中國管業集團有限公司

CHINA PIPE GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 380)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2008

The directors (the "Directors") of China Pipe Group Limited (the "Company") hereby announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2008 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	*2*	**701,766**	633,668
Cost of sales	*5*	**(534,856)**	(477,906)
Gross profit		**166,910**	155,762
Other income	*3*	**–**	20
Other (losses)/gains, net	*4*	**(58,572)**	27,226
Selling and distribution costs	*5*	**(18,968)**	(18,968)
Administrative expenses	*5*	**(112,627)**	(75,737)
Operating (loss)/profit		**(23,257)**	88,303
Finance costs, net		**(13,611)**	(3,720)
(Loss)/profit before income tax		**(36,868)**	84,583
Income tax expense	*6*	**(5,728)**	(17,479)
(Loss)/profit for the year		**(42,596)**	67,104
Attributable to:			
Equity holders of the Company		**(42,596)**	67,104

	Note	2008 HK$'000	2007 HK$'000
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in cent per share)			
– Basic	7	**(0.34 cents)**	0.55 cents
– Diluted	7	**(0.34 cents)**	0.55 cents
Dividends	8	**2,507**	14,863

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**11,791**	12,400
Investment properties		**295,498**	243,363
Rental deposits and other assets		**972**	3,257
		308,261	259,020
Current assets			
Inventories		**260,337**	271,984
Trade and other receivables	9	**189,374**	221,552
Financial assets at fair value through profit or loss		**22,493**	22,938
Amount due from a related company		**–**	8,586
Tax recoverable		**893**	140
Pledged bank deposit		**20,000**	–
Cash and cash equivalents		**19,476**	33,272
		512,573	558,472
Total assets		**820,834**	817,492

	Note	2008 HK$'000	2007 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**25,065**	25,065
Reserves		**379,559**	412,518
Proposed dividend	*8*	**–**	10,026
Total equity		**404,624**	447,609
LIABILITIES			
Non-current liabilities			
Loan from a director		**29,651**	–
Borrowings		**134,155**	70,000
Deferred income tax liabilities		**1,997**	5,780
		165,803	75,780
Current liabilities			
Trade and other payables	*10*	**83,223**	88,275
Amounts due to related companies		**1,994**	–
Taxation payable		**5,180**	1,449
Borrowings		**160,010**	204,379
		250,407	294,103
Total liabilities		**416,210**	369,883
Total equity and liabilities		**820,834**	817,492
Net current assets		**262,166**	264,369
Total assets less current liabilities		**570,427**	523,389

Notes

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Group meets its day to day working capital requirements through facilities obtained from banks. The Group is required to comply with a financial covenant requirement under these banking facilities, which is the maintenance of a minimum level of consolidated net tangible worth. Net tangible worth is defined as the capital and reserves attributable to the Company's equity holders.

The directors consider that with the currently available banking facilities, secured orders from customers and subsequent disposal of financial assets in April 2009, the Group should be able to generate sufficient cash flows to cover its operating costs and should be able to meet its financial obligations as they fall due.

The directors are closely monitoring the financial performance and liquidity position of the Group and have instituted measures to improve its cash flows to prepare for any further deterioration of the global financial crisis which has impacted the Group's operations. These measures could include disposing of certain properties held by the Group and additional cost control measures.

Based on the directors' assessment, taking account of reasonably possible changes in trading performance, the Group expects to be able to meet its financial obligations as and when they fall due in the coming twelve months from the date of these financial statements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

The following amendments and interpretations to HKFRS are mandatory for accounting periods beginning on or after 1st January 2008 but are not currently relevant for the Group:

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements
HK(IFRIC)-Int 14	HKAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group to apply from the accounting periods beginning on or after 1st January 2009 or later periods, but the Group has not early adopted them. It is not expected to have a significant impact on the consolidated financial statements.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Financial instruments: Presentation and Presentation of financial statements, Puttable financial instruments and obligations arising on liquidation
HKFRS 1 (Amendment) and HKAS 27 (Amendment)	First time adoption of HKFRS and consolidated and separate financial statements
HKFRS 2 (Amendment)	Share-based payment
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 15	Agreements for construction of real estates
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HK(IFRIC)-Int 18	Transfer of assets from customers

The following are HKICPA's improvements to HKFRSs published in October 2008.

