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 2010

The board of directors (the "Board") of China Pipe Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2010, together with the comparative figures for the corresponding year in 2009, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2010

	Note	**2010 HK$'000**	Restated 2009 HK$'000
Continuing operations:			
Revenue	*2*	**516,479**	452,018
Cost of sales	*4*	**(425,836)**	(381,077)
Gross profit		**90,643**	70,941
Impairment loss on property, plant and equipment	*2*	**(98,900)**	–
Impairment loss on land use rights	*2*	**(2,471)**	–
Impairment loss on goodwill	*2*	**(23,050)**	–
Other gains, net	*3*	**552**	5,534
Selling and distribution costs	*4*	**(12,807)**	(12,102)
General and administrative expenses	*4*	**(97,255)**	(80,470)
Operating loss		**(143,288)**	(16,097)
Finance costs, net	*5*	**(14,578)**	(9,175)
Loss before income tax		**(157,866)**	(25,272)
Tax credit	*6*	**5,638**	2,221
Loss for the year from continuing operations		**(152,228)**	(23,051)
Discontinued operation:			
Loss for the year from discontinued operation	*7*	**(14,855)**	(16,346)
Loss for the year		**(167,083)**	(39,397)

	Note	2010 HK$'000	Restated 2009 HK$'000
Attributable to:			
Equity holders of the Company		**(122,769)**	(39,662)
Non-controlling interests		**(44,314)**	265
		(167,083)	(39,397)
		HK cents	HK cents
Loss per share			
Basic and diluted			
From continuing operations		**(0.81)**	(0.18)
From discontinued operation		**(0.11)**	(0.13)
	8	**(0.92)**	(0.31)
		HK$'000	HK$'000
Dividend	*9*	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(167,083)**	(39,397)
Other comprehensive income:		
Currency translation differences	**4,617**	576
Release of exchange reserve upon disposal of subsidiaries	**(15,488)**	–
Total comprehensive income for the year	**(177,954)**	(38,821)
Attributable to:		
Equity holders of the Company	**(133,747)**	(39,092)
Non-controlling interests	**(44,207)**	271
	(177,954)	(38,821)

CONSOLIDATED BALANCE SHEET
As at 31st December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**10,109**	118,485
Land use rights		**28,462**	30,535
Goodwill		**–**	22,787
Investment properties		**–**	185,231
Deferred tax assets		**4,578**	11,761
Rental deposits and other assets		**3,196**	3,061
		46,345	371,860
Current assets			
Inventories		**230,545**	180,448
Trade and other receivables	*10*	**166,446**	163,440
Pledged bank deposit		**92,789**	38,576
Cash and cash equivalents		**62,230**	55,784
		552,010	438,248
Assets held-for-sale		**–**	114,680
		552,010	552,928
Total assets		**598,355**	924,788

CONSOLIDATED BALANCE SHEET

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves – others		**259,742**	388,385
		286,407	415,050
Non-controlling interests		**(11,114)**	33,093
Total equity		**275,293**	448,143
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	39,973
Deferred tax liabilities		**4,541**	18,736
		4,541	58,709
Current liabilities			
Trade and other payables	*11*	**142,837**	95,691
Amount due to related companies		**876**	23,449
Amount due to a non-controlling shareholder		**17**	133
Loan from a shareholder		**–**	59,881
Taxation payable		**749**	631
Borrowings		**174,042**	238,151
		318,521	417,936
Total liabilities		**323,062**	476,645
Total equity and liabilities		**598,355**	924,788
Net current assets		**233,489**	134,992
Total assets less current liabilities		**279,834**	506,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of investment properties, which were carried at fair value. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Adoption of new and revised standards

The Group has adopted the following revised standards, amendment to existing standard and interpretation, which are mandatory for accounting periods beginning on or after 1st January 2010 and relevant to the Group.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Annual Improvements to HKFRSs published in May 2009

HKAS 17 (Amendment)	Leases

The Group has assessed the impact of the adoption of these revised standards, amendment to existing standard and interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements except the following:

HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land prepayment as at 1st January 2010 on the basis of information existing at the inception of those leases, and continued to classify the leasehold land in Mainland China as operating lease under "Land use rights".

