



**Chu Kong Petroleum and Natural Gas  
Steel Pipe Holdings Limited  
珠江石油天然氣鋼管控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
Stock code : 1938

**2023**  
INTERIM REPORT



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# Corporate Information

## Board of Directors

### Executive Directors

Mr. CHEN Chang (*Chairman*)  
Mr. CHEN Guo Xiong (*Vice Chairman*)  
Ms. CHEN Zhao Nian

### Independent Non Executive Directors

Mr. AU YEUNG Kwong Wah  
Mr. CHEN Ping  
Mr. TIAN Xiao Ren

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## Company Secretary

Ms. WONG Pui Shan

## Audit Committee

Mr. AU YEUNG Kwong Wah (*Chairman*)  
Mr. CHEN Ping  
Mr. TIAN Xiao Ren

## Nomination Committee

Mr. CHEN Ping (*Chairman*)  
Mr. TIAN Xiao Ren  
Mr. CHEN Chang

## Remuneration Committee

Mr. TIAN Xiao Ren (*Chairman*)  
Mr. CHEN Ping  
Mr. CHEN Chang

## Authorised Representatives

Mr. CHEN Chang  
Ms. CHEN Zhao Nian

## Head Office and Principal Place of Business in the PRC

2-5/F., 3-5 Golden Dragon City  
Yayun Avenue  
511450 Panyu District  
Guangzhou City  
Guangdong Province  
The PRC

## Principal Place of Business in Hong Kong

Unit 605-606, 6/F.,  
Tower III,  
Enterprise Square,  
No. 9 Sheung Yuet Road,  
Kowloon Bay, Kowloon  
Hong Kong

## Auditor

CCTH CPA Limited

## Stock Code

1938

## Company's Website

[www.pck.com.cn](http://www.pck.com.cn)  
[pck.todayir.com](http://pck.todayir.com)

## Legal Advisers as to Hong Kong Law

Loeb & Loeb LLP

# Corporate Information

## **Principal Bankers**

Bank of China Limited  
Bank of Communications  
Bank of Jiangsu  
China Construction Bank  
Guangzhou Rural Commercial Bank  
Industrial and Commercial Bank of China

## **Principal Share Registrar and Transfer Office**

SMP Partners (Cayman) Limited  
3rd Floor, Royal Bank House  
24 Shedden Road  
P.O. Box 1586  
Grand Cayman  
KY1-1110  
Cayman Islands

## **Hong Kong Branch Share Registrar and Transfer Office**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

# Management Discussion and Analysis

## Financial Review

### Overall Financial Results

For the six months ended 30 June 2023 (the "Period"), we recorded a revenue of approximately RMB1,194.6 million (six months ended 30 June 2022 ("1H2022"): RMB1,186.5 million), representing an increase of approximately 0.7% as compared with the corresponding period in 2022. Profit attributable to ordinary equity holders of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company", together with its subsidiaries, the "Group") was RMB158.0 million (1H2022: RMB153.3 million). Earnings per share for the Period was RMB0.16 (1H2022: RMB0.15). The board of directors of the Company (the "Board") did not recommend the payment of interim dividend for the Period (1H2022: Nil).

### Revenue

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

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

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

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

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

# Management Discussion and Analysis

## Sales by geography — Steel Pipes

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

## Sales by products — Steel Pipes

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

# Management Discussion and Analysis

## Steel Pipes

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

### Gross Profit and Gross Profit Margin — Steel Pipes

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

## Property development and investment

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

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

# Management Discussion and Analysis

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

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

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

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

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

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

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

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

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

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



# Management Discussion and Analysis

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

## Business Review

### Steel pipe business

We mainly manufacture and sell welded steel pipes and provide welded steel pipes manufacturing services. Our welded steel pipe products can be broadly categorised into LSAW steel pipes, SSAW steel pipes and ERW steel pipes. We are one of the largest LSAW steel pipes manufacturers in the PRC and are capable of manufacturing LSAW steel pipes that meet the X100 standard. We also hold 13 international quality certifications accredited by renowned certification bodies, such as Det Norske Veritas (“DNV”) and American Petroleum Institute (“API”). In addition, we are the first and only PRC manufacturer that has successfully developed deep sea welded pipes for use at a water depth of 3,500m. Our products are widely used in major oil and gas pipeline projects (both onshore and offshore) and infrastructure projects domestically and internationally.