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 16 (Amendment)	Property, plant and equipment (and consequential amendment to HKAS 7 "Statement of cash flows")
HKAS 19 (Amendment)	Employee benefits
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance
HKAS 23 (Amendment)	Borrowing costs
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 28 (Amendment)	Investments in associates (and consequential amendments to HKAS 32 "Financial instruments: Presentation" and HKFRS 7 "Financial instruments: Disclosure")
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies
HKAS 31 (Amendment)	Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7)
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKAS 40 (Amendment)	Investment property and consequential amendments to HKAS 16
HKAS 41 (Amendment)	Agriculture
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFR 1 "First-time adoption")

There are a number of minor amendments to HKFRS 7, "Financial instruments: Disclosures", HKAS 8, "Accounting policies, changes in accounting estimates and errors", HKAS 10, "Events after the balance sheet date", HKAS 18, "Revenue" and HKAS 34, "Interim financial reporting", which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and therefore they have not been analysed in detail.

(2) Turnover and segmental information

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

(i) Trading of a range of pipes and fittings on a wholesale and retail basis; and

(ii) Investment in properties for rental income

The segment results for the year ended 31st December 2008 are as follows:

	Trading of pipes and fittings	Investment in properties	Others	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	699,970	1,796	–	–	701,766
Segment results	85,030	(34,462)	(29,092)	(44,733)	(23,257)
Finance costs, net					(13,611)
Loss before income tax					(36,868)
Income tax expense *(Note 6)*					(5,728)
Loss for the year					(42,596)

The segment assets and liabilities at 31st December 2008 and capital expenditure for the year then ended are as follows:

	Business segment				
	Trading of pipes and fittings	**Investment in properties**	**Others**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	476,640	319,050	1,076	24,068	820,834
Liabilities	(273,497)	(103,123)	(709)	(38,881)	(416,210)
Capital expenditure	2,180	71,080	27	–	73,287

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	**Liabilities**
	HK$'000	*HK$'000*
Segment assets/liabilities	796,766	(377,329)
Unallocated:		
Deferred income tax	–	(1,997)
Current income tax	893	(5,180)
Cash and cash equivalents	474	–
Other receivables	208	–
Other payables	–	(2,053)
Loan from a director	–	(29,651)
Financial assets at fair value through profit or loss	22,493	–
Total	820,834	(416,210)

The segment results for the year ended 31st December 2007 are as follows:

	Trading of pipes and fittings	**Investment in properties**	**Others**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	631,908	1,760	–	–	633,668
Segment results	61,465	24,639	(1,062)	3,261	88,303
Finance costs, net					(3,720)
Profit before income tax					84,583
Income tax expense *(Note 6)*					(17,479)
Profit for the year					67,104

The segment assets and liabilities at 31st December 2007 and capital expenditure for the year then ended are as follows:

	Business segment				
	Trading of pipes and fittings	**Investment in properties**	**Others**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	524,209	248,554	10,079	34,650	817,492
Liabilities	(246,436)	(113,780)	(370)	(9,297)	(369,883)
Capital expenditure	6,187	203,523	683	–	210,393

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	**Liabilities**
	HK$'000	*HK$'000*
Segment assets/liabilities	782,842	(360,586)
Unallocated:		
Deferred income tax	–	(5,780)
Current income tax	140	(1,449)
Cash and cash equivalents	1,347	–
Other receivables	10,225	–
Other payables	–	(2,068)
Financial assets at fair value through profit or loss	22,938	–
Total	817,492	(369,883)

Other segment items included in the income statement are as follows:

	Year ended 31st December 2008				Year ended 31st December 2007		
	Trading of pipes and fittings	**Investment in properties**	**Others**	**Group**	Trading of pipes and fittings	Investment in properties	Group
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	**2,526**	**977**	**–**	**3,503**	2,368	74	2,442
(Written back of)/provision for impairment of trade and other receivables *(Note 5)*	**(128)**	**–**	**24,004**	**23,876**	932	–	932
Provision for impairment of inventories *(Note 5)*	**5,251**	**–**	**–**	**5,251**	2,203	–	2,203

(b) Secondary reporting format – geographical segments

The Group primarily operates in Hong Kong and the PRC. The Group's turnover by geographical location is determined by the country in which the customer is located.

	2008	2007
	HK$'000	*HK$'000*
Revenue:		
Hong Kong	**686,500**	614,364
PRC	**6,431**	12,056
Others	**8,835**	7,248
Total	**701,766**	633,668

Total assets are allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Total assets:		
Hong Kong	**574,736**	579,631
PRC	**242,016**	235,220
Others	**4,082**	2,641
Total	**820,834**	817,492

Capital expenditure is allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure:		
Hong Kong	**72,703**	18,061
PRC	**584**	192,226
Others	**–**	106
Total	**73,287**	210,393

(3) Other income

	2008	2007
	HK$'000	*HK$'000*
Dividend income from financial assets at fair value through profit or loss	**–**	20

(4) Other (losses)/gains, net

	2008	2007
	HK$'000	*HK$'000*
Fair value (losses)/gains on investment properties	**(31,582)**	23,202
Net fair value (losses)/gains on financial assets at fair value through profit or loss	**(29,798)**	4,288
Net exchange gains/(losses)	**2,272**	(434)
Gain on disposal of property, plant and equipment	**536**	170
	(58,572)	27,226

