate and other unallocated assets			351,817
Total assets			7,923,122
Segment liabilities	4,617,796	3,897,520	8,515,316
Reconciliation:			
Elimination of intersegment payables			(1,607,400)
Corporate and other unallocated liabilities			189,690
Total liabilities			7,097,606
Other segment information			
Amounts included in the measure of segment results or segment assets:			
Gain on resumption of land use rights by the local authorities	1,540,336	—	1,540,336
Gain on disposal of a subsidiary	11,728	—	11,728
Compensation	(3,072)	(6,674)	(9,746)
Loss on disposal of right-of-use assets	(292,780)	—	(292,780)
Loss on disposal of property, plant and equipment	(10,635)	—	(10,635)
Provision of claim arising from litigation	(29,290)	—	(29,290)
Write-down of inventories to net realisable value	(11,443)	—	(11,443)
Impairment of trade receivables	(7,183)	—	(7,183)
Finance costs	(94,633)	(6,885)	(101,518)
Depreciation and amortisation	(78,118)	(22)	(78,140)
Share of loss of a joint venture	(15,020)	—	(15,020)
Capital expenditure*	83,148	—	83,148

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

Information about steel pipe products and services

The revenue from the major products and services is analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Manufacture and sale of steel pipes:		
LSAW steel pipes	**1,171,679**	1,351,040
SSAW steel pipes	**287,111**	129,359
ERW steel pipes	**4,983**	—
Steel pipe manufacturing services:		
LSAW steel pipes	**231,123**	158,640
SSAW steel pipes	**34,088**	90,617
Others*	**81,113**	72,912
	1,810,097	1,802,568
Sale of properties	**551,918**	10,802
	2,362,015	1,813,370

* Others mainly include the manufacture and sale of steel fittings, screw-thread steels and scrap 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:

	2022	2021
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**1,701,332**	965,305
Africa	**157,774**	490,831
Europe	**8,007**	46,967
Middle East	**263,318**	78,924
Asia and other Asian countries	**226,601**	159,515
South America	**4,983**	71,828
	2,362,015	1,813,370

(b) Over 90% of the Group's assets and capital expenditure are located in Mainland China.

Information about major customers

Revenue of approximately RMB168,023,000 (2021: RMB490,831,000) was derived from sales by the steel pipe segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of goods sold and services rendered, net of value-added tax and other sales taxes, during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	**1,810,097**	1,802,568
Sale of properties	**551,518**	10,351
	2,361,615	1,812,919
Revenue from lease contracts		
Rental income	**400**	451
	2,362,015	1,813,370
Other income and gains		
Bank interest income	**3,741**	2,576
Subsidy income from the PRC government*	**231,636**	13,193
Gain on resumption of land use rights by the local authorities	**—**	1,540,336
Gain on disposal of a subsidiary	**—**	11,728
Gain on disposal of property, plant and equipment	**1,752**	1,210
Short-term rental income	**—**	2,690
Others	**1,614**	9,045
	238,743	1,580,778

* The subsidy income represents subsidies granted by the local finance bureaus to Panyu Chu Kong Steel Pipe Co., Ltd., Guangdong Pearl Steel Investment Management Co., Ltd., Lianyungang Kaidi Heavy Equipment Technology Co., Ltd., Nanjing Rongyu Group Co., Ltd., Lianyungang Zhugang Coating Engineering Co., Ltd., Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd., Lianyungang Pearl River Petrol-Fittings Co., Ltd. and Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd. as awards for their products, and Panyu Chu Kong Steel Pipe (Lianyungang) Co., Ltd. as awards for investment. There are no unfulfilled conditions or contingencies relating to such subsidies.