We are capable of manufacturing subsea pipes and drilling platform structure pipes for offshore projects and are classified as part of the Offshore Engineering Equipment Industry\* (海洋工程裝備製造業).

During the Period, we received new orders of approximately 314,000 tonnes of steel pipes. The Group received some sizable orders like East African Crude Oil Pipeline project of 80,000 tons during the Period. We delivered approximately 211,000 tonnes of welded steel pipes during the Period.

### Property development

Apart from the steel pipe manufacturing business, the Group also engaged in property development and investment. Following the conversion of a land in Panyu, PRC in 2013, the Group grasped the opportunity of asset appreciation to convert the land use right of the Panyu production plant from industrial use to commercial use. The property project, named Golden Dragon City Fortune Plaza (金龍城財富廣場), is a large scale integrated commercial complex of offices, shops, apartments and villas. The land area of the converted land accounted for approximately 25% of the total land area of our factory in Panyu. The total permitted construction area of the land (including underground construction area) is approximately 550,000 m<sup>2</sup>.

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

# Management Discussion and Analysis

Below is a summary information of GDC:

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

The Group recorded most of the sales of the first phase of GDC in 2018. The Group started to recognise sales of the second phase of GDC in 2022. The land with respect to the third phase of GDC was sold to Guangzhou City Panyu District Land Development Centre\* (廣州市番禺區土地開發中心) in 2019.

The steel pipe business will remain as the Group's core business.

## Future Plan and Prospects

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

According to the Medium and Long-Term Oil and Gas Pipeline Network Plan (《中長期油氣管網規劃》) formulated by the National Development and Reform Commission, the scale of domestic oil and gas pipeline network is expected to increase to 240,000 kilometers by 2025, of which the mileages of natural gas, crude oil and refined oil pipelines are expected to reach 163,000 kilometers, 37,000 kilometers and 40,000 kilometers, respectively. According to the National Energy Administration, the scale of the domestic oil and gas pipeline network will reach approximately 210,000 kilometers by 2025. It is expected that investment in key areas of energy will increase by more than 20% during the "14th Five-Year Plan" period compared with that during the "13th Five-Year Plan" period, enhance the supply capacity of oil and gas, improve the

# Management Discussion and Analysis

long-distance pipeline system of crude oil and refined oil, accelerate the construction and interconnection of the natural gas pipeline network, and expand trunk channels, such as the west-east gas transmission and Sichuan-east gas transmission as well as north-south connecting lines, and the scale of the national oil and gas pipeline network will reach approximately 210,000 kilometers by 2025. According to the China Natural Gas Development Report (2022), the mileage of long-distance oil and gas pipelines in China reached 150,000 kilometers in 2021, of which the total mileage of trunk natural gas pipelines reached 116,000 kilometers. The Resolution on the 14th Five-Year Plan and the 2035 Vision Outline (《十四個五年規劃和二零三五年遠景目標綱要的決議》) proposes to improve the construction of crude oil and refined oil pipeline networks and accelerate the construction of natural gas pipeline networks. In order to keep up with the progress of the “14th Five-Year Plan” and achieve its goals, the Group will benefit from the construction of oil and natural gas pipelines.

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

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

# Management Discussion and Analysis

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

## Employees

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

## Exchange Risk Exposure

During the Period, most of our operating transactions were settled in RMB except for export sales which were mostly denominated in USD. Apart from the 5% of borrowings and bonds denominated in USD/HKD, most of our assets and liabilities were denominated in RMB. We did not adopt formal hedging policies nor instruments of foreign currency for hedging purposes during the Period.

## Interim Dividend

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil) to the shareholders of the Company.

## Financial Guarantee

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

# Management Discussion and Analysis

## Pledge of Assets

As at 30 June 2023, we pledged the following assets to secure bank loans and other borrowings granted to the Group:

- (i) certain property, plant and equipment with an aggregate net book value of RMB654.8 million (as at 31 December 2022: RMB598.1 million);
- (ii) leasehold lands with an aggregate net book value of RMB483.1 million (as at 31 December 2022: RMB489.4 million); and
- (iii) completed properties held for sale with an aggregate net book value of RMB1,138.1 million (as at 31 December 2022: RMB913.7 million).