(5) Expenses by nature

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories	**520,054**	468,253
Auditor's remuneration	**1,095**	1,490
Depreciation of property, plant and equipment	**3,503**	2,442
Employee benefit expenses (including directors' emoluments)	**60,071**	52,940
Operating lease on land and buildings	**15,718**	14,392
Provision for impairment of trade and other receivables	**23,876**	932
Provision for impairment of inventories	**5,251**	2,203
Other expenses	**36,883**	29,959
	666,451	572,611
Representing:		
Cost of sales	**534,856**	477,906
Selling and distribution costs	**18,968**	18,968
Administrative expenses	**112,627**	75,737
	666,451	572,611

(6) Income tax expense

	2008	2007
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	**9,149**	10,070
– Overseas tax	**414**	493
– Over-provision in prior years	**(52)**	(7)
Deferred taxation	**(3,783)**	6,923
	5,728	17,479

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. The rates applicable for income tax in the PRC is 25% (2007: 33%) for the year ended 31st December 2008.

(7) (Loss)/earnings per share

The calculation of basic earnings per share is based on the Group's loss attributable to shareholders of HK$42,596,000 (2007: profit of HK$67,104,000) and the weighted average of 12,532,700,000 shares (2007: 12,185,522,000 shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

There were no dilutive potential ordinary shares in years 2007 and 2008.

(8) Dividends

	2008	2007
	HK$'000	*HK$'000*
Interim, paid, of HK0.02 cents (2007: HK0.04 cents) per ordinary share	**2,507**	4,837
Final, proposed, Nil (2007: HK0.08 cents) per ordinary share	**–**	10,026
	2,507	14,863

The directors do not recommend a final dividend for the year ended 31st December 2008.

(9) Trade and other receivables

During the year, the Group normally granted credit terms of 90 – 120 days. The ageing analysis of the debtors, based on the due date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within credit period	**101,131**	110,563
0 – 30 days	**20,209**	41,829
31 – 60 days	**7,075**	17,988
61 – 90 days	**6,127**	10,272
91 – 120 days	**2,205**	4,620
Over 120 days	**9,097**	7,795
	145,844	193,067

(10) Trade and other payables

Details of the ageing analysis of trade payables are as follows:

	2008	2007
	HK$'000	*HK$'000*
Current – 30 days	**24,845**	21,600
31 – 60 days	**3,134**	9,998
61 – 90 days	**3,257**	5,792
Over 90 days	**15,644**	570
	46,880	37,960

FINANCIAL RESULTS

The turnover of the Group for the year ended 31st December 2008 was HK$701,766,000 which represents an increase of about 10.75% when compared to that of HK$633,668,000 in last year. In the year, the Group recorded fair value losses on investment properties of HK$31,582,000 due to decline in property market in Hong Kong and China whilst there were fair value gains on investment properties of HK$23,202,000 in year 2007. The Group also recorded net fair value losses on financial assets at fair value through profit or loss of HK$29,798,000 for the year as compared to net fair value gains on financial assets at fair value through profit or loss of HK$4,288,000 in year 2007.

For the year ended 31st December 2008, the Group recorded a gross profit of HK$166,910,000 and a gross profit margin of 23.78%, compared to a gross profit of HK$155,762,000 and a gross profit margin of 24.58% in last year.

Selling and distribution costs for the year amounted to HK$18,968,000 and remained steady as compared to last year (2007: HK$18,968,000).

The Group recorded a net loss of approximately HK$42,596,000 in the year as compared to a net profit of HK$67,104,000 in the last year. The basic loss per share for the year was HK0.34 cents as compared to a basic earnings per share of HK0.55 cents for the year 2007.

BUSINESS REVIEW

The year of 2008 was indeed proven to be a challenging year for the Group. The Group has been able to achieve growth despite the unprecedented volatility of the metal prices throughout the year. During the first three quarters of 2008, due to the weaknesses of US Dollars and huge demand from developing countries such as the Middle East, India and China, majority of the metal price, namely copper, steel and scrap iron has reached a historic price peak – it has appreciated over 80% compared with the prior year.

In the last quarter of 2008, due to the global financial tsunami, the US Dollars has strengthened and metal prices has dropped substantially. This has created a very confused market environment and the Group has adopted a more conservative purchase plan until the metal market supply is stabilised.

FUTURE PLAN

The Group will focus on its core business of supplying pipes and related products to the market. The Group will continue to secure sourcing of quality products with global prestigious suppliers.

The Group will seek opportunity to expand our presence in the China market. In addition to our existing processing facilities in Panyu and sales office in Shanghai, the Group intends to set up a global sourcing centre in Shenzhen to monitor the orders placed to suppliers.