6. OTHER EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Compensation	**23,058**	9,746
Loss on disposal of right-of-use assets	**—**	292,780
Loss on disposal of property, plant and equipment	**—**	10,635
Provision of claim arising from litigations	**18,795**	29,290
Write-down of inventories to net realisable value	**—**	11,443
Land resumption costs	**108,450**	—
Impairment of trade receivables	**24,225**	7,183
Impairment of other receivables	**2,184**	—
Others	**33,074**	14,937
	209,786	376,014

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank and other borrowings (including bonds and notes)	**88,378**	205,320
Interest on lease liabilities	**57**	109
Interest on discounted bills	**1,486**	3,427
Total interest expenses on financial liabilities not at fair value through profit or loss	**89,921**	208,856
Less: Interest capitalised	**(45,278)**	(64,603)
	44,643	144,253

8. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Employee benefit expenses (including directors' remuneration):		
Fees, wages and salaries	**123,652**	140,789
Retirement benefit scheme contributions	**6,570**	9,375
	130,222	150,164
Cost of inventories sold	**1,221,533**	1,431,877
Cost of services provided	**174,624**	176,740
Cost of properties sold	**495,235**	9,237
Auditor's remuneration	**1,283**	1,064
Depreciation of property, plant and equipment	**61,432**	50,051
Depreciation of right-of-use assets	**14,431**	28,089
Impairment of trade receivables	**24,225**	7,183
Impairment of other receivables	**2,184**	—
Impairment of property, plant and equipment	**—**	596,765
Fair value loss on investment properties	**8,000**	17,000
Research and development costs	**64,283**	64,526

9. INCOME TAX

The major components of the income tax (credit)/expense for the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
Current — Mainland China		
PRC CIT charge for the year	**54,720**	375,877
Deferred tax	**(55,289)**	(4,298)
Total income tax (credit)/expense for the year	**(569)**	371,579

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,011,142,000 (2021: 1,011,142,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

11. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**407,709**	508,402
Impairment allowance	**(28,853)**	(13,516)
Trade receivables, net	**378,856**	494,886
Bills receivable	**—**	8,220
	378,856	503,106

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 days to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2022	2021
	RMB'000	*RMB'000*
Within 60 days	**153,001**	248,838
61 to 90 days	**17,342**	10,810
91 to 180 days	**58,830**	24,499
181 to 365 days	**18,282**	105,091
1 to 2 years	**57,804**	25,019
2 to 3 years	**7,456**	6,170
Over 3 years	**66,141**	74,459
	378,856	494,886

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**13,516**	6,333
Impairment losses recognised	**24,225**	7,183
Amount written off as uncollectible	**(8,888)**	—
At 31 December	**28,853**	13,516

The Group applied the provision matrix method in the assessment of the ECLs on trade receivables at each reporting period.

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**372,595**	729,282
91 to 180 days	**51,645**	45,093
181 to 365 days	**35,803**	34,126
1 to 2 years	**44,972**	56,669
2 to 3 years	**33,622**	75,642
Over 3 years	**66,548**	62,153
	605,185	1,002,965
Bills payable	**30,884**	286,670
	636,069	1,289,635

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present to you the audited consolidated annual results of the Group for the year ended 31 December 2022.

In 2022, the global economy faced downward pressure due to the ongoing COVID-19 pandemic, the outbreak of the Russia-Ukraine war, fluctuating oil and gas prices as well as inflation. The growth of global and China's economy slowed down in 2022, with growth rates of 3.1% and 3%, respectively. The Group recorded a turnover of approximately RMB2,362.0 million (2021: RMB1,813.4 million), representing an increase of approximately 30.3% compared with that of 2021. The Group recorded a profit of approximately RMB163.0 million (2021: loss of RMB94.4 million). Earnings per share attributable to ordinary equity holders was approximately RMB0.16 (2021: loss per share of RMB0.09). The Board did not recommend the payment of a final dividend for the year ended 31 December 2022.