HKAS 27 (Revised), "Consolidated and Separate Financial Statements". The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (Revised) had no impact on the current period, as there have been no transactions with non-controlling interests.

HKFRS 3 (Revised), "Business Combinations". HKFRS 3 (Revised) continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. HKFRS 3 (Revised) had no impact on the current period as there has been no business combinations.

HK-Int 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". HK Int-5 provides guidance on the classification by the borrower of a term loan that contains a repayment on demand clause, with reference to the criteria for classification of liabilities as current or non-current as set out in paragraph 69 of HKAS 1. HK Int-5 had no significant impact on current and prior periods.

The following new standard and amendments to existing standards have been published and are relevant to the Group's operation. They are mandatory for the Group's accounting periods beginning on or after 1st January 2011 or later periods, the Group has not early adopted them:

HKAS 12 (Amendment)	Income Taxes
HKAS 24 (Revised)	Related Party Disclosures
HKFRS 9	Financial Instruments

Annual improvements to HKFRSs published in May 2010

HKAS 1	Presentation of Financial Statements
HKAS 27	Consolidated and Separate Financial Statements
HKAS 34	Interim Financial Reporting
HKFRS 3	Business Combinations
HKFRS 7	Financial Instruments: Disclosures

The Group has already commenced an assessment of the impact of these new and revised standards and amendments to existing standards but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board assesses the performance of the operating segments based on a measure of profit/(loss) attributable to equity holders of the Company.

The Group has three reportable segments, which are trading of pipes and fittings, manufacturing and sale of seamless steel pipes and investment in properties for rental income. The segments are managed separately as each business offers different products and services.

Trading of pipes and fittings includes wholesale and retail operations in Hong Kong, Mainland China and Macau.

Seamless steel pipes segment is contributed by a subsidiary of the Group, 煙臺金裕豐無縫鋼管有限公司 (Yantai Kiyofo Seamless Steel Pipe Co., Ltd) ("Kiyofo"), which manufactures and sells seamless steel pipes in Mainland China.

Investment in properties for rental income includes properties held in Hong Kong and Mainland China. The results related to investment in properties have been presented under discontinued operation in 2010.

The segment information for the year ended 31st December 2010 and 2009 are as follows:

	For the year ended 31st December 2010							
	Reportable segments							
	Continuing operations				Discontinued operation			
	Trading of pipes and fittings HK$'000	Seamless steel pipes HK$'000	Inter-segment revenue HK$'000	Sub-total HK$'000	Investment properties HK$'000	Inter-segment revenue HK$'000	Sub-total HK$'000	Total reportable segments HK$'000
Revenue	452,299	131,334	(67,154)	516,479	1,902	(386)	1,516	517,995
Operating profit/(loss) before interest	21,194	(136,787)	386	(115,207)	(24,293)	(386)	(24,679)	(139,886)
Interest income	211	48	–	259	2	–	2	261
Interest expense	(2,736)	(6,169)	–	(8,905)	(3,054)	–	(3,054)	(11,959)
Profit/(loss) before income tax	18,669	(142,908)	386	(123,853)	(27,345)	(386)	(27,731)	(151,584)
Tax (expense)/credit	(3,434)	9,072	–	5,638	29	–	29	5,667
Profit/(loss) for the year	15,235	(133,836)	386	(118,215)	(27,316)	(386)	(27,702)	(145,917)
Non-controlling interests	–	44,314	–	44,314	–	–	–	44,314
Profit/(loss) before corporate overhead attributable to equity holders	15,235	(89,522)	386	(73,901)	(27,316)	(386)	(27,702)	(101,603)
Operating profit/(loss) before interest includes:								
Depreciation and amortisation	1,988	9,727	–	11,715	692	–	692	12,407
Provision for impairment of trade and other receivables	5,866	20	–	5,886	–	–	–	5,886
Write-back of provision for impairment of inventories	4,736	–	–	4,736	–	–	–	4,736
Impairment loss on land use rights (note)	–	2,471	–	2,471	–	–	–	2,471
Impairment loss on property, plant and equipment (note)	–	98,900	–	98,900	–	–	–	98,900
Impairment loss on goodwill (note)	–	23,050	–	23,050	–	–	–	23,050
Capital expenditure	1,226	1,584	–	2,810	9	–	9	2,819

