
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

PROPOSALS FOR GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES, RE-ELECTION OF DIRECTORS, ADOPTION OF NEW SHARE OPTION SCHEME AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited to be held at Portion 2, 12th Floor, The Centre, 99 Queen's Road Central, Hong Kong on Thursday, 18 June 2020 at 10:30 a.m. is set out on pages 32 to 37 of this circular.

Whether or not you are able to attend the annual general meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

Please see page 1 of this document for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the Annual General Meeting, including:

- (i) compulsory temperature checks and health declaration
- (ii) compulsory wearing of surgical face masks
- (iii) no distribution of refreshments, drinks and souvenirs

Any person who does not comply with the precautionary measures (i) to (ii) above or is subject to any compulsory quarantine order prescribed by the Hong Kong government will be denied entry into the meeting venue at the discretion of the Company.

The Company also encourages the Shareholders to consider appointing the chairman of the meeting as their proxy to vote on the relevant resolutions at the meeting as an alternative to attending the meeting in person.

29 April 2020

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PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

The health of Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing novel coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the Annual General Meeting to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (i) Mandatory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Each attendee is mandatorily required to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) No food and beverage will be served and there will be no distribution of corporate gifts.
- (iv) Each attendee will be required to submit a completed health declaration form prior to entry into the AGM venue. Each attendee will be asked whether (a) he/she has traveled outside of Hong Kong within the 14-day period immediately before the Annual General Meeting; and (b) he/she is subject to any compulsory quarantine order prescribed by the Hong Kong government. Anyone who responds affirmatively to any of these questions will be denied entry into the meeting venue or be required to leave the meeting venue.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny any person entry into the AGM venue or require any person to leave the AGM venue in order to ensure the safety of the attendees at the AGM.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and returning the proxy form attached to this circular.

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our principal place of business in Hong Kong or to our email at ir@zhujiang.com.hk.

The proxy form can be downloaded from the Company's website at www.pck.com.cn or pck.todayir.com or the designated website of the Stock Exchange at <http://www.hkexnews.hk>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2010 Share Option Scheme”	the share option scheme adopted by the Company on 23 January 2010
“2019 Annual Report”	the annual report of the Company for the financial year ended 31 December 2019 despatched to the Shareholders together with this circular
“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Portion 2, 12th Floor, The Centre, 99 Queen’s Road Central, Hong Kong on Thursday, 18 June 2020 at 10:30 a.m., the notice of which is set out on pages 32 to 37 of this circular, or any adjournment thereof
“Articles”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors
“close associate(s)”	has the meaning as defined in the Listing Rules
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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 issued Shares of which are listed and traded on the Stock Exchange
“controlling shareholder(s)”	has the meaning as defined in the Listing Rules
“core connected person(s)”	has the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors to the effect that the aggregate number of the Shares which may be allotted and issued under the Issue Mandate may be extended by an addition of an amount representing the aggregate number of Shares repurchased under the Repurchase Mandate

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue and deal with unissued Shares with an aggregate number of Shares not exceeding 20% of the number of issued Shares as at the date of passing the relevant resolution at the AGM
“Latest Practicable Date”	22 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, for the time being in force
“New Share Option Scheme”	the new share option scheme proposed to be adopted at the AGM, a summary of the principal terms of which are set out in Appendix III of this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase the Shares on the Stock Exchange with an aggregate number of Shares not exceeding 10% of the number of issued Shares as at the date of passing the relevant resolution at the AGM
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for the time being in force
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning as defined in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, for the time being in force
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. CHEN Chang (*Chairman*)

Ms. CHEN Zhao Nian

Ms. CHEN Zhao Hua

Independent non-executive Directors:

Mr. CHEN Ping

Mr. TIAN Xiao Ren

Mr. AU YEUNG Kwong Wah

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Head office and principal

place of business in the PRC:

2/F., 3-5 Golden Dragon City

Yayun Avenue

511450 Panyu District

Guangzhou City

Guangdong Province

The PRC

Principal place of business in Hong Kong:

Suite Nos. 1, 2 and 19

15th Floor, Tower 3

China Hong Kong City

33 Canton Road

Tsim Sha Tsui

Kowloon

Hong Kong

29 April 2020

Dear Shareholders,

**PROPOSALS FOR GENERAL MANDATES TO ISSUE SHARES
AND REPURCHASE SHARES, RE-ELECTION OF DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you notice of the AGM and to provide you with details of the resolutions to be proposed at the AGM including (i) the Issue Mandate; (ii) the Repurchase Mandate; (iii) the Extension Mandate; (iv) the proposed re-election of the Directors; and (v) the adoption of the New Share Option Scheme.

LETTER FROM THE BOARD

ISSUE MANDATE

At the AGM, an ordinary resolution will be proposed to grant to the Directors a general and unconditional mandate to exercise the powers of the Company to allot, issue and/or deal with unissued Shares with an aggregate number not exceeding 20% of the aggregate number of issued Shares as at the date of passing of the relevant resolution at the AGM. As at the Latest Practicable Date, a total of 1,011,142,000 Shares were in issue. Subject to the passing of the proposed resolution granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company between the Latest Practicable Date and the AGM, the Company will be allowed under the Issue Mandate to issue a maximum of 202,228,400 Shares.

REPURCHASE MANDATE

At the AGM, an ordinary resolution will also be proposed to grant to the Directors a general and unconditional mandate to exercise all powers of the Company to repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, the Shares with an aggregate number not exceeding 10% of the aggregate number of issued Shares as at the date of passing of the relevant resolution at the AGM. Subject to the passing of the proposed resolution granting the Repurchase Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company between the Latest Practicable Date and the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 101,114,200 Shares.

An explanatory statement containing information regarding the Repurchase Mandate as required by the Listing Rules is set out in Appendix I to this circular.

EXTENSION MANDATE

In addition, subject to the passing of the respective ordinary resolutions to grant the Issue Mandate and Repurchase Mandate, an ordinary resolution will be proposed at the AGM to extend the Issue Mandate by an additional amount representing the aggregate number of Shares repurchased under the Repurchase Mandate.

The Repurchase Mandate, the Issue Mandate and the Extension Mandate would expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company following the AGM; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, the Companies Law or the other applicable laws of Cayman Islands to be held; or (c) revocation or variation by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

Pursuant to article 109 of the Articles, Mr. Au Yeung Kwong Wah, being appointed by the Board as Director with effect from 1 October 2019, shall hold office only until the AGM and is eligible to offer himself for re-election at the AGM.

Pursuant to article 105(A) of the Articles, Ms. Chen Zhao Hua and Mr. Tian Xiao Ren, both being Directors, shall retire from office by rotation at the AGM. Both retiring Directors, being eligible, offer themselves for re-election.

According to code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders.

Mr. Chen Ping has acted as an independent non-executive Director for more than nine years. The Company has received from Mr. Chen Ping a confirmation of independence according to Rule 3.13 of the Listing Rules. Mr. Chen Ping has not engaged in any executive management of the Group. Taking into consideration his independent scope of work in the past years and having assessed his independence based on the independence guidelines set out in Rule 3.13 of the Listing Rules, the Board considers Mr. Chen Ping to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. The Board believes that his continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of Mr. Chen Ping who has over time gained valuable insight into the Group.

Biographical details of the Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular in accordance with the relevant requirements under Rule 13.74 of the Listing Rules.

A separate resolution will be proposed for the re-election of each of Ms. Chen Zhao Hua, Mr. Tian Xiao Ren, Mr. Chen Ping and Mr. Au Yeung Kwong Wah at the AGM.

