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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2011

The board of directors (the "Board") of China Pipe Group Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2011, together with the comparative figures for the corresponding period in 2010, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2011

		Unaudited For the six months ended 30th June	
	Note	**2011** *HK$'000*	Restated 2010 *HK$'000*
Continuing operations:			
Revenue	2	**193,667**	183,853
Cost of sales	4	**(145,675)**	(137,321)
Gross profit		**47,992**	46,532
Other gains, net	3	**979**	644
Selling and distribution costs	4	**(6,045)**	(5,292)
General and administrative expenses	4	**(38,807)**	(38,676)
Operating profit		**4,119**	3,208
Finance costs, net	5	**(463)**	(3,926)
Profit/(loss) before income tax		**3,656**	(718)
Tax expense	6	**(1,613)**	(2,202)
Profit/(loss) for the period from continuing operations		**2,043**	(2,920)
Discontinued operations:			
Seamless steel pipes	7(a)	**(148)**	(6,341)
Investment properties	7(b)	**-**	(21,558)
Loss for the period from discontinued operations		**(148)**	(27,899)
Profit/(loss) for the period		**1,895**	(30,819)

		Unaudited For the six months ended 30th June	
			Restated
		2011	2010
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Equity holders of the Company		**2,450**	(28,601)
Non-controlling interest		**(555)**	(2,218)
		1,895	(30,819)
Earnings/(loss) per share		***HK cent***	*HK cent*
Basic and diluted			
From continuing operations		**0.015**	(0.022)
From discontinued operations		**0.003**	(0.193)
	8	**0.018**	(0.215)
		HK$'000	*HK$'000*
Dividend	*9*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2011

	Unaudited	
	For the six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) for the period	**1,895**	(30,819)
Other comprehensive income:		
Currency translation differences	**355**	1,961
Release of exchange reserve upon disposal of subsidiaries	**(4,773)**	-
Total comprehensive income for the period, net of tax	**(2,523)**	(28,858)
Attributable to:		
Equity holders of the Company	**(1,791)**	(26,920)
Non-controlling interest	**(732)**	(1,938)
	(2,523)	(28,858)
Total comprehensive income attributable to equity holders of the Company:		
Continuing operations	**1,744**	(2,821)
Discontinued operations	**(3,535)**	(24,099)
	(1,791)	(26,920)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2011

	Note	**Unaudited 30th June 2011** *HK$'000*	Audited 31st December 2010 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,848**	10,109
Land use rights		**-**	28,462
Deferred tax assets		**82**	4,578
Rental deposits and other assets		**4,396**	3,196
		10,326	46,345
Current assets			
Inventories		**155,631**	230,545
Trade and other receivables	*10*	**137,946**	166,446
Pledged bank deposits		**74,936**	92,789
Cash and cash equivalents		**38,366**	62,230
		406,879	552,010
Total assets		**417,205**	598,355

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2011

	Note	Unaudited 30th June 2011 *HK$'000*	Audited 31st December 2010 *HK$'000*
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves – others		**259,327**	259,742
		285,992	286,407
Non-controlling interest		**-**	(11,114)
Total equity		**285,992**	275,293
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**-**	4,541
		-	4,541
Current liabilities			
Trade and other payables	*11*	**58,460**	142,837
Amount due to a related company		**876**	876
Amount due to a non-controlling shareholder		**-**	17
Taxation payable		**2,406**	749
Borrowings		**69,471**	174,042
		131,213	318,521
Total liabilities		**131,213**	323,062
Total equity and liabilities		**417,205**	598,355
Net current assets		**275,666**	233,489
Total assets less current liabilities		**285,992**	279,834

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited interim financial information should be read in conjunction with the audited consolidated annual financial statements for the year ended 31st December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except for described below, the accounting policies adopted are consistent with those used in the audited consolidated annual financial statements for the year ended 31st December 2010.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Adoption of new and revised standards

The following amendment to standard is mandatory for the first time for the financial year beginning 1st January 2011.

Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transaction.

The following interpretations, amendments and revision to existing standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2011 but not currently relevant to the Group. The Group has assessed the impact of the adoption of these revised standards 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 condensed consolidated interim financial information.

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments, except for amendment to HKAS 34 "Interim financial reporting", are not expected to have a significant financial impact on the results and financial position of the Group.

The following new standards and amendments to existing standards have been issued but are not effective and have not been early adopted. The Group has commenced an assessment of the impact of these new 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.

Amendments to HKAS 1 (Revised)	Presentation of items of other comprehensive income
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures - Transfers of financial assets
HKFRS 9	Financial instruments
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement

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.

During the period, the Group has two reportable segments, which are trading of pipes and fittings and manufacturing and sale of seamless steel pipes. 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 and Macau.