Note:

The financial results for the year ended 31st December 2010 for the segment of manufacturing and sale of seamless steel pipes was materially affected by the imposition of anti-dumping duties on imports of steel pipes to the United States and the European Union. In addition, the US Ministry of Commerce decided to impose anti-subsidy duty in early 2010. These measures have led to oversupply and intense competition in the Mainland China market as the steel pipe exporters turned to the domestic market. On the other hand, the cost of raw materials (mainly steel billets) increased significantly which has exacerbated the situation. The gross profit margin was therefore significantly reduced and resulted in an operating loss.

Due to the above, the Group has performed an impairment assessment on the assets of the seamless steel pipes business. The Group, after taking into account all relevant information, inter alia, the escalating anti-dumping and anti-subsidy duties as well as the anticipated uprising trend of the cost of raw materials (mainly steel billets), the carrying amounts of the assets of the seamless steel pipes business have been reduced to their recoverable amounts, which are determined based on value in use calculation. Impairment losses on goodwill, property, plant and equipment and land use rights of approximately HK$23,050,000, HK$98,900,000 and HK$2,471,000 were recognised in the consolidated income statement respectively.

For the year ended 31st December 2009

	Reportable segments							
	Continuing operations				Discontinued operation			
	Trading of pipes and fittings HK$'000	Seamless steel pipes HK$'000	Inter-segment revenue HK$'000	Sub-total HK$'000	Investment properties HK$'000	Inter-segment revenue HK$'000	Sub-total HK$'000	Total reportable segments HK$'000
Revenue	425,834	61,162	(34,978)	452,018	2,657	(890)	1,767	453,785
Operating (loss)/profit before interest	(12,918)	1,535	890	(10,493)	(1,717)	(890)	(2,607)	(13,100)
Interest income	57	60	–	117	2	–	2	119
Interest expense	(2,363)	(1,082)	–	(3,445)	(3,812)	–	(3,812)	(7,257)
(Loss)/profit before income tax	(15,224)	513	890	(13,821)	(5,527)	(890)	(6,417)	(20,238)
Tax credit	2,072	149	–	2,221	1,362	–	1,362	3,583
(Loss)/profit for the year	(13,152)	662	890	(11,600)	(4,165)	(890)	(5,055)	(16,655)
Non-controlling interests	–	(265)	–	(265)	–	–	–	(265)
(Loss)/profit before corporate overhead attributable to equity holders	(13,152)	397	890	(11,865)	(4,165)	(890)	(5,055)	(16,920)
Operating (loss)/profit before interest includes:								
Depreciation and amortisation	1,992	1,563	–	3,555	745	–	745	4,300
Provision for impairment of trade and other receivables	8,793	–	–	8,793	–	–	–	8,793
Provision for impairment of inventories	13,290	–	–	13,290	–	–	–	13,290
Capital expenditure	613	3,421	–	4,034	3	–	3	4,037

	For the year ended 31st December	
	2010	2009
	HK$'000	HK$'000
Reconciliation of loss before corporate overhead attributable to the equity holders of the Company and discontinued operation		
Continuing operations:		
Loss before corporate overhead for reportable segments	**(73,901)**	(11,865)
Administrative expenses (note)	**(27,927)**	(11,195)
Depreciation	**(154)**	(137)
Interest income	**46**	–
Interest expense	**(5,978)**	(5,847)
Fair value gains on financial assets at fair value through profit or loss	**–**	5,728
	(107,914)	(23,316)
Discontinued operation:		
Reportable segment	**(27,702)**	(5,055)
After-tax gain on disposal of subsidiaries	**12,847**	–
Provision for impairment of other receivables	**–**	(11,291)
	(14,855)	(16,346)
Loss attributable to the equity holders of the Company	**(122,769)**	(39,662)

Note: The amounts mainly represent administrative expenses at corporate level and other businesses not categorised as operating segments.

