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Pipeline Engineering Holdings Limited

管道工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

VOLUNTARY ANNOUNCEMENT

This announcement is made by Pipeline Engineering Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) to provide its shareholders and potential investors with the latest business development of the Group.

The board of directors of the Company (the “**Board**”) is pleased to announce the Group will establish an indirect wholly-owned subsidiary in the People’s Republic of China (the “**PRC**”) known as 內蒙古城市環保管道工程有限公司 (Inner Mongolia City Environmental Protection Pipeline Engineering Ltd.*) (“**Inner Mongolia Pipeline Engineering**”). Inner Mongolia Pipeline Engineering will be primarily engaged in the business of general cargo transportation; coal gangue treatment; non-metallic mineral treatment (excluding hazardous goods); environmental protection engineering; pipeline network engineering (transportation pipelines that do not contain hazardous goods); solid waste treatment; hazardous waste treatment; pollution control; project management services; pipeline leasing (transportation pipelines that do not contain hazardous goods); information technology system integration; mining equipment, industrial automation equipment, sales and maintenance of environmental-friendly products; environmental protection technology development; social and economic consultation services; sales of pipeline components, metal materials, sales of hardware and coal; dehydration technical services and promotion; ecological restoration technical services and consultation services and exhibition services.

The Group intends to develop of its integrated environmental protection pipeline engineering business in the PRC through the establishment of Inner Mongolia Pipeline Engineering, which covers pipeline construction and transportation, coal gangue backfilling and recycling, recycling of coal mine drainage, solid waste treatment and resource utilization, soil restoration and ecological environment management.

* *For identification purpose only*

The PRC's energy resources can be summarised as "rich in coal, scarcity of oil, shortage in gas". Coal has been the major source of energy and pillar industry of China. In the face of current problems such as energy wastage and environmental pollution, mitigating the pollution of the coal industry will undoubtedly minimize the environmental protection pressure on China. To this end, the Chinese government has issued a series of policies, including the 2019 Industry Development Guidance issued by the National Development and Reform Commission which encourages the development of the pipeline transportation industry (國家發改委2019年產業調整指導目錄，鼓勵發展管道運輸產業). Pursuant to this policy, the Notice on Smart Pipeline Green Transportation Project Promotion Plan (《關於推進智慧管道清潔輸送專案推進方案的通知》) was issued in coal producing areas, including Ordos, Inner Mongolia as a major pilot city.

Municipal pipeline network projects form an integral part of urban infrastructure construction and have become a major industry supported by the Chinese government under the national industry policies. The development of the existing coal and chemical industry has intensified the road traffic pressure, creating a huge potential safety hazard. The emissions of automobile exhaust and the dispersion of iron powder have also increased air pollution.

Compared with automobile transportation, pipeline transportation has the advantages of lower cost, safe transportation, low loss and free of pollution. On one hand, the construction of the pipeline network can enhance the operating capacity of the storage and transportation facilities of enterprises with lower operating costs. On the other hand, it conforms to the goal of the local government in controlling and managing the environment and air pollutions, which in turn is beneficial to improving air quality and alleviating traffic pressure.

It is expected that the pipeline engineering business of Inner Mongolia Pipeline Engineering will align with the macro-economic policy and regional development policy of the PRC. It will cater for the production needs of major enterprises in various industrial parks while effectively protecting the environment and ensuring road safety. It will also enhance the overall industrial production and living standard and create a favourable condition for the shift in energy consumption, which will be crucial to the sustainable economic development of all the industrial parks.

The Board is of the view that the Group has laid a solid foundation for its overseas business development as it has been committed to the market development in Singapore for over two decades based on its extensive experiences in the industry and in team management. Capitalising on its advanced technology, strictly-regulated procedures and advantageous foothold in the capital market of Hong Kong, the management has expressed its intention to fully expand into pipeline engineering business for gas, water, power supply and telecommunications industries in the PRC market.

Currently, the Group has stepped up the risk resistance of its overall income structure through diversified business development. With the Company being listed in Hong Kong, the Group will continue to maintain a stable performance of its core business while actively deploying its overseas market layout in order to facilitate its long-term development.

In general, the Board believes that developing pipeline engineering business in China will be beneficial to the revenue and profit contribution of the Group, which will in turn be favourable to its development and will be in the interest of the Company and shareholders as a whole. The Group will continue to seek suitable development or investment opportunities to consolidate its business portfolio and create sustainable and stable performance in the long run.

By Order of the Board
Pipeline Engineering Holdings Limited
Michael Shi Guan Wah
Chairman

Singapore, 12 October 2020

As at the date of this announcement, the Board comprises Mr. Michael Shi Guan Wah, Mr. Shi Hong Sheng (Xu Hongsheng) and Ms. Feng Jiamin as executive directors; and Mr. Cher Choong Kiak, Mr. Chiam Soon Chian (Zhan Shunquan), Mr. Choo Chih Chien Benjamin and Mr. Tong Wing Chi as independent non-executive directors.