Under the recurring outbreak of COVID-19 pandemic in 2022, the Group delivered 314,000 tonnes of steel pipes in total and secured orders for 413,000 tonnes of steel pipes in total for, among others, projects with three major oil companies, the Bozhong 19–6 Condensate Gas Filed Phase I Development Project, the Shell Offshore Platform Project, the Foshan High-pressure Natural Gas Pipeline Network, the Tung Chung Insulation Project, the Kwu Tung North Insulation Project, Bohe-Maoming Oil Pipeline Project, the Nigeria Project, the Binzhou Natural Gas Pipeline Construction Project and the Uganda Project.

During the year, the Group successfully piloted the production of composite steel pipes made of low-alloy steel (steel plate material: Q235B+304/wall thickness: 10.5mm+1.5mm) which is resistant to seawater corrosion, and new processes of hydrogen sulfide double resistance line pipes and large wall thickness steel pipes with double welding processes, all of which laid the foundation for future steel pipe orders, and strengthening the core competitiveness of the Company to become a pioneer in the industry.

Furthermore, by virtue of its professional research and development team, solid technical strength, continuous innovation ability and scientific enterprise management, Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd ("PCKSP (Zhuhai)"), a wholly-owned subsidiary of the Group, has received the certificate of "Guangdong High and New Technology Enterprise*" jointly issued by the Department of Science and Technology of Guangdong Province*, Guangdong Province Department of Finance*, and Guangdong Provincial Taxation Bureau of the State Administration of Taxation, as well as the honorary title of the 2022 Specialized and New Enterprise in Guangdong Province (廣東省2022年度專精特新企業) and National Intellectual Property Advantage Enterprise*. Being recognized as a high-tech enterprise is a comprehensive evaluation and recognition of PCKSP (Zhuhai)'s core independent intellectual property rights, ability in scientific and technological achievements transformation, organization and management level on research and development, growth indicators and talent composition. With an emphasis on technological innovation, the Group has attached much importance to technology research and development, patent declaration and intellectual property protection. Its investment in research and development has been increasing year by year, and as a result, the Company's products become the bellwether of industry-leading technology, and were strongly supported and recognised by the government in innovation research and development.

In April 2022, the Group announced the disposal of 50% equity interest in a Saudi joint venture company at a consideration of SR41,500,000 (equivalent to approximately RMB70,550,000), and the disposal was not completed as at the date of the announcement. The Saudi joint venture company was set up in 2011, and commenced construction of production mill and LSAW production line in 2014 and began to record sales since 2019. As it had been making loss since its incorporation, the disposal of the Saudi joint venture company could minimize investment losses in the foreseeable future. In addition, after the disposal, the Group can concentrate on its main operation in Zhuhai and Lianyungang, the PRC. The disposal provided the Group with capital from the divestment, replenish its liquidity and improve the financial position of the Group. The disposal did not have any material effect on the business and operation of the Group.

PROSPECT

Faced with the energy crisis resulting from inflation, monetary deflation, and the Russia-Ukraine war, it is expected that in 2023, the global economy will fall into recession, the demand for crude oil and natural gas may decrease, and the oil and gas prices will fluctuate. Contrary to the global economic forecast in 2023, the World Bank stated that the global economy may increase only by 1.7%. Nevertheless, China's original intention to promote the development of the natural gas industry remains unchanged. According to the 14th Five-Year Plan and the 2035 Vision Outline (《十四五規劃和2035年遠景目標綱要》), China will accelerate the construction of oil and gas pipeline facilities. In addition, in order to implement the "dual carbon" policy, natural gas has been a key clean energy for carbon emission reduction, but current natural gas pipeline mileage has not met the goals as set out in the Medium and Long-Term Oil and Gas Pipeline Network Plan (《中長期油氣管網規劃》), and there will still be demand for pipeline construction in the future. As such, the Group will continue to benefit from the demand for pipelines.