The segment assets and liabilities as at 31st December 2010 and 2009 are as follows:

	Reportable segments				
	Trading of pipes and fittings	**Seamless steel pipes**	**Total reportable segments**	**Corporate and others (note)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31st December 2010					
Reportable segment assets	**402,843**	**181,195**	**584,038**	**14,317**	**598,355**
Reportable segment liabilities	**132,882**	**181,195**	**314,077**	**8,985**	**323,062**

	Reportable segments					
	Trading of pipes and fittings HK$'000	Seamless steel pipes HK$'000	Investment properties HK$'000	Total reportable segments HK$'000	Corporate and others (note) HK$'000	Total HK$'000
As at 31st December 2009						
Reportable segment assets	325,782	285,653	304,436	915,871	8,917	924,788
Reportable segment liabilities	149,630	145,391	98,897	393,918	82,727	476,645

Note: The balances represent assets and liabilities of corporate and other businesses not categorised as operating segments, which principally include cash and cash equivalents and accrued expenses (2009: cash and cash equivalents, amount due to a related company and loan from a shareholder).

Geographical information

The Group's revenue from external customers by geographical location is detailed below:

	Revenue For the year ended 31st December	
	2010	Restated 2009
	HK$'000	HK$'000
Hong Kong	**378,050**	382,761
Mainland China	**133,740**	63,165
Others	**4,689**	6,092
Continuing operations	**516,479**	452,018
Discontinued operation	**1,516**	1,767
	517,995	453,785

The Group's non-current assets (excluding financial assets and deferred tax assets) by geographical location are detailed below:

	2010	2009
	HK$'000	HK$'000
Hong Kong	**2,576**	2,835
Mainland China	**35,974**	354,161
Others	**21**	42
	38,571	357,038

3. OTHER GAINS, NET

	2010 HK$'000	Restated 2009 HK$'000
Financial assets at fair value through profit or loss		
– fair value gains	**–**	5,728
Net exchange gains/(losses)	**562**	(194)
Net loss on disposal of property, plant and equipment	**(10)**	–
	552	5,534

4. EXPENSES BY NATURE

Operating loss is arrived at after charging/(crediting):

	2010 HK$'000	Restated 2009 HK$'000
Cost of inventories sold	**413,335**	361,908
Auditor's remuneration	**1,288**	1,208
Depreciation of property, plant and equipment	**11,211**	3,584
Amortisation of land use rights	**658**	108
Employee benefit expenses (including directors' emoluments)	**56,309**	43,005
Operating lease on land and buildings	**15,865**	14,909
Provision for impairment of trade and other receivables, net	**5,886**	8,793
(Write-back of provision)/provision for impairment of inventories, net	**(4,736)**	13,290
Other expenses	**36,082**	26,844
	535,898	473,649

Representing:

	2010 HK$'000	Restated 2009 HK$'000
Cost of sales	**425,836**	381,077
Selling and distribution costs	**12,807**	12,102
General and administrative expenses	**97,255**	80,470
	535,898	473,649

5. FINANCE COSTS, NET

	2010 HK$'000	Restated 2009 HK$'000
Bank interest income	**(305)**	(117)
Interest expense on loan from a shareholder	**4,927**	5,362
Interest expense on amount due to a related company	**1,051**	485
Interest expense on bank borrowings wholly repayable within five years	**8,905**	3,445
	14,578	9,175

6. TAX CREDIT

	2010 HK$'000	Restated 2009 HK$'000
Current taxation:		
Hong Kong profits tax	**(1,229)**	(725)
Overseas tax	**(45)**	(80)
Over-provision in prior years	**98**	427
Deferred taxation	**6,814**	2,599
Tax credit	**5,638**	2,221

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. The rates applicable for income tax in Mainland China is 25% (2009: 25%) for the year ended 31st December 2010.

7. DISCONTINUED OPERATION

On 21st December 2010, the Group completed the disposal of the entire equity interest in Noble Win International Limited which was engaged in investment properties in the Mainland China through its subsidiaries.

The Group had re-presented the disclosures in respect of the discontinued operation of the consolidated income statement for the year ended 31st December 2009.