As the investment properties held by the Group has occupied working capital of the Group, in light of the tough market environment, if necessary, the Management may consider to dispose of some of the investment properties in order to secure sufficient working capital for the Group to operate.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position, with cash and bank balances of HK$19,476,000 as at 31st December 2008 (2007: HK$33,272,000). The Group's working capital requirement has been financed by its internal resources. The Group believes that funds generated from internal operations, its existing reserve and the available banking facilities will enable the Group to meet its future cash requirement.

The Group had aggregate banking facilities of approximately HK$327,269,000 as at 31st December 2008 (2007: HK$384,191,000) for overdrafts, term loans and other trade finance facilities, approximately HK$302,997,000 (2007: HK$320,067,000) of which were utilised as at 31st December 2008. The banking facilities are secured by corporate guarantees of the Company, investment properties held by subsidiaries with carrying values of HK$295,498,000 and bank deposit of HK$20,000,000.

The Group's borrowings are denominated in Hong Kong dollars and Renminbi. Banking facilities were granted to the Group which bear interest at prevailing market rates.

The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars, Euro dollars and Australian dollars. In order to mitigate the foreign exchange risk, the Group has been closely monitoring its foreign currency exposure and requirement and will arrange for any hedging facilities if necessary.

As at 31st December 2008, the gearing ratio (total debts/total equity of the Group) was 0.80 (2007: 0.61).

PLEDGE OF ASSETS

Investment properties with carrying values of HK$295,498,000 (2007: HK$42,600,000) and bank deposit of HK$20,000,000 (2007: Nil) at the year end held by subsidiaries of the Group are pledged to banks to obtain banking facilities.

STAFF AND EMPLOYMENT

Including the Directors of the Group, as at 31st December 2008, the Group employed a total of 193 (2007: 234) full time employees. Total employee benefit expenses was approximately HK$60,071,000 (2007: HK$52,940,000).

Remuneration is reviewed annually and certain staff members are entitled to commission. In addition to the basic salaries and contributions to the mandatory provident fund, the Group also pays discretionary bonus and provides staff benefits including medical scheme.

DIVIDENDS

The Directors do not recommend a final dividend for the year ended 31st December 2008 (2007: a final dividend of HK0.08 cents per ordinary share).

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31st December 2008 except the deviation from code provision A.2.1 in respect of separate role of Chairman and Chief Executive Officer.

During the year, the roles of the Chairman and Chief Executive Officer had not been separated and were performed by the same individual, Ms. Wing Man Yi until her resignation on 23rd February 2009. The Board met regularly to consider major matters affecting the operations of the Company.

Since the appointment of Mr. Lai Guanglin as the Chairman and Non-executive Director of the Company and Mr. Cai Shangwu as Executive Director of the Company with effect from 23rd February 2009, the Company has taken step to comply with Code Provision A.2.1 of the Corporate Governance Code. At present, Mr. Lai Guanglin has taken up the role of providing leadership for the Board and ensures that the Board works effectively and discharge its responsibility properly. Mr. Lai also ensures that good corporate governance practice is in force from time to time, and all key issues are discussed by the Board in a timely manner.

The Executive Director of the Company, Mr. Cai Shangwu, acts as the role of the Chief Executive Officer of the Company, is responsible for managing the day-to-day business of the Company.

AUDIT COMMITTEE

The Audit Committee, which consists of three Independent Non-executive Directors, namely Mr. Wong Yee Shuen Wilson, Mr. Sam Ming Choy and Mr Lau Kwok Ting, has reviewed, discussed and approved the Company's annual results and audited consolidated financial statements for the year ended 31st December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company is satisfied that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

PUBLICATION OF FINANCIAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Stock Exchange and the website of the Company. The 2008 Annual Report of the Company will be dispatched to the shareholders of the Company as well as published on the website of the Stock Exchange and the website of the Company in due course.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our customers, shareholders and suppliers for their trust and support given to us all these years.

I would also like to extend my appreciation to all our employees for their continued hard work and dedication to the development of the Group. Each and every one of them has played an important role to the day to day operation. Finally, I would like to take this opportunity to express my sincere thanks for the close cooperation of my fellow Board members and the senior management of the Group. Their contribution, dedication and devotion have marked the Group's evolution throughout these years.

By Order of the Board
China Pipe Group Limited
Lai Guanglin
Chairman

Hong Kong, 24th April 2009

As at the date of this announcement, the Board of Directors consists of Mr. Cai Shangwu as executive Director, Mr. Lai Guanglin, Mr. U Kean Seng and Mr. Zhao Yue as non-executive Directors and Mr. Wong Yee Shuen Wilson, Mr. Sam Ming Choy and Mr. Lau Kwok Ting as independent non-executive Directors.