ADOPTION OF NEW SHARE OPTION SCHEME

The 2010 Share Option Scheme

As the 2010 Share Option Scheme expired on 22 January 2020, the Board considers that it is in the interest of the Company to adopt the New Share Option Scheme so as to continue to provide incentives and rewards to selected participants for their contribution to the Group.

As at the Latest Practicable Date, the Company had not granted any share option under the 2010 Share Option Scheme, and the number of Shares that were available for issue under the 2010 Share Option Scheme was 100,000,000 shares.

LETTER FROM THE BOARD

The New Share Option Scheme

The Directors propose to adopt the New Share Option Scheme which will be put to the Shareholders for approval at the AGM.

So far as the Directors are aware of, as at the Latest Practicable Date, none of the Shareholders is required to abstain from voting for the ordinary resolution to approve the adoption of the New Share Option Scheme. None of the Directors is trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee, if any.

Application will be made to the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options to be granted under the New Share Option Scheme. Implementation of the New Share Option Scheme is subject to such approval being granted. With respect of the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

The Directors believe that attracting and motivating high quality personnel is a key to the success and growth of the Company. The Directors believe that the New Share Option Scheme could provide Eligible Participants (as defined in paragraph (a)(ii) in Appendix III to this circular) with the opportunity of participating in the growth of the Company by acquiring shares in the Company and could, in turn, assist in the attraction and retention of Eligible Participants who have made contribution to the success of the Company. The purpose of the New Share Option Scheme is to provide incentives to Eligible Participants to contribute further to the Company. The rules of the New Share Option Scheme provide that the Board is empowered with the authority to determine the eligibility of any of the Eligible Participants based on the Directors' opinion as to his contribution to the development and growth of the Company. In addition, the New Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the Board may, on a case by case basis and at its discretion, determine such term(s) and impose such other restrictions on the grant of an option. The Board believes that the authority given to the Board under the New Share Option Scheme to specify any minimum holding period and/or performance targets as conditions in any option granted and the requirement for a minimum subscription price as well as the selection criteria prescribed by the rules of the New Share Option Scheme will serve to protect the value of the Company as well as to achieve the purpose of the New Share Option Scheme. The New Share Option Scheme also sets out the basis of determining the exercise price of an option.

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the New Share Option Scheme.

LETTER FROM THE BOARD

The Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to Shareholders, taking into account the number of variables which are crucial for the calculation of the option value which have not been determined. Such variables include the exercise period, any lock-up period, any performance targets set and other relevant variables such as the options may become lapsed or cancelled prior to the normal expiry of their respective exercise periods on the happening of certain events as specified in the New Share Option Scheme which are not predictable or controllable by the Directors.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same. The New Share Option Scheme will be available for inspection at the principal place of business of the Company at Suite Nos. 1, 2 and 19, 15th Floor, Tower 3, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the AGM and at the AGM.

In accordance with the requirements of the Listing Rules, the Company will publish an announcement on the websites of the Company and the Stock Exchange on the outcome of the AGM in relation to the adoption of the New Share Option Scheme following the AGM.

THE ANNUAL GENERAL MEETING

The notice of the AGM is set out on pages 32 to 37 of this circular. At the AGM, ordinary resolutions will be proposed to approve, among other matters, the granting of the Issue Mandate, the granting of the Repurchase Mandate, the granting of the Extension Mandate, the re-election of Directors and the adoption of the New Share Option Scheme.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the AGM shall be conducted by way of poll and the poll results of the AGM will be announced by the Company after the AGM in compliance with the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that the proposed grant of the Issue Mandate, the Repurchase Mandate, the Extension Mandate, the re-election of Directors and the adoption of the New Share Option Scheme are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of all resolutions to be proposed at the AGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM or any adjournment thereof, 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 in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 12 June 2020.

RESPONSIBILITY OF DIRECTORS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and there are no other facts the omission of which would make any statement contained herein misleading.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

LANGUAGE

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,

For and on behalf of the Board of

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

Chen Chang

Chairman

This Appendix I includes an explanatory statement as required under the Listing Rules to provide the requisite information to you for consideration of the Repurchase Mandate.