Manufacturing and sale of seamless steel pipes segment is mainly 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. Kiyofo and its holding companies were disposed during the period and constituted the discontinued operation of the Group. Details of this discontinued operation are set out in Note 7(a).

As mentioned in consolidated annual financial statements for the year ended 31st December 2010, all the investment properties were disposed in year 2010, the results related to investment properties for the six months ended 30th June 2010 were presented under discontinued operation. Details of this discontinued operation are set out in Note 7(b).

The segment information for the six months ended 30th June 2011 and 2010 are as follows:

	Unaudited For the six months ended 30th June 2011		
	Reportable segments		
	Continuing operation	Discontinued operation	
	Trading of pipes and fittings	Seamless steel pipes	Total reportable segments
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**193,667**	**64,512**	**258,179**
Operating profit before interest	**15,509**	**979**	**16,488**
Interest income	**203**	**129**	**332**
Interest expense	**(586)**	**(2,825)**	**(3,411)**
Profit/(loss) before income tax	**15,126**	**(1,717)**	**13,409**
Tax expense	**(1,613)**	**-**	**(1,613)**
Profit/(loss) for the period	**13,513**	**(1,717)**	**11,796**
Non-controlling interest	**-**	**555**	**555**
Profit/(loss) before corporate overhead attributable to equity holders of the Company	**13,513**	**(1,162)**	**12,351**
Operating profit before interest includes:			
Depreciation and amortisation	**910**	**318**	**1,228**
Provision for impairment of trade and other receivables, net	**339**	**-**	**339**
Write-back of provision for impairment of inventories, net	**1,015**	**-**	**1,015**
Capital expenditure	**353**	**15**	**368**

Unaudited
For the six months ended 30th June 2010

	Reportable segments							
	Continuing operation			Discontinued operations				
	Trading of pipes and fittings	Inter-segment revenue	Sub-total	Seamless steel pipes	Investment properties	Inter-segment revenue	Sub-total	Total reportable segments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	224,114	(40,261)	183,853	68,133	341	(193)	68,281	252,134
Operating profit/(loss) before interest	14,927	193	15,120	(4,828)	(19,760)	(193)	(24,781)	(9,661)
Interest income	47	-	47	49	2	-	51	98
Interest expense	(1,361)	-	(1,361)	(3,417)	(1,610)	-	(5,027)	(6,388)
Profit/(loss) before income tax	13,613	193	13,806	(8,196)	(21,368)	(193)	(29,757)	(15,951)
Tax (expense)/credit	(2,202)	-	(2,202)	1,855	3	-	1,858	(344)
Profit/(loss) for the period	11,411	193	11,604	(6,341)	(21,365)	(193)	(27,899)	(16,295)
Non-controlling interest	-	-	-	2,218	-	-	2,218	2,218
Profit/(loss) before corporate overhead attributable to equity holders of the Company	11,411	193	11,604	(4,123)	(21,365)	(193)	(25,681)	(14,077)
Operating profit/(loss) before interest includes:								
Depreciation and amortisation	1,004	-	1,004	4,853	374	-	5,227	6,231
Write-back of provision for impairment of inventories	6,375	-	6,375	-	-	-	-	6,375
Capital expenditure	1,021	-	1,021	151	9	-	160	1,181

	Unaudited For the six months ended 30th June 2011	2010
	HK$'000	*HK$'000*
Reconciliation of profit/(loss) before corporate overhead attributable to the equity holders of the Company and discontinued operations		
Continuing operations:		
Profit before corporate overhead for reportable segments	**13,513**	11,604
Administrative expenses (Note)	**(11,371)**	(11,906)
Depreciation	**(19)**	(6)
Interest income	**19**	1
Interest expense	**(99)**	(2,613)
	2,043	(2,920)
Discontinued operations:		
Seamless steel pipes	**(1,162)**	(4,123)
Investment properties	**-**	(21,558)
After-tax gain on disposal of subsidiaries	**1,569**	-
	407	(25,681)
Profit/(loss) attributable to the equity holders of the Company	**2,450**	(28,601)

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 30th June 2011 and 31st December 2010 are as follows:

Unaudited As at 30th June 2011	**Reportable segment** Trading of pipes and fittings	**Corporate and others (note)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Assets	**399,635**	**17,570**	**417,205**
Liabilities	**125,607**	**5,606**	**131,213**

Audited As at 31st December 2010	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*
Assets	402,843	181,195	584,038	14,317	598,355
Liabilities	132,882	181,195	314,077	8,985	323,062

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.