Analysis of the result of discontinued operation is as follows:

	2010	2009
	HK$'000	HK$'000
Revenue	**1,516**	1,767
Cost of sales	**–**	–
Gross profit	**1,516**	1,767
Other (losses)/gains, net	**(23,182)**	4,136
Selling and distribution costs	**(116)**	(603)
General and administrative expenses	**(2,897)**	(19,198)
Operating loss	**(24,679)**	(13,898)
Finance costs, net	**(3,052)**	(3,810)
Loss before income tax	**(27,731)**	(17,708)
Tax credit	**29**	1,362
Loss after tax of discontinued operation	**(27,702)**	(16,346)
Pre-tax gain on disposal of subsidiaries	**12,847**	–
Tax expense	**–**	–
After-tax gain on disposal of subsidiaries	**12,847**	–
Loss for the year for discontinued operation	**(14,855)**	(16,346)
Attributable to:		
Equity holders of the Company	**(14,855)**	(16,346)
Non-controlling interests	**–**	–
	(14,855)	(16,346)

	2010	2009
	HK$'000	HK$'000
Operating activities cash flows	**(9,676)**	(5,325)
Investing activities cash flows	**114,680**	(44)
Financing activities cash flows	**(106,389)**	6,573
	(1,385)	1,204

	2010	2009
	HK$'000	HK$'000
Cumulative income recognised directly in equity		
Foreign exchange translation adjustments	**–**	12,589

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to equity holders and weighted average number of shares with adjustments where applicable as follows:

	2010	2009
	HK$'000	HK$'000
Loss attributable to equity holders from continuing operations	**107,914**	23,316
Loss attributable to equity holders from discontinued operation	**14,855**	16,346
Loss attributable to equity holders for the purpose of basic loss per share	**122,769**	39,662
Number of shares	**Thousand**	Thousand
Weighted average number of ordinary shares for the purpose of basic loss per share	**13,332,700**	12,644,481

The share options have no potential dilutive effect on basic loss per share for 2009 and 2010.

9. DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31st December 2010 (2009: nil).

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	HK$'000
Trade receivables	**100,279**	135,773
Less: provision for impairment	**(3,190)**	(2,612)
Trade receivables – net	**97,089**	133,161
Prepayments	**61,238**	7,608
Other receivables and assets, net	**7,922**	23,206
Rental deposits and other assets	**3,393**	2,526
	169,642	166,501
Less: non-current portion	**(3,196)**	(3,061)
	166,446	163,440

The Group generally granted credit term of 90-120 days under the segment of trading of pipes and fittings and 60-90 days under the segment of seamless steel pipes. The ageing analysis of the trade receivables, based on the due date is as follows:

	2010	2009
	HK$'000	HK$'000
Within credit period	60,725	90,986
1 to 30 days	19,113	25,447
31 to 60 days	2,570	4,734
61 to 90 days	1,634	2,290
91 to 120 days	535	487
Over 120 days	15,702	11,829
	100,279	135,773

11. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	HK$'000
Trade payables	87,425	56,485
Accrued expenses and other payables	55,412	39,206
	142,837	95,691

The ageing analysis of the Group's trade payables is as follows:

	2010	2009
	HK$'000	HK$'000
Within 30 days	21,943	18,619
31 to 60 days	5,449	3,854
61 to 90 days	692	5,588
Over 90 days	59,341	28,424
	87,425	56,485

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st December 2010, the Group recorded revenue from continuing operations of approximately HK$516.4 million (2009: HK$452.0 million), representing an increase of 14% as compared with the year ended 31st December 2009. The loss attributable to equity holders of the Company was approximately HK$122.8 million for the year ended 31st December 2010, as compared with the loss attributable to equity holders of the Company of approximately HK$39.7 million for the year ended 31st December 2009. The basic loss per share from continuing operations was approximately HK0.81 cents (2009: HK0.18 cents).

The increase in revenue was mainly attributable to contribution from sale of seamless steel pipes by 煙臺金裕豐無縫鋼管有限公司 ("Yantai Kiyofo Seamless Steel Pipe Co., Ltd") ("Kiyofo") which was acquired in November 2009.

Before taking into account the corporate and other expenses, the loss attributable to equity holders of the Company was mainly due to impairment loss on property, plant and equipment of Kiyofo amounted to approximately HK$98.9 million, impairment loss on goodwill of Kiyofo amounted to approximately HK$23.1 million, impairment loss on land use rights of Kiyofo amounted to approximately HK$2.5 million and loss from discontinued operation amounted to approximately HK$14.8 million (2009: HK$16.3 million).