With unremitting efforts, the Group is very confident that it will overcome any hardships by adjusting its strategic direction, building up its strength and guarding the Group with fearless spirit, as well as improving and strengthening its technologies, actively expand new product areas, and expand its product offerings to cover projects in infrastructure and high-end construction fields such as bridges, wind power generation, offshore platforms and water pipes in addition to single oil and gas transmission pipeline, to meet the diversified demands of domestic and foreign markets for high-performance steel pipe products, and expand product use and increase its market share.

APPRECIATION

On behalf of the Group, I would like to thank all the staff for their consistent professional ethics in such a challenging year. I am also grateful to the shareholders for their continuous support to the Group to build strength for a bright future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly (i) manufactures and sells longitudinal welded steel pipes, as well as provides manufacturing service for processing raw materials into steel pipes; and (ii) engages in property development and investment.

Steel pipe business

Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are the largest LSAW steel pipe manufacturer and exporter in the PRC, and are capable of producing LSAW steel pipes that meet the X100 standard. We are also accredited with 13 international quality certifications such as Det Norske Veritas and American Petroleum Institute. In addition, we are the first and the only PRC manufacturer that has successfully produced and developed deep sea welded pipes for use at 3,500m under water. Our products are widely applicable to major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

Our Group is capable of manufacturing subsea pipes and drilling platforms structure pipes for offshore projects and is being classified as a member of the Offshore Engineering Equipment Industry* (海洋工程裝備製造業).

Order Status

In 2022, the Group received new orders of approximately 413,000 tonnes of welded steel pipes. The Group has received some sizeable orders, such as orders from Bozhong 19–6 Condensate Gas Field Phase I Development Project, Bohe-Maoming Oil Pipeline Project, Nigeria Project and Uganda project. The Group delivered approximately 314,000 tonnes of welded steel pipes during 2022.

LSAW Steel Pipes

The Group is one of the largest LSAW steel pipe manufacturers and exporters in the PRC. Sales and manufacturing of LSAW steel pipe was the largest source of revenue of the Group and accounted for approximately 77.5% of our total steel pipe revenue for the year ended 31 December 2022. For the year ended 31 December 2022, revenue from the sales and manufacturing service of LSAW steel pipes amounted to approximately RMB1,171.7 million and RMB231.1 million, respectively, which were similar to that for the year ended 31 December 2021.

SSAW Steel Pipes

Our SSAW steel pipes are produced in our plant in Lianyungang using the pre-welding and precision welding SSAW technique, which is the most advanced technique among all SSAW technologies. Revenue from the sales and manufacturing service of SSAW steel pipes amounted to approximately RMB287.1 million and RMB34.1 million respectively. The total revenue from SSAW steel pipes accounted for approximately 17.8% of the total steel pipe revenue for the year ended 31 December 2022 which were similar to that for the year ended 31 December 2021.

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 in relation to Golden Dragon City Fortune Plaza (金龍城財富廣場) ("GDC"), 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:	Golden Dragon City, Yayun Avenue, 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 recognised the sale of the second phase of GDC in 2022. 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.

FINANCIAL REVIEW

Revenue and gross profit

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

Our revenue increased from RMB1,813.4 million for the year ended 31 December 2021 to approximately RMB2,362.0 million. Such increase was mainly due to recognition of sales of the second phase of GDC in 2022. Steel pipes sales in 2022 was similar to that of 2021.

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

	2022		2021	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Revenue				
Steel pipes	**1,810,097**	**76.6**	1,802,568	99.4
Property development and investment	**551,918**	**23.4**	10,802	0.6
	2,362,015	**100.0**	1,813,370	100.0

Steel pipes

	2022 Revenue		2021 Revenue	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Sales of steel pipes				
LSAW steel pipes	**1,171,679**	**64.7**	1,351,040	75.0
SSAW steel pipes	**287,111**	**15.9**	129,359	7.2
ERW steel pipes	**4,983**	**0.3**	—	—
Subtotal	**1,463,773**	**80.9**	1,480,399	82.2
Manufacturing services				
LSAW steel pipes	**231,123**	**12.8**	158,640	8.8
SSAW steel pipes	**34,088**	**1.9**	90,617	5.0
Subtotal	**265,211**	**14.7**	249,257	13.8
Others	**81,113**	**4.4**	72,912	4.0
Grand total	**1,810,097**	**100.0**	1,802,568	100.0