1. LISTING RULES FOR REPURCHASES OF SHARES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed repurchases of shares by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution in a general meeting, either by way of a general mandate or by a specific approval of a particular transaction and that the shares to be repurchased must be fully paid up.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,011,142,000 Shares.

Subject to the passing of the proposed resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 101,114,200 Shares, which represents 10% of the entire issued share capital of the Company as at the date of passing the resolution.

The Repurchase Mandate would expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company following the AGM; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, the Companies Law or the other applicable laws of Cayman Islands to be held; or (c) revocation or variation by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

3. REASONS FOR THE REPURCHASE

The Directors believe that the granting of the Repurchase Mandate is in the best interests of the Company and its Shareholders as a whole. Such repurchases which will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders, may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

4. FUNDING OF REPURCHASES

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its Articles, the Listing Rules, the Companies Law and other applicable laws of the Cayman Islands.

Taking into account the current financial position of the Company, the Directors consider that if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position disclosed in its latest published audited consolidated financial statements as at 31 December 2019. However, the Directors do not intend to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

5. DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective close associates has any present intention, in the event that the proposed Repurchase Mandate is granted, to sell Shares to the Company. No core connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company or that he/she/it has undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make repurchases of Shares.

6. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the twelve months immediately prior to the Latest Practicable Date were as follows:

	Share prices (per Share)	
	Highest HK\$	Lowest HK\$
2019		
April	0.74	0.67
May	0.68	0.54
June	0.62	0.54
July	0.62	0.54
August	0.58	0.42
September	0.45	0.36
October	0.36	0.29
November	0.34	0.30
December	0.32	0.29
2020		
January	0.31	0.25
February	0.26	0.22
March	0.25	0.14
April (up to the Latest Practicable Date)	0.18	0.15

7. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of the Shareholder's or the group of Shareholders' interest, may obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, according to the register of interests in shares and short positions kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons were directly or indirectly interested in 5% or more of the issued share capital of the Company. Their respective interest as at the Latest Practicable Date is shown under the column "Before repurchase" while their respective interest in the event that the Directors exercise in full the power to repurchase Shares in accordance with the terms of the ordinary resolutions in relation to the Repurchase Mandate to be proposed at the AGM (and assuming that the issued share capital of the Company remains unchanged up to the date of the AGM) is shown under the column "After repurchase":

	Before repurchase	After repurchase
Bournam Profits Limited	69.42%	77.13%
Chen Chang (<i>Note 1</i>)	69.85%	77.61%

The above are calculated based on 1,011,142,000 Shares in issue as at the Latest Practicable Date.

Note:

- 701,911,000 Shares are registered in the name of Bournam Profits Limited. The entire issued share capital of Bournam Profits Limited is solely and beneficially owned by Mr. Chen Chang. In addition, Mr. Chen Chang has personal interest of 4,350,000 Shares. Mr. Chen Chang is deemed under the SFO to be interested in 706,261,000 Shares.

On the basis that the Shares held by the Shareholders named above and the number of Shares in issue would remain the same, an exercise of the Repurchase Mandate in full will not result in any of them becoming obliged to make a mandatory offer under Rules 26 and 32 of the Takeovers Code. In any event, the Directors do not intend to exercise the Repurchase Mandate to an extent which will trigger the mandatory offer requirement under the Takeovers Code.

Assuming that there is no issue of Shares between the Latest Practicable Date and the date of a repurchase and no disposal by any of the substantial Shareholders of their interests in the Shares, an exercise of the Repurchase Mandate whether in whole or in part may result in less than 25% of the Shares being held by the public which could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under the Listing Rules. The Directors do not intend to repurchase Shares which would result in a public shareholding of less than the prescribed minimum percentage of Shares in public hands.

8. SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares has been made by the Company (whether on the Stock Exchange or otherwise) during the six months ended on the Latest Practicable Date.

9. UNDERTAKING OF THE BOARD

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

The biographical details of the Directors proposed to be re-elected at the AGM are set out below:

Ms. CHEN Zhao Hua (陳兆華) – Executive Director

Ms. CHEN Zhao Hua (陳兆華), aged 41, is an executive Director. She is the daughter of Mr. Chen Chang (being the Chairman of the Company and executive Director) and also the sister of Ms. Chen Zhao Nian (being executive Director). Ms. Chen is primarily responsible for handling overseas marketing activities, sales and business relationships with customers as well as sales agents. Ms. Chen joined the Group in December 2002 after her graduation. Ms. Chen obtained a bachelor's degree in international business from the University of Lancashire, the United Kingdom in June 2001, a master's degree in international business Law from the University of Nottingham, the United Kingdom in December 2002 and a master's degree in business administration of senior management from University of Tsinghua, Beijing, the PRC in June 2016. Ms. Chen is the executive vice president of the Guangdong International Overseas Chinese Chamber of Commerce.

Ms. Chen is also director of Crown Central Holdings Limited, Al-Qahtani PCK Pipe Company, and PT Chu Kong Steel Indonesia, all subsidiaries of the Company.

Ms. Chen has renewed the service contract with the Company for a term of three years commencing from 1 February 2019. Under such contract, Ms. Chen is entitled to a basic annual salary of RMB1.38 million, subject to an annual increment after 1 January of each year at the discretion of the Directors of not more than 15% of the annual salary immediately prior to such increase. In addition, Ms. Chen is entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to her for any financial year of the Company may not exceed 5% of the audited combined or consolidated audited net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. There was no increment of Ms. Chen's basic annual salary as compared with that of 2019. Ms. Chen may not vote on any resolution of the Directors regarding the amount of the management bonus payable to her. The basis of determination of director's remuneration of Ms. Chen was with reference to the duties and level of responsibilities as well as market practice and conditions.

Save as disclosed above, Ms. Chen does not have any relationship with any Directors, senior management or controlling or substantial shareholders of the Company. As at the Latest Practicable Date, Ms. Chen was not interested in any Shares within the meaning of Part XV of the SFO. Ms. Chen has not held any directorship in other public listed companies in the last three years.

Mr. TIAN Xiao Ren – Independent Non-executive Director

Mr. TIAN Xiao Ren (田曉韜), aged 66, was appointed as an independent non-executive Director on 1 August 2014. Mr. Tian is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Tian graduated from Zhejiang Radio and Television University in the PRC in 1985 and studied the Master of Business Administration Degree at Hangzhou University in the PRC from 1995 to 1998. He was appointed as vice chairman of Bank of China Group Investment Company Limited from 2006 to 2013. Prior to 2006, Mr. Tian was the president of Bank of China of Guangdong Province and Jiangxi Province, the PRC and the Vice-President of Bank of China of Zhejiang Province, the PRC for 26 years. He has over 32 years of experience in the banking and financial field. Mr. Tian is now a senior economist in the PRC and is entitled to the special subsidy awarded by the state council of the People's Republic of China in recognition of his contribution to the economy of China.

Mr. Tian has been re-appointed for a term of two years commencing from 1 August 2018 and his annual director's fee is RMB198,000 which has been determined by the Company with reference on the duties and level of responsibilities as well as market practice and conditions.

Save as disclosed above, Mr. Tian does not have any relationship with any Directors, senior management, or controlling or substantial shareholders of the Company. As at the Latest Practicable Date, Mr. Tian was not interested in any Shares within the meaning of Part XV of the SFO. Mr. Tian has not held any directorship in other public listed companies in the last three years.