REVIEW OF OPERATIONS

Continuing Operations

Trading of pipes and fittings

The trading of pipes and fittings reported revenue for the year (excluding inter-segment revenue) of approximately HK$385.1 million (2009: HK$390.9 million) and profit attributable to equity holders of the Company for the year of approximately HK$15.6 million (2009: loss of approximately HK$12.3 million).

During the year of 2010, the profit attributable to equity holders from the segment of trading of pipes and fittings was improved. The profit was mainly attributable to the increase in gross profit margin resulting from the better cost control. In addition, there were write-back of provision for inventories of approximately HK$4.7 million (2009: provision for impairment of inventories of approximately HK$13.3 million) and decrease in bad debt expenses for the year 2010 compared with the year 2009.

Manufacturing and sales of seamless steel pipes

As Kiyofo was acquired in November 2009, its results was consolidated into the Group accounts since then. The manufacturing and sales of seamless steel pipes reported revenue of approximately HK$131.3 million for the year 2010 and loss attributable to equity holders of the Company of approximately HK$8.4 million excluding one-off items. The one-off items amounted to approximately HK$81.1 million, which mainly included impairment losses on goodwill, property, plant and equipment and land use rights.

The loss attributable to equity holders of the Company was mainly impairment loss on property, plant and equipment of Kiyofo amounted to approximately HK$98.9 million, impairment loss on land use right of Kiyofo amounted to approximately HK$2.5 million, impairment loss on goodwill relating to seamless steel pipe segment of HK$23.1 million and low gross profit margin as a result of higher cost of raw materials.

The financial results for the year ended 31st December 2010 for the segment of manufacturing and sale of seamless steel pipes was materially affected by the imposition of anti-dumping duties on imports of steel pipes to the United States and the European Union with duty up to approximately 98% and 39%

respectively. In addition, the US Ministry of Commerce decided to impose anti-subsidy duty up to approximately 13% in early 2010. These measures have led to oversupply and intense competition in the Mainland China market as the steel pipe exporters turned to the domestic market. On the other hand, the cost of raw materials (mainly steel billets) increased significantly which has exacerbated the situation. The average cost of steel billets for 2010 has increased by approximately 21% over prior year. The gross profit margin was therefore significantly reduced and resulted in an operating loss.

Discontinuing Operation

Investment properties

As the Group has disposed all its properties situated in Hong Kong and Shanghai during 2010, the investment properties operation was presented as discontinued operation. For 2010, the Group recorded revenue of approximately HK$1.5 million (2009: HK$1.8 million) and loss attributable to equity holders of approximately HK$27.7 million (2009: HK$5.1 million), which included the loss on properties revaluation of approximately HK$23.1 million (2009: gain of HK$4.1 million).

PROSPECTS

Last year was a challenging year for the seamless steel pipes business in Mainland China. Looking forward, the market competition will continue to be very intense. This is exacerbated by the recent increase of anti-dumping duty and anti-subsidy duty on steel products exporting to the United States. Given the monetary easing policies of the United States, it is expected that commodity prices will continue its uprising trend in the foreseeable future.

Against the difficult market conditions as explained above and having regard to the unsatisfactory performance in the segment of manufacturing and sale of seamless steel pipes in Mainland China, and the considerable strain which this segment places on the Group's internal resources, the Group intends to consider the disposal of such segment in future should the opportunity arise.

The Group will continue to develop our pipe trading business in Hong Kong and Macau. We will focus our efforts on upgrading our products and services, developing new product lines, and strengthening our relationships with our customers. Through these initiatives, we aim at growing our top line sales and improving our bottom line profits of the Group.

In addition to the pipe trading business, the management will continue to seek investment opportunities that can potentially bring better returns to our shareholders.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31st December 2010, the cash and bank balances of the Group were approximately HK$155.0 million (31st December 2009: HK$94.4 million) including pledged bank deposit amounted to HK$92.8 million (31st December 2009: HK$38.6 million). Basically the Group's working capital requirement has been financed by its internal resources. The Group believes that funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

As at 31st December 2010, the Group had aggregate banking facilities of term loans and trade finance of approximately HK$233.3 million (31st December 2009: HK$392.5 million), approximately HK$221.0 million (31st December 2009: HK$308.1 million) was utilised. The Group's total borrowings stood at approximately HK$174.0 million (31st December 2009: HK$278.1 million) of which entire amount of approximately HK$174.0 million (31st December 2009: HK$238.2 million) borrowings will mature within one year.