Steel pipes

	2022	2021
	RMB'000	*RMB'000*
Sales	**1,810,097**	1,802,568
Cost of sales	**(1,396,157)**	(1,608,617)
Gross profit	**413,940**	193,951

The revenue generated from the sales of steel pipes accounted for approximately 80.9% of our total steel pipe revenue in 2022 as compared with approximately 82.2% in 2021. Steel pipe manufacturing services accounted for approximately 14.7% of our total steel pipe revenue in 2022 as compared with approximately 13.8% in 2021. The revenue classified as "Others" mainly represented the trading of steel plates, sales of steel fittings and sales of scrap materials which accounted for approximately 4.4% of our total steel pipe revenue in 2022 as compared with approximately 4.0% in 2021.

Gross profit of steel pipe sales for 2022 was approximately RMB413.9 million as compared with approximately RMB194.0 million in 2021, representing an increase of approximately 113.4% or RMB220.0 million. Gross profit margin for 2022 was approximately 22.9% which was higher than that of 10.8% in 2021. The increase in gross profit was due to high freight charges and appreciation of RMB against USD in relation to overseas sales in 2021 which led to drop in gross profit margin in 2021. Gross profit margin returned to normal level this year.

Our domestic sales accounted for approximately 63.5% of our total steel pipe revenue in 2022, as compared with approximately 53.0% in 2021.

Sales by Geographical Areas — Steel Pipes

	2022 Revenue		2021 Revenue	
	RMB'000	***% to total***	*RMB'000*	*% to total*
Overseas sales	**660,683**	**36.5**	848,065	47.0
Domestic sales	**1,149,414**	**63.5**	954,503	53.0
Total steel pipes and manufacturing services	**1,810,097**	**100.0**	1,802,568	100.0

Property development and investment

	2022	2021
	RMB'000	*RMB'000*
Revenue	**551,918**	10,802
Cost of sales	**(495,235)**	(9,237)
Gross profit	**56,683**	1,565

Revenue under property development and investment mainly comprises sales of property of GDC-Phase II and rental income from shops in Phase I of GDC. Revenue under property development and investment was approximately RMB551.9 million in 2022 as compared with approximately RMB10.8 million in 2021, representing an increase of approximately 5,009.4% or RMB541.1 million. Increase in revenue was due to recognition of sales of Phase II in 2022. Most of the units under Phase I of GDC had been sold in 2018 and 2019.

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 cost of properties sold, which includes the direct costs of construction and the costs of obtaining land use rights. Cost of sales was approximately RMB495.2 million in 2022 as compared with approximately RMB9.2 million in 2021, representing an increase of 5,261.4% or RMB486.0 million. Increase in cost of sales was due to allocation of cost of Phase II of GDC.

Gross profit of property sales was approximately RMB56.7 million in 2022 as compared with approximately RMB1.6 million in 2021, representing an increase of 3,521.9% or RMB55.1 million. Increase in gross profit was due to increase in sales of Phase II of GDC.

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

CHANGE IN FAIR VALUES OF INVESTMENT PROPERTIES

The Group has adopted the accounting policy of measuring investment properties by using fair values. Accordingly, gains or losses arising from the changes in the fair values of investment properties are reflected as profit or loss for 2022. The investment properties as at 31 December 2022 were the shops of Phase I of GDC. The Group has engaged RHL Appraisal Limited, an independent valuer, to value the investment properties as at 31 December 2022. According to the valuation report as at 31 December 2022 issued by RHL Appraisal Limited, the market value of the investment properties as at 31 December 2022 was RMB362 million. Loss in fair values of the investment properties in 2022 was approximately RMB8 million (2021: loss of RMB17 million).