## Liquidity and Financial Resources

As at 30 June 2023, our cash and bank balances and current ratio, as a ratio of current assets to current liabilities, were approximately RMB87.3 million (as at 31 December 2022: RMB16.1 million) and 1.00 (as at 31 December 2022: 1.02) respectively.

On 27 April 2020, the Company entered into a subscription agreement (the "Subscription Agreement") with an independent third party, pursuant to which the Company agreed to issue, and the subscriber agreed to subscribe for 12% bonds due in April 2022 in an aggregate principal amount of HK\$140,000,000 (the "Bonds"). The maturity date has been extended to 22 December 2023. Pursuant to the Subscription Agreement, certain specific performance obligations (the "Specific Performance Obligations") are imposed on Mr. Chen, an executive director and controlling shareholder of the Company, during the term of the Subscription Agreement, including Mr. Chen shall remain (i) the single largest direct or indirect shareholder of the Company; and (ii) the chairman of the board of directors and executive director of the Company. Any breach of the Specific Performance Obligations may constitute a breach under the Subscription Agreement, pursuant to which the bondholder is entitled to redeem the Bonds immediately upon the occurrence of the breach in accordance with the terms and conditions of the Bonds.

# Management Discussion and Analysis

As at 30 June 2023, our aggregate borrowings were approximately RMB1,817.0 million (as at 31 December 2022: approximately RMB1,776.0 million), of which approximately RMB1,744.8 million (as at 31 December 2022: RMB1,689.9 million) were bank loans and other borrowings, approximately RMB71.8 million (as at 31 December 2022: RMB85.3 million) were USD and HKD bonds and approximately RMB396,000 (as at 31 December 2022: RMB0.7 million) were lease liabilities.

Included in the aggregate borrowings as at 30 June 2023 were property development loans of around RMB805.4 million. Excluding the above loans, the loans for our steel pipe business as at 30 June 2023 were around RMB1,011.6 million. We have to finance our working capital by short term borrowings as most of the cost of sales is incurred on the procurement of steel plates and steel coils. Once we receive sales proceeds from our customers, we will repay the short term borrowings.

The gearing ratio, expressed as a percentage of the summation of interest bearing borrowings and bonds over total assets was approximately 26.3% as at 30 June 2023 (as at 31 December 2022: 27.1%).

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

As at 30 June 2023, approximately 75% (as at 31 December 2022: 80%) of our total borrowings were denominated in RMB which carried interest rates linked to the benchmark lending rate published by the People's Bank of China, approximately 21% (as at 31 December 2022: 15%) of our total borrowings were denominated in RMB which carried fixed interest rate and approximately 4% (as at 31 December 2022: 5%) of our total borrowings were denominated in USD and HKD which carried fixed interest rate.

## **Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

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

## **Event after the Reporting Period**

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

# Other Information

## Directors' Interests in Competing Business

As at the date of this report, none of the directors of the Company (the "Directors") are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with our businesses.

## Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571) (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

### Shares of the Company

Name of Director	Capacity	Position	Number of shares held	Percentage of shareholding in the Company
Chen Chang	Interest of controlled corporation (note 1)	Long	701,911,000	69.42%
	Beneficial owner	Long	4,350,000	0.43%

Note:

1. These shares are held by Bournam Profits Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Chang. By virtue of the SFO, Mr. Chen is deemed to be interested in the 701,911,000 shares held by Bournam Profits Limited.

# Other Information

## Shares of Associated Corporation

Mr. Chen Chang beneficially owns the entire issued share capital of Bournam Profits Limited. Bournam Profits Limited is the beneficial owner of about 69.42% of the issued shares of the Company.

## Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 30 June 2023, so far as the Directors are aware, save as disclosed above, the persons or corporations (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of shareholder	Capacity	Position	Number of shares	Approximately percentage of voting power
Bournam Profits Limited	Beneficial owner (note)	Long	701,911,000	69.42%

Note:

The entire share capital of Bournam Profits Limited is solely and beneficially owned by Mr. Chen Chang. Mr. Chen is deemed under the SFO to be interested in the 701,911,000 shares held by Bournam Profits Limited.

## Share Option Scheme

We adopted a share option scheme on 18 June 2020. The purpose of the aforementioned scheme is to provide incentives to eligible participants who contribute to the growth of the Group. Eligible participants of the aforementioned scheme include, without limitation, employees, Directors and any other eligible persons as defined in the scheme. As at 30 June 2023, no share option has been granted or agreed to be granted to any person under the scheme.