Mr. CHEN Ping (陳平) – Independent Non-executive Director

Mr. CHEN Ping (陳平), aged 54, was appointed as an independent non-executive Director on 23 January 2010. Mr. Chen is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. Chen graduated from the Jinan University, the PRC in 1984 majoring in finance and later obtained a doctoral degree in finance in Nankai University, the PRC in December 1990. Mr. Chen has lectured at the Lingnan College, Sun Yat-Sen University for more than 28 years in Guangdong Province, the PRC, teaching international finance. He is currently the head of Marine Economic Research Centre of Sun Yat-Sen University (海洋經濟研究中心). Mr. Chen also assumed various posts in societies and clubs concerning economics and finance, such as a council member at International Finance Society of China* (中國國際金融學會), International Finance Society* (國際金融學會) and China Society of World Economics* (中國世界經濟學會). Mr. Chen is also engaged in academic researches with focuses on finance theories and policies, global economics and so forth, and has published a number of essays and publications. As an experienced professor, Mr. Chen has won various awards for the lecture materials used and also for the essays published. In 1997, Mr. Chen's teaching materials entitled International finance* (《國際金融》) was awarded National Educational Achievement Award – Second Class* (國家教學成果二等獎) by the Committee of Education of the PRC. In May 2002, Mr. Chen's paper entitled Study on the effect of merger and acquisition of listed companies on wealth* (《上市公司兼併與收購的財富效應研究》) was selected for the Best Paper Award of the 9th Global Finance Association Annual Conference by the 9th GFA Annual Conference Program Committee. In 2005, Mr. Chen's teaching and research achievements entitled Exploration and practice of educational internationalisation* (《教學國際化的探索與實踐》) was awarded Guangdong Province Educational Achievement Award – First Class* (廣東省教學成果一等獎). In 2006, Mr. Chen was selected as talented person for Ministry of Education New Century Outstanding Person Support Scheme* (教育部新世紀優秀人才支持計劃). In 2007, Mr. Chen received Bao Steel Outstanding Teacher Award* (寶鋼、花旗優秀教師獎). Mr. Chen was an independent director of Guangzhou Zhujiang Brewery Group Co., Ltd.* (廣州珠江啤酒股份有限公司), a company listed on the Shenzhen Stock Exchange, with effect from 10 October 2016. Mr. Chen was also an independent director of Shenzhen Universe (Group) Co. Ltd (深圳市天地(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000023), with effect from 15 July 2019.

Mr. Chen has been re-appointed for a term of two years commencing from 1 February 2020 and his annual director's fee is RMB198,000 which has been determined by the Company with reference to the duties and level of responsibilities as well as market practice and conditions.

* Unofficial transliteration from Chinese name for identification purposes only

Save as disclosed above, Mr. Chen does not have any relationship with any Directors, senior management, or controlling or substantial shareholders of the Company. As at the Latest Practicable Date, Mr. Chen was not interested in any Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Chen has not held any directorship in other public listed companies in the last three years.

Pursuant to the Code Provision A.4.3 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Chen has served the Company as an independent non-executive Director for more than nine years. Mr. Chen has never been involved with the daily operations and business decisions of the Company. He has never been interested or deemed to be interested in any Shares of the Company or our associated corporation. The Company has received from Mr. Chen an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is of the opinion that Mr. Chen maintains an independent view of the Company's affairs and is able to carry out his duties as an independent non-executive Director in an impartial manner. He has given much valuable advice to the Company during past years of services. The Board therefore recommends the re-election of Mr. Chen as an independent non-executive Director notwithstanding the fact that Mr. Chen has served the Company for more than nine years.