OTHER INCOME AND GAINS

Other income and gains in 2022 mainly represented bank interest income and subsidy income from government. Other income and gains decreased by approximately 84.9% or RMB1,342.0 million from approximately RMB1,580.8 million in 2021 to approximately RMB238.7 million in 2022. Decrease in other income and gains was mainly due to net gain on resumption of land-use-rights from local authority in 2021 pursuant to the land resumption agreement dated 15 September 2020, details of which were disclosed in the circular of the Company dated 8 October 2020.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses slightly increased by approximately 4.1% or RMB2.2 million from approximately RMB52.9 million in 2021 to approximately RMB55.1 million in 2022. There was no material change in selling and distribution expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 6.8% or RMB17.8 million from approximately RMB263.6 million in 2021 to approximately RMB245.8 million in 2022. The decrease in administrative expenses was mainly due to disposal of land in Lianyungang in 2021 that led to decrease in depreciation during the year.

FINANCE COSTS

The finance costs for 2022 was approximately RMB44.6 million as compared with that of 2021 of approximately RMB144.3 million, representing a decrease of RMB99.6 million or 69.1%. The effective interest rate in 2022 was approximately 2.5% (2021: 8.0%). Decrease in finance costs was due to decrease in average loan balance and interest rate during the year.

OTHER EXPENSES

Other expenses decreased by approximately 44.2% or RMB166.2 million from approximately RMB376.0 million in 2021 to approximately RMB209.8 million in 2022. The decrease was mainly due to loss on disposal of land in Lianyungang in 2021.

EXCHANGE GAIN/(LOSS), NET

The Group recorded exchange gain of approximately RMB16.4 million in 2022 as compared with exchange loss of approximately RMB33.5 million in 2021. The exchange gain was mainly due to appreciation of HKD against RMB.

INCOME TAX (CREDIT)/EXPENSE

The Group recorded income tax credit of RMB0.1 million in 2022 as compared with income tax expense of RMB371.6 million in 2021.

Income tax expense in 2021 was mainly because the Group sold the land in Panyu in 2021 and there was tax provision on the gain on resumption of land use right.

PROFIT/(LOSS) FOR THE YEAR

As a result of the reasons discussed above, the Group recorded a profit of approximately RMB163.0 million in 2022 (2021: loss of RMB94.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2021 and 2022:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Net cash flows from/(used in) operating activities	**154,068**	(904,628)
Net cash flows from investing activities	**38,169**	2,561,963
Net cash flows used in financing activities	**(149,102)**	(1,709,156)
Net increase/(decrease) in cash and cash equivalents	**43,135**	(51,821)

NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES

The Group's net cash outflows from operating activities of approximately RMB904.6 million in 2021 changed to net cash inflows of approximately RMB154.1 million in 2022. The change of net cash flows from operating activities were primarily due to the combined effect of (i) profit before tax; (ii) increase in completed properties held for sale, and other payables and accruals; and (iii) decrease in properties under development, inventories, trade and bills receivables, prepayments, other receivables and other assets, pledged and restricted bank balances, trade and bills payables, and contract liabilities.

NET CASH FLOWS FROM INVESTING ACTIVITIES

The Group's net cash flows from investing activities decreased from approximately RMB2,562.0 million in 2021 to approximately RMB38.2 million in 2022. The decrease in net cash flows were mainly due to net receipt of compensation for land resumption of land of Panyu in 2021.

NET CASH FLOWS USED IN FINANCING ACTIVITIES

The Group's net cash flows used in financing activities decreased from approximately RMB1,709.2 million in 2021 to approximately RMB149.1 million in 2022. The decrease was mainly resulted from the combined effect of (i) the issue of new bonds and the borrowing of new interest- bearing loans and other borrowings of approximately RMB529.6 million and (ii) decrease in an amount due to a director, the repayment of bank loans, other borrowings, and principal portion of payment of lease and payment of interest of approximately RMB678.7 million.