## Corporate Governance

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.



# Other Information

## CG Code C.2.1

The Company is aware of the requirement under paragraph C.2.1 of the CG Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive”. The role is currently performed by Mr. Chen Chang, an executive Director, the chairman and founder of the Group, who is responsible for the leadership and effective running of the Company and ensuring that all material issues are decided by the Board in a conducive manner. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management who are in charge of different functions will complement Mr. Chen in carrying out his responsibilities. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders’ benefits.

The Board will nevertheless review the management and Board structure from time to time to ensure appropriate measures would be taken should suitable circumstances arise.

## Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Following specific enquiries having been made of all Directors, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2023.

## Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2023.

# Other Information

## **Audit Committee**

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

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

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

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	5	<b>1,194,632</b>	1,186,531
Cost of sales and services		<b>(898,107)</b>	(842,068)
Gross profit		<b>296,525</b>	344,463
Other income and gains	5	<b>5,971</b>	7,824
Selling and distribution expenses		<b>(43,703)</b>	(31,050)
Administrative expenses		<b>(106,297)</b>	(116,587)
Exchange gain, net		<b>227</b>	18,719
Other expenses, net	6	<b>(33,501)</b>	(18,018)
Finance costs	7	<b>(35,826)</b>	(20,083)
Gain on disposal of investment in a joint venture	19	<b>70,922</b>	—
PROFIT BEFORE TAX	8	<b>154,318</b>	185,268
Income tax credit/(expense)	9	<b>3,713</b>	(31,976)
PROFIT FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY		<b>158,031</b>	153,292
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	<b>RMB0.16</b>	RMB0.15

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

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

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,774,305	1,769,994
Investment properties	12	362,000	362,000
Right-of-use assets		638,052	646,013
Long term prepayments and deposits		61,765	72,406
Total non-current assets		2,836,122	2,850,413
<b>CURRENT ASSETS</b>			
Completed properties held for sale		2,230,796	2,212,824
Inventories	13	497,539	402,694
Trade and bills receivables	14	510,098	378,856
Prepayments, other receivables and other assets		744,102	679,102
Pledged and restricted bank balances		7,866	14,920
Cash and bank equivalents		87,265	16,128
Non-current asset classified as held for sale	19	—	—
Total current assets		4,077,666	3,704,524
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	15	669,184	636,069
Other payables and accruals		837,814	838,326
Contract liabilities		906,687	704,255
Fixed rate bonds and notes	16	71,800	85,330
Interest-bearing bank and other borrowings	17	1,155,523	880,409
Due to a director	21	345,396	390,195
Tax payable		43,620	43,823
Provision		48,225	49,283
Total current liabilities		4,078,249	3,627,690

# Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2023

Notes	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<b>(583)</b>	76,834
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,835,539</b>	2,927,247
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings 17	589,638	810,239
Deferred tax liabilities	294,289	294,289
Long-term tax payable	775,799	789,187
Government grants	99,614	102,593
Total non-current liabilities	<b>1,759,340</b>	1,996,308
Net assets	<b>1,076,199</b>	930,939
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital 18	88,856	88,856
Reserves	987,343	842,083
Total equity	<b>1,076,199</b>	930,939

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company								Total RMB'000
	Issued capital RMB'000 (note 18)	Share premium* RMB'000	Asset revaluation reserve* RMB'000	Contributed surplus* RMB'000	Capital reserve* RMB'000 (note (a))	Statutory reserve fund* RMB'000 (note (b))	Accumulated losses* RMB'000	Exchange fluctuation reserve* RMB'000	
At 1 January 2023 (audited)	88,856	767,097	612,661	224,589	53,934	274,185	(1,077,741)	(12,642)	930,939
Profit for the period	—	—	—	—	—	—	158,031	—	158,031
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(16,567)	(16,567)
Exchange differences related to the translation of the Company's financial statements into the presentation currency	—	—	—	—	—	—	—	3,796	3,796
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	158,031	(12,771)	145,260
At 30 June 2023 (unaudited)	88,856	767,097	612,661	224,589	53,934	274,185	(919,710)	(25,413)	1,076,199