Of the total HK$174.0 million borrowings outstanding at 31st December 2010 (31st December 2009: HK$278.1 million), HK$174.0 million (31st December 2009: HK$243.8 million) was subject to floating rates and no borrowing was subject to fixed rate (31st December 2009: HK$34.3 million).

As at 31st December 2010, the Group had no unsecured shareholder loans (31st December 2009: HK$54.4 million).

The gearing ratio as measured by total debt to total equity maintained at approximately 63% as at 31st December 2010 and approximately 81% as at 31st December 2009.

As at 31st December 2010, 39% (31st December 2009: 40%) of the Group's total borrowings was denominated in HK dollars, 61% (31st December 2009: 60%) was denominated in Renminbi.

The Group conducts its business transactions mainly in Hong Kong dollar, Renminbi, United States dollar, Euro and Australian dollar. In order to manage foreign exchange risk, the Group has been closely monitoring its foreign currency exposure and the Group has entered into a foreign exchange forward contract for the year under review.

CHARGE ON ASSETS

As at 31st December 2010, certain assets of the Group held by subsidiaries with an aggregate carrying value of approximately HK$204.1 million (31st December 2009: HK$479.3 million) were pledged to banks for banking facilities obtained.

CONTINGENT LIABILITIES

Financial guarantee contract

As at 31st December 2010, a subsidiary of the Group in Mainland China has provided a corporate guarantee in favor of a bank to support the banking facilities of approximately HK$43.9 million obtained by an independent third party, which is required to provide 50% pledged deposit upon drawdown (31st December 2009: HK$29.2 million against which no pledged deposit was required). This guarantee was provided as part of counter security arrangement entered into by the subsidiary with the independent third party, whereby the independent third party also provided corporate guarantee in favor of the subsidiary for banking facilities up to approximately HK$47.4 million.

STAFF AND EMPLOYMENT

As at 31st December 2010, the Group employed a total of 501 (31st December 2009: 543) employees. Total employee benefit expenses for the year ended 31st December 2010 was approximately HK$56.3 million (2009: HK$43.0 million).

Remuneration schemes are reviewed annually and certain staff members are entitled to sales commission. In addition to the basic salaries and contributions to the mandatory provident fund, the Group also pays discretionary bonus and provides staff with other benefits including medical scheme for Hong Kong employees. The Group contributes to an employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in Mainland China.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31st December 2010 (2009: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December 2010, except for the following deviation:

Code Provision A.4.1

The code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election.

As disclosed in the 2009 annual report and 2010 interim report of the Company, the non-executive directors of the Company (excluding the independent non-executive directors of the Company) were not appointed for a specific term, which constitutes a deviation from code provision A.4.1. However, all directors of the Company are subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company pursuant to Company's bye-law 99 which was amended on 15th June 2006. As such, the Board considered that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the provisions of the Code. Nevertheless, in view of good corporate governance practices, each non-executive director of the Company has entered into a letter of appointment with the Company during the year for a term until 31st December 2011. As such, the Company has taken step to comply with the code provision A.4.1 of the Code.

AUDIT COMMITTEE

An audit committee of the Company currently consists of two independent non-executive Directors and one non-executive Director, namely Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Mr. U Kean Seng.

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rule (the "Model Code"). Having made specific enquiry with all directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31st December 2010.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Company at www.chinapipegroup.com and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkexnews.hk. The 2010 annual report of the Company will be available at the websites of the Company and the Stock Exchange and be despatched to shareholders of the Company in mid-April 2011.

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

Hong Kong, 28th March 2011

As at the date of this announcement, the Board consists of Mr. Yu Ben Ansheng, Mr. Sam Ming Choy and Mr. Lai Fulin as executive directors; Mr. Lai Guanglin and Mr. U Kean Seng as non-executive directors; and Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Ms. Yang Li as independent non-executive directors.