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and most of its operating transactions are settled in Renminbi except for export sales and overseas borrowings which are mostly denominated in US dollar and HK dollar. Most of the Group's assets and liabilities are denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect that future currency fluctuations would materially impact the Group's operations. The Group did not adopt formal hedging policies nor instruments of foreign currency for managing the exchange risk exposure during the year ended 31 December 2022.

CAPITAL EXPENDITURE

For the year ended 31 December 2022, the Group invested approximately RMB14.6 million for the upgrading of property, plant and equipment and right-of-use assets. These capital expenditures were fully financed by internal resources.

FINANCIAL GUARANTEE

As at 31 December 2022, the Group guaranteed RMB36.9 million (2021: RMB73.7 million) to certain purchasers of the Group's properties for mortgage facilities.

PLEDGE OF ASSETS

The Group pledged the following assets with an aggregate net book value to secure bank loans granted to the Group as at 31 December 2022:

(i) certain plant and machinery of approximately RMB598.1 million (2021: RMB567.9 million);

(ii) certain leasehold lands of approximately RMB489.4 million (2021: RMB501.9 million);

(iii) certain properties under development of approximately RMBnil million (2021: RMB1,086.1 million); and

(iv) completed properties held for sale of approximately RMB913.7 million (2021: RMB93.8 million).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing ratio is calculated based on the sum of bank loans, other borrowings and fixed rate bonds and notes divided by total assets. The gearing ratio of the Group as at 31 December 2022 and 2021 were approximately 27.1% and 22.9%, respectively. There was no major change in gearing ratio in 2022 as compared with that of 2021.

On 27 April 2020, the Company entered into a subscription agreement with an investment fund, pursuant to which the Company agreed to issue, and the investment fund agreed to subscribe for HK$140,000,000 12% bonds due in April 2022 (the "Bonds"). Mr. Chen Chang, an executive director and the controlling shareholder of the Company, undertakes and covenants that for so long as any of the Bonds remain outstanding, he shall remain as (i) the single largest direct or indirect shareholder of the Company; and (ii) the chairman of the Board and executive Director (the "Specific Performance Obligations"). Any breach of the Specific Performance Obligations may constitute an event of default under the Bonds, 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 31 December 2022, the Group's total borrowings amounted to approximately RMB1,776.0 million, of which approximately 46% (2021: 46%) were long term borrowings and approximately 54% (2021: 54%) were short term borrowings. The total borrowings included, (i) a loan of RMB818 million in relation to the Group's property development business; and (ii) net borrowings under steel pipe business of around RMB958.0 million. The Group had to finance its working capital of steel pipe business by short term borrowings as around 90% of the cost of sales was incurred on the procurement of steel plates and steel coils. Once the Group received sales proceeds from its customers, it would then repay the short term borrowings. Taking into account the Group's cash in hand, the Group has sufficient liquidity and is in a strong financial position to repay its short term borrowings.

As at 31 December 2022, (i) approximately 80% (2021: 80%) of the total borrowings were denominated in Renminbi which carried interest rates linked to the benchmark lending rate published by the People's Bank of China; (ii) approximately 15% (2021: 15%) of the total borrowings were denominated in Renminbi which carried fixed interest rate; and (iii) approximately 5% (2021: 5%) of the total borrowings were denominated in US dollar and HK dollar which carried fixed interest rate.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 26 April 2022, Panyu Chu Kong Steel Pipe Co. Ltd (the "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, the 50% equity interest in Al-Qahtani PCK Pipe Company (the "JV Company"). The consideration payable by AHQ is SR41.5 million (or equivalent to approximately RMB70.55 million). Upon Completion, the Group will cease to hold any interests in the JV Company. As at the date of this announcement, the disposal of the JV Company has not been completed.

For details, please refer to the Company's announcements and circular dated 26 April 2022 and 27 June 2022 respectively.