Geographical information

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

	Revenue Unaudited For the six months ended 30th June	
	2011	Restated 2010
	HK$'000	*HK$'000*
Continuing operations:		
Hong Kong	**191,296**	180,953
Mainland China	**-**	719
Others	**2,371**	2,181
	193,667	183,853
Discontinued operations:		
Seamless steel pipes	**64,512**	68,133
Investment properties	**-**	148
	64,512	68,281
	258,179	252,134

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

	Unaudited 30th June 2011	Audited 31st December 2010
	HK$'000	*HK$'000*
Hong Kong	**1,935**	2,576
Mainland China	**3,902**	35,974
Others	**11**	21
	5,848	38,571

3. OTHER GAINS, NET

	Unaudited For the six months ended 30th June	
		Restated
	2011	2010
	HK$'000	*HK$'000*
Net exchange gains	**147**	653
Gain on disposal of subsidiaries	**832**	-
Net loss on disposal of property, plant and equipment	**-**	(9)
	979	644

4. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30th June	
		Restated
	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**141,736**	138,466
Auditor's remuneration	**500**	639
Depreciation of property, plant and equipment	**929**	1,010
Employee benefit expenses (including directors' emoluments)	**24,786**	25,987
Operating lease on land and buildings	**8,257**	7,937
Provision for impairment of trade and other receivables, net	**339**	-
Write-back of provision for impairment of inventories, net	**(1,015)**	(6,375)
Other expenses	**14,995**	13,625
	190,527	181,289
Representing:		
Cost of sales	**145,675**	137,321
Selling and distribution costs	**6,045**	5,292
General and administrative expenses	**38,807**	38,676
	190,527	181,289

5. FINANCE COSTS, NET

	Unaudited For the six months ended 30th June	
	2011	Restated 2010
	HK$'000	*HK$'000*
Bank interest income	**(222)**	(48)
Interest expense on loan from a shareholder	**99**	2,612
Interest expense on bank borrowings wholly repayable within five years	**586**	1,362
	463	3,926

6. TAX EXPENSE

	Unaudited For the six months ended 30th June	
	2011	Restated 2010
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**1,635**	336
Overseas tax	**23**	17
Over-provision in prior years	**-**	(98)
Deferred taxation	**(45)**	1,947
Tax expense	**1,613**	2,202

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. **DISCONTINUED OPERATIONS**

(a) Seamless steel pipes

In May 2011, the Group completed the disposal of the entire equity interest in Merchant Capital Limited, which was engaged in manufacturing and sale of seamless steel pipes business in Mainland China through its indirect 60% equity interest owned subsidiary, Kiyofo. For the period under review, the financial results of the discontinued operation for the period up to the completion of the disposal has been consolidated.

The disclosures relating to the discontinued operation (including the unaudited condensed consolidated income statement and cashflow statement) for the six months ended 30th June 2010 had been re-presented.

Analysis of the results of discontinued operation is as follows:

	Unaudited	
	For the six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
Revenue	**64,512**	68,133
Cost of sales	**(60,802)**	(67,664)
Gross profit	**3,710**	469
Other loss	**(7)**	-
Selling and distribution costs	**(808)**	(1,397)
General and administrative expenses	**(1,916)**	(3,900)
Operating profit/(loss)	**979**	(4,828)
Finance costs, net	**(2,696)**	(3,368)
Loss before income tax	**(1,717)**	(8,196)
Tax credit	**-**	1,855
Loss after tax from discontinued operation	**(1,717)**	(6,341)
Pre-tax gain on disposal of subsidiaries	**1,569**	-
Tax expense	**-**	-
After-tax gain on disposal of subsidiaries	**1,569**	-
Loss for the period from discontinued operation	**(148)**	(6,341)
Attributable to:		
Equity holders of the Company	**407**	(4,123)
Non-controlling interest	**(555)**	(2,218)
	(148)	(6,341)

	Unaudited	
	For the six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
Operating activities cash flows	**(698)**	(15,652)
Investing activities cash flows	**(15)**	257
Financing activities cash flows	**348**	8,045
Exchange differences	**174**	52
	(191)	(7,298)

(b) Investment properties

The Group completed the disposal of investment properties held in Hong Kong in early 2010 and the disposal of the entire equity interest in Noble Win International Limited in December 2010 which was engaged in investment properties in Mainland China through its subsidiaries.

The disclosures relating to the discontinued operation (including the unaudited condensed consolidated income statement and cashflow statement) for the six months ended 30th June 2010 had been re-presented.