For the six months ended 30 June 2022

	Attributable to owners of the Company								Total RMB'000
	Issued capital RMB'000 (note 18)	Share premium* RMB'000	Asset revaluation reserve* RMB'000	Contributed surplus* RMB'000	Capital reserve* RMB'000 (note (a))	Statutory reserve fund* RMB'000 (note (b))	Accumulated losses* RMB'000	Exchange fluctuation reserve* RMB'000	
At 1 January 2022 (audited)	88,856	767,097	612,661	224,589	53,934	274,185	(1,240,775)	44,969	825,516
Profit for the period	—	—	—	—	—	—	153,292	—	153,292
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(69,134)	(69,134)
Exchange differences related to the translation of the Company's financial statements into the presentation currency	—	—	—	—	—	—	—	5,172	5,172
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	153,292	(63,962)	89,330
At 30 June 2022 (unaudited)	88,856	767,097	612,661	224,589	53,934	274,185	(1,087,483)	(18,993)	914,846

\* These reserve accounts comprise the consolidated reserves of approximately RMB987,343,000 (30 June 2022: RMB825,990,000) in the interim condensed consolidated statement of financial position as at 30 June 2023.

# Interim Condensed Consolidated Statement of Changes in Equity (continued)

*For the six months ended 30 June 2023*

Notes:

- (a) Capital reserve represents the excess capital paid over the registered capital of Panyu Chu Kong Steel Pipe Co., Ltd. ("PCKSP") by Lessonstart Enterprises Limited.
- (b) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 25% of the registered capital after such usage.



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>154,318</b>	185,268
Adjustments for:		
Finance costs	<b>35,826</b>	20,123
Gain on disposal of investment in a joint venture	<b>(70,922)</b>	—
Loss on disposal of property, plant and equipment	<b>46</b>	158
Bank interest income	<b>(135)</b>	(3,648)
Subsidy income from the PRC government	<b>(2,966)</b>	(3,473)
Depreciation of property, plant and equipment	<b>37,690</b>	22,033
Depreciation of right-of-use assets	<b>9,132</b>	8,218
Write-off of property, plant and equipment	<b>2</b>	—
Inventories written off	<b>3,812</b>	—
Impairment of other receivables	<b>25,162</b>	—
	<b>191,965</b>	228,679
Increase in inventories	<b>(98,657)</b>	(128,142)
Decrease in properties under development	—	2,255,293
Increase in completed properties held for sale	<b>(17,972)</b>	(2,418,078)
(Increase)/decrease in trade and bills receivables	<b>(131,242)</b>	115,801
(Increase)/decrease in prepayments, other receivables and other assets	<b>(79,521)</b>	422,127
Decrease in pledged and restricted bank balances	<b>7,054</b>	225,783
Increase/(decrease) in trade and bills payables	<b>33,115</b>	(84,936)
Increase/(decrease) in contract liabilities, other payables and accruals	<b>233,566</b>	(584,598)
Decrease in provision	<b>(1,058)</b>	(5,854)
	<b>137,250</b>	26,075
Cash generated from operations	<b>137,250</b>	26,075
Interest received	<b>135</b>	3,648
Interest paid	<b>(15)</b>	(40)
Corporate income tax (paid)/refunded	<b>(146)</b>	81,365
Land appreciation tax paid	—	(2,104)
	<b>137,224</b>	108,944
Net cash flows from operating activities	<b>137,224</b>	108,944

# Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(42,970)	(24,444)
Addition to right-of-use assets	—	(1,251)
Receipt of government grants	67	689
Proceeds from disposal of investment in a joint venture	30,761	—
Proceeds from disposal of property, plant and equipment	921	8,169
Net cash flows used in investing activities	(11,221)	(16,837)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans and other borrowings	353,511	250,936
Repayment of bank loans and other borrowings	(298,742)	(277,130)
Proceeds from issue of bonds	—	855
Repayment of bonds	(15,634)	(994)
Interest paid	(35,811)	(20,083)
Principal portion of lease payments	(336)	(627)
(Decrease)/increase in an amount due to a director	(44,799)	12,198
Addition of lease liability	—	1,210
Net cash flows used in financing activities	(41,811)	(33,635)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>84,192</b>	<b>58,472</b>
Effect of foreign exchange rate changes, net	(13,055)	(60,688)
Cash and cash equivalents at 1 January	16,128	20,588
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>87,265</b>	<b>18,372</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 1. Corporate Information

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 9 January 2008 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Unit 605–606, 6th Floor, Tower III, Enterprise Square, No. 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The Company and its subsidiaries (together, the “Group”) are involved in the manufacture and sale of welded steel pipes and the provision of related manufacturing services and property development and investment. There were no significant changes in the nature of the Group’s principal activities during the six months ended 30 June 2023 (the “Period”).