Except for the above, the Group had no other significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

LITIGATION

The Group has certain lawsuits that brought by third parties alleging that the Group breached and repudiated certain purchase and construction contracts. The claims are subject to the legal arbitration and are expected to be finalized in 2023. As at 31 December 2022, a provision of approximately RMB49.3 million has been provided.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant event subsequent to 31 December 2022 which would materially affect the Group's operating and financing performance.

EMPLOYEE AND REMUNERATION POLICY

For the year ended 31 December 2022, staff costs (including Directors' remuneration in the form of salaries) were approximately RMB123.7 million (2021: RMB140.8 million).

The Group remunerates its employees based on their performance, experience and prevailing industry practice. The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Competitive remuneration package is offered to retain elite employees. Our package includes salaries, medical insurance, discretionary bonuses, on-job training, other benefits as well as mandatory provident funds schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. Pursuant to the Company's share option scheme, options to subscribe respectively for shares in the Company may be granted to eligible employees. No share option was granted under the share option scheme during the year ended 31 December 2022.

As at 31 December 2022, the Group had a total of 824 full time employees (2021: 862 employees). The following sets forth the total number of our staff by functions:

	2022	2021
Management	**55**	59
Production and logistics	**327**	347
Sales and marketing	**61**	66
Finance	**45**	45
Quality control	**79**	83
R&D	**101**	94
Procurement	**17**	19
General administration and others	**139**	149
Total	**824**	862

PROSPECT

Faced with the energy crisis resulting from inflation, monetary deflation and the Russia-Ukraine war, it is expected that the global economy will fall into recession in 2023. The prices of oil and natural gas will retrench from the high level in 2022 as worldwide demand for oil and natural gas may decrease. The Group expects that the year 2023 will remain a challenging year for the oil and natural gas industry. In the long term, it is expected that the oil and natural gas industry will continue to develop due to the combined effects of the insufficient oil and natural gas pipeline facilities, and China's emphasis on energy security and energy transition.

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 be 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. 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. 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.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") 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") for the financial year ended 31 December 2022.

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 separately have any officer with the title of "chief executive". Mr. Chen Chang, the chairman and founder of the Group, is also responsible for the leadership and effective running of the Board, 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 complement the role of the chairman and chief executive. 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 shall nevertheless review the structure from time to time to ensure appropriate measures would be taken should suitable circumstance arise.

NON-COMPETITION UNDERTAKINGS

The independent non-executive Directors have also reviewed the confirmation given by Mr. Chen Chang and Bournam, being controlling shareholders of the Company, in respect of each of their compliance with the non-competition undertakings as disclosed in the prospectus of the Company dated 28 January 2010. The independent non-executive Directors are satisfied that the controlling shareholders have fully complied with the terms of the non-competition undertakings and no new competing business was reported by the controlling shareholders throughout the year ended 31 December 2022.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") consists of three independent non-executive Directors, namely Mr Chen Ping, Mr. Au Yeung Kwong Wah and Mr. Tian Xiao Ren. Mr Au Yeung Kwong Wah is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control and risk management procedures and systems of our Group. The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2022 and the condensed unaudited consolidated interim financial statements for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Company and the Group.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in this announcement of the Group's results for the year ended 31 December 2022 have been agreed by CCTH CPA Limited ("CCTH"), the Group's auditors. The work performed by CCTH in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH on the announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at 1/F., China Building, 29 Queen's Road Central, Hong Kong on Friday, 16 June 2023 at 10:30 a.m.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both days inclusive, during which no transfer of shares of the Company (the "Shares") will be registered. In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 12 June 2023.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk under "Listed Company Information" and the designated website of the Company at http://www.pck.com.cn or http://www.pck.todayir.com, respectively. The annual report of the Company for the year ended 31 December 2022 will be despatched to the shareholders and published on the Stock Exchange's and the Company's websites in due course.

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

Hong Kong, 30 March 2023

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.

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