Mr. AU YEUNG Kwong Wah (歐陽廣華) – Independent Non-executive Director

Mr. AU YEUNG Kwong Wah (歐陽廣華), aged 55, was appointed as an independent non-executive Director on 1 October 2019. Mr. Au Yeung is also the chairman of the Audit Committee of the Company. Mr. Au Yeung obtained a bachelor's degree in commerce from the Bond University in Australia in September 1996, a master's degree in accountancy from the Chinese University of Hong Kong in December 2000, a postgraduate diploma in corporate administration from the Hong Kong Polytechnic University in December 2005 and an EMBA degree from the Chinese University of Hong Kong in December 2008. Mr. Au Yeung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in auditing and financial control through his prior employments with accounting firms and listed companies in Hong Kong. Mr. Au Yeung was an independent non-executive director of Modern Media Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 72), from August 2009 to September 2019.

Mr. Au Yeung has been appointed for a term of two years commencing from 1 October 2019 and his annual director's fee is HKD220,000 which has been determined by the Company with reference to the duties and level of responsibilities as well as market practice and conditions.

Save as disclosed above, Mr. Au Yeung does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Au Yeung was not interested in any Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Au Yeung has not held any directorship in other public listed companies in the last three years.

Save as disclosed above, the Board is not aware of any other matters or information that need to be brought to the attention of the Shareholders of the Company or to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules in relation to the proposed re-election of the aforesaid Directors.

NEW SHARE OPTION SCHEME**(a) Summary of terms**

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved and adopted at the AGM:

(i) Purpose of the scheme

The purpose of the New Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to Eligible Participants (as defined below). Our Directors consider that it is appropriate to reward selected participants' contribution to the Group by granting share options to them since it will link the value of the Company with the interests of the selected participants and will provide them with an incentive to work for the interests of the Group.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this summary, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive Director but excluding any non-executive Director) of the Company, any of the Company's subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which the Group holds an equity interest ("**Eligible Employee**");
- (bb) any non-executive Director (including independent non-executive Directors) of the Company, any Subsidiary or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; and
- (ff) any adviser (professional or otherwise) or consultant to any key area of business or business development of any member of the Group or any Invested Entity.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.
- (bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Share Option Scheme and any other share option scheme of the Group) to be granted under the New Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the New Share Option Scheme (the “**General Scheme Limit**”), being 101,114,200 Shares based on 1,011,142,000 issued Shares as at the Latest Practicable Date and assuming there are no changes in the issued share capital of the Company from the Latest Practicable Date and up to the date of adoption. Options lapsed in accordance with the terms of the New Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.
- (cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option scheme of the Group) previously granted under the New Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

Subject to paragraph (v)(bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

- (aa) Without prejudice to paragraph (bb) below, any grant of options under the New Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all connected persons of the Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the New Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the New Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the New Share Option Scheme shall be determined at the discretion of the Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day (as defined under the Listing Rules); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

- (aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.
- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of the Company from time to time.

(x) Restrictions on the time of grant of options

Our Company may not make any offer for grant of options after inside information has come to our knowledge until the Company has announced the information. In particular, the Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for the Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the New Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its Subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his close associate (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and the Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever, then the option granted to the grantee under the New Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the New Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the New Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) *Termination of the New Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the New Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) *Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);
- (cc) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) *Others*

- (aa) The New Share Option Scheme is conditional on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the New Share Option Scheme, such number being not less than that of the General Scheme Limit.

- (bb) The terms and conditions of the New Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (dd) The amended terms of the New Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the New Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) Present status of the New Share Option Scheme

(i) Approval of the Stock Exchange required

The New Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the New Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application will be made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the New Share Option Scheme.

(iii) Grant of option

As at the date of this Circular, no options have been granted or agreed to be granted under the New Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

NOTICE OF ANNUAL GENERAL MEETING

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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)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the “**Company**”) will be held at Portion 2, 12th Floor, The Centre, 99 Queen’s Road Central, Hong Kong on Thursday, 18 June 2020 at 10:30 a.m. for considering and, if thought fit, to transact the following businesses:

Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 29 April 2020.