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

## 2. Basis of Preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. Basis of Preparation (Continued)

### Going concern basis

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

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

In view of such circumstances, the Directors have given careful consideration to the future liquidity, performance and the available sources of financing of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

#### *(i) Active negotiations with debtors on outstanding receivables*

Management is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

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

Subsequent to 30 June 2023 and up to the date of this report, the Group made the new banking facility up to RMB190 million with a bank. The Group will continue to actively negotiate with the banks for the renewal of the Group's borrowings when they fall due or obtain additional sources of finance to meet the Group's working capital and financial requirements in the near future. The Directors have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the banks which will enhance the Group's ability to renew the Group's loans upon expiry.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. Basis of Preparation (Continued)

### Going concern basis (Continued)

The Directors have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. Taking into account the positive cash flows from the Group's steel pipes business and the continued sale of the Group's existing real estate projects, the Directors considered that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the interim condensed consolidated financial statements of the Group have been prepared on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those which are currently recorded in the interim condensed consolidated statement of financial position. In addition, the Group may have to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial statements.

## 3. Changes in Accounting Policies and Disclosures

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

### Adoption of amended IFRSs — effective on 1 January 2023

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. Changes in Accounting Policies and Disclosures (Continued)

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

- (a) Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 *Definition of Accounting Estimates* clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. Changes in Accounting Policies and Disclosures (Continued)

- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2023. The amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

# Notes to the Interim Condensed Consolidated Financial Statements

*For the six months ended 30 June 2023*

## 4. Operating Segment Information

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

- (a) the steel pipes segment engages in the manufacture and sale of welded steel pipes and the provision of related manufacturing services; and
- (b) property development and investment segment engages in property development for sale of properties and property investment for its rental income potential.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales to third parties at the then prevailing market prices.

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



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. Operating Segment Information (Continued)

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. Operating Segment Information (Continued)

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. Operating Segment Information (Continued)

### Information about steel pipe products and services and sales of property

The revenue of the major products is analysed as follows:

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. Operating Segment Information (Continued)

### Geographical information

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

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

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

### Information about major customers

External customers that each contributes over 10% of total revenue of the Group for the six months ended 30 June 2023 and 2022 are as follows:

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. Revenue, Other Income and Gains

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

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>Revenue from contracts with customers</b>		
Manufacture and sale of welded steel pipes and the provision of related manufacturing services	1,194,465	845,798
Sale of properties	—	340,566
	<b>1,194,465</b>	1,186,364
<b>Revenue from lease contracts</b>		
Rental income	167	167
	<b>1,194,632</b>	1,186,531
<b>Other income and gains</b>		
Bank interest income	135	3,648
Subsidy income from the PRC government*	2,966	3,473
Others	2,870	703
	<b>5,971</b>	7,824

\* The subsidy income represented subsidies granted by the local finance bureaus in the PRC to certain subsidiaries of the Group, mainly as compensation for certain projects and tax refunds. There are no unfulfilled conditions or contingencies relating to such subsidies.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers:

(i) *Disaggregated revenue information:*

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers: (Continued)

(i) *Disaggregated revenue information: (Continued)*

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers: (Continued)

### (ii) Performance obligations:

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

#### *Sale of steel pipes*

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

#### *Sale of properties*

The performance obligation is satisfied upon the physical possession or when the legal title of the completed property is obtained by the purchasers.

#### *Manufacturing services*

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



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 6. Other Expenses, Net

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

## 7. Finance Costs

An analysis of finance costs is as follows:

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 8. Profit Before Tax

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

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

## 9. Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 9. Income Tax (Continued)

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

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

## 10. Earnings Per Share Attributable to Owners of the Company

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 11. Property, Plant and Equipment

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

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

## 12. Investment Properties

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 13. Inventories

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

## 14. Trade and Bills Receivables

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 14. Trade and Bills Receivables (Continued)

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 15. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the Period, based on the invoice date, is as follows:

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. Fixed Rate Bonds and Notes