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries, the report of the Directors and the report of the auditors of the Company for the year ended 31 December 2019;
2. Each being a separate resolution:
 - (a) To re-elect Ms. Chen Zhao Hua as an executive Director;
 - (b) To re-elect Mr. Tian Xiao Ren as an independent non-executive Director;
 - (c) To re-elect Mr. Chen Ping, who has already served the Company for more than nine years, as an independent non-executive Director;
 - (d) To re-elect Mr. Au Yeung Kwong Wah as an independent non-executive Director; and
 - (e) To authorise the Board to fix the Directors’ remuneration;

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3. To re-appoint Ernst & Young as the auditors of the Company and to authorise the Board to fix the auditors' remuneration;
4. To consider and if thought fit, pass the following resolution as ordinary resolution of the Company (with or without amendments), **"THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Listing Rules, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined in (d) below) to make or grant offers, agreements and options which might require the exercise of such powers during or after the end of the Relevant Period;
 - (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of 20% of the aggregate number of issued Shares on the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
 - (d) for the purposes of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

 - (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, the Companies Law or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

- 5. To consider and if thought fit, pass the following resolution as ordinary resolution of the Company (with or without amendments), “**THAT:**
 - (a) subject to paragraph (b), the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all powers of the Company to repurchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong (the “Securities and Futures Commission”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Law and all other applicable laws in this regard, be and is hereby generally and unconditionally approved;
 - (b) the aggregate number of Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate number of issued Shares as at the date of the passing of this resolution; and

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- (c) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”
- 6. To consider and if thought fit, pass the following resolution as ordinary resolution of the Company (with or without amendments), **“THAT:**

subject to the ordinary resolutions nos. 4 and 5 above being duly passed, the unconditional general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with unissued Shares pursuant to resolution no. 4 above be and is hereby extended by the addition thereon of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the authority granted under resolution no. 5 subsequent to the passing of this resolution, provided that such amount shall not exceed 10% of the aggregate number of the issued Shares on the date of the passing of resolution no. 5.”
- 7. To consider and if thought fit, pass the following resolution as ordinary resolution of the Company (with or without amendments), **“THAT:**
 - (a) conditional upon the Stock Exchange granting the listing of and permission to deal in the shares falling to be allotted and issued pursuant to the new share option scheme (the “New Share Option Scheme”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the rules of the New Share Option Scheme be and are hereby approved and adopted and the Directors be and are hereby authorised to grant options and to allot, issue and deal in the shares as may be required to be allotted and issued upon the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme; and

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- (b) the aggregate nominal amount of share capital to be allotted and issued pursuant to paragraph (i) above, together with any issue of shares upon the exercise of any options granted under any other share option schemes of the Company as may from time to time be adopted by the Company, shall not exceed 10% of the shares in issue as at the date of passing of this resolution.”

By order of the Board

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

Chen Chang

Chairman

Guangdong Province, the PRC, 29 April 2020

Notes:

1. A form of proxy for the meeting is enclosed.
2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting (as the case may be) at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any Share, any one of such persons may vote at any meeting either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stand first on the register in respect of such Shares shall alone be entitled to vote in respect thereof.

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7. An explanatory statement containing the information necessary to enable the members to make an informed decision as to whether to vote for or against ordinary resolution 5 as set out in this notice will be sent to members of the Company together with the Company's 2019 Annual Report.
8. The register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM or any adjournment thereof, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 12 June 2020.
9. In order to facilitate the prevention and control of the spread of the Novel Coronavirus (COVID-19) epidemic and to safeguard the health and safety of the shareholders of the Company, the Company encourages the shareholders of the Company to consider appointing the chairman of the AGM as his/her proxy to vote on the relevant resolutions at the AGM as an alternative to attending the AGM in person.

As at the date of this notice, the Board comprises three executive Directors, namely Mr. CHEN Chang, Ms. CHEN Zhao Nian and Ms. CHEN Zhao Hua, and three independent non-executive Directors, namely Mr. CHEN Ping, Mr. TIAN Xiao Ren and Mr. AU YEUNG Kwong Wah.