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

### US\$3,000,000 7% bonds due in 2023 (2017 Bonds A)

On 28 April 2017, the Group issued bonds with a principal amount of US\$3,000,000 to an individual investor (the "2017 Bonds A"). The bonds should be repayable in full by 28 April 2020 but the expiry date has been extended to 30 June 2022 and further extended to 31 July 2023 by the Company and the investor. The bonds bear interest at a fixed coupon interest rate of 7% per annum, payable semiannually in arrears commencing on 28 October 2017. The bonds are unsecured. As at 30 June 2023, the Company had partially redeemed the 2017 Bonds A with a principal amount of US\$2,500,000. The balance of the principal amount will be repayable on 31 July 2023.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. Fixed Rate Bonds and Notes (Continued)

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

On 27 April 2020, the Group issued 12% notes due on 27 April 2022 but the expiry date could be extended to 22 December 2023 with a principal amount of HK\$140,000,000 to an investment fund (the "2020 Notes"). The notes bear interest at a fixed rate of 12% per annum, payable semiannually in arrears. Pursuant to the purchase agreement, specific performance obligations are imposed on the controlling shareholder of the Group. Any breach of the specific performance obligations may constitute a breach under the note purchase agreement, pursuant to which the investment fund is entitled to redeem the 2020 Notes immediately in accordance with the terms and conditions. As at 30 June 2023, the Company had partially redeemed the 2020 Notes with a principal amount of HK\$72,000,000. The Company and the noteholder mutually agreed to extend the maturity date to 22 December 2023.

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

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

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

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

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. Fixed Rate Bonds and Notes (Continued)

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

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

## 17. Interest-Bearing Bank and Other Borrowings

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 17. Interest-Bearing Bank and Other Borrowings (Continued)

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 17. Interest-Bearing Bank and Other Borrowings (Continued)

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

- (a) the pledge of certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB654,778,000 (31 December 2022: RMB598,109,000) as at the end of the Period;
- (b) the pledge of certain of the Group's leasehold land with a net carrying amount of approximately RMB483,134,000 (31 December 2022: RMB489,399,000) as at the end of the Period; and
- (c) the pledge of certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB1,138,147,000 (31 December 2022: RMB913,698,000) as at the end of the Period.

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

The Group had the following undrawn banking facilities:

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 18. Issued Capital

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Authorised: 10,000,000,000 (31 December 2022: 10,000,000,000) ordinary shares of HK\$0.10 each	<b>878,335</b>	878,335
Issued and fully paid: 1,011,142,000 (31 December 2022: 1,011,142,000) ordinary shares of HK\$0.10 each	<b>88,856</b>	88,856

## 19. Non-Current Asset Classified as Held for Sale

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 20. Commitments

The Group had the following capital commitments at the end of the Period:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	<b>89,718</b>	105,157
Plant and machinery	<b>32,240</b>	35,047
	<b>121,958</b>	140,204

## 21. Related Party Transactions

(a) Balances with related parties:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Due to a director Mr. Chen Chang	<b>345,396</b>	390,195

The outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. Related Party Transactions (Continued)

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Salaries, allowances and benefits in kind	1,805	1,898
Retirement benefit scheme contributions	46	58
Total compensation paid to key management personnel	1,851	1,956

## 22. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (other than lease liabilities)	1,744,765	1,689,926	1,773,648	1,727,178
Fixed rate bonds and notes	71,800	85,330	71,800	85,330
	1,816,565	1,775,256	1,845,448	1,812,508

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, lease liabilities and amount due to a director approximate to their carrying amounts largely due to the short term maturities of these instruments.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 22. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the financial assets and liabilities included in interest-bearing bank and other borrowings and fixed rate bonds and notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings and fixed rate bonds and notes as at 30 June 2023 were assessed to be insignificant. The carrying amounts of these financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

### Fair value hierarchy

The following tables illustrative the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

### As at 30 June 2023

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable input (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	—	1,773,648	—	1,773,648
Fixed rate bonds and notes	—	71,800	—	71,800



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 22. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

As at 31 December 2022

	Fair value measurement using			Total (Audited) RMB'000
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable input (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	—	1,727,178	—	1,727,178
Fixed rate bonds and notes	—	85,330	—	85,330

The Group did not have any financial assets measured at fair value as at 30 June 2023 (31 December 2022: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 (31 December 2022: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

## 23. Comparative Figures

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

## 24. Approval of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 25 August 2023.