Analysis of the results of discontinued operation is as follows:

	Unaudited For the six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
Revenue	-	148
Cost of sales	-	-
Gross profit	-	148
Other losses	-	(18,363)
Selling and distribution costs	-	(64)
General and administrative expenses	-	(1,674)
Operating loss	-	(19,953)
Finance costs, net	-	(1,608)
Loss before income tax	-	(21,561)
Tax credit	-	3
Loss for the period from discontinued operation	-	(21,558)
Attributable to:		
Equity holders of the Company	-	(21,558)
Non-controlling interest	-	-
	-	(21,558)

	Unaudited For the six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
Operating activities cash flows	-	(2,597)
Investing activities cash flows	-	114,671
Financing activities cash flows	-	(112,020)
Exchange differences	-	8
	-	62

8. EARNINGS/(LOSS) PER SHARE

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

	Unaudited For the six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company from continuing operations	**2,043**	(2,920)
Profit/(loss) attributable to equity holders of the Company from discontinued operations	**407**	(25,681)
Profit/(loss) attributable to equity holders of the Company for the purpose of basic earnings/(loss) per share	**2,450**	(28,601)
Number of shares	**Thousand**	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**13,332,700**	13,332,700

The share options have no potential dilutive effect on basic earnings/(loss) per share for 2011 and 2010.

9. DIVIDEND

The Board does not declare interim dividend for the six months ended 30th June 2011 (six months ended 30th June 2010: Nil).

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2011	Audited 31st December 2010
	HK$'000	*HK$'000*
Trade receivables	**85,312**	100,279
Less: provision for impairment	**(1,360)**	(3,190)
Trade receivables – net	**83,952**	97,089
Prepayments	**53,374**	61,238
Other receivables and assets, net	**448**	7,922
Rental deposits and other assets	**4,568**	3,393
	142,342	169,642
Less: non-current portion	**(4,396)**	(3,196)
	137,946	166,446

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

	Unaudited 30th June 2011	Audited 31st December 2010
	HK$'000	*HK$'000*
Within credit period	**55,175**	60,725
1 to 30 days	**20,836**	19,113
31 to 60 days	**4,364**	2,570
61 to 90 days	**913**	1,634
91 to 120 days	**855**	535
Over 120 days	**3,169**	15,702
	85,312	100,279

11. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2011	Audited 31st December 2010
	HK$'000	*HK$'000*
Trade payables	**30,887**	87,425
Accrued expenses and other payables	**27,573**	55,412
	58,460	142,837

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

	Unaudited 30th June 2011	Audited 31st December 2010
	HK$'000	*HK$'000*
Within 30 days	**12,371**	21,943
31 to 60 days	**2,610**	5,449
61 to 90 days	**456**	692
Over 90 days	**15,450**	59,341
	30,887	87,425

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30th June 2011, the Group recorded revenue from the continuing operation of approximately HK$193.7 million (2010: HK$183.9 million), representing an increase of 5% as compared with the same period in 2010. During the period, the financial results from the continuing operation was turned around. The profit after tax from the continuing operation for the period ended 30th June 2011 was approximately HK$2.0 million (2010: loss after tax of HK$2.9 million). The profit attributable to equity holders of the Company for the six months ended 30th June 2011 was approximately HK$2.5 million, as compared with the loss attributable to equity holders of the Company of approximately HK$28.6 million for the same period in 2010. The basic earnings per share from the continuing operation was approximately HK0.015 cent (2010: basic loss per share of HK0.022 cent).

The revenue from the continuing operation was contributed from the segment of trading of pipes and fittings. The revenue slightly increased by 5% compared with the same period of last year.

Compared with the same period of last year, the loss attributable to equity holders of the Company for the six months ended 30th June 2010 was mainly due to loss on the revaluation of investment properties amounted to approximately HK$18.4 million. All investment properties of the Group were disposed during the year 2010. As a result, the Group's performance for the period improved significantly as compared with corresponding period of last year.

Review of Operations

Continuing operation

Trading of pipes and fittings

The trading of pipes and fittings reported revenue for the first six months of approximately HK$193.7 million (2010: HK$183.9 million (excluding inter-segment revenue)) and profit attributable to equity holders of the Company for the first six months of approximately HK$13.5 million (2010: HK$11.6 million). We were able to have slight sales growth and improvement of gross profit while containing costs and expenses.

Discontinued operations

Manufacturing and sale of seamless steel pipes

In May 2011, the Group completed the disposal of its entire equity interest in the segment of manufacturing and sale of seamless steel pipes. As a result, the Group recorded a gain of approximately HK$1.6 million.

During the period under review, revenue contributed from the segment of manufacturing and sale of seamless pipes up to the completion of the disposal amounted to approximately HK$64.5 million (for the six months ended 30th June 2010: HK$68.1 million) and loss attributable to equity holders of the Company amounted to approximately HK$1.2 million (for the six months ended 30th June 2010: HK$4.1 million).

Investment properties

The Group completed the disposal of investment properties held in Hong Kong in early 2010 and the disposal of the entire equity interest in Noble Win International Limited in December 2010 which was engaged in investment properties in Mainland China through its subsidiaries. As such, the segment results for the period ended 30th June 2010 was presented under discontinued operation.

After the disposal of the seamless steel pipes segment, the trading of pipes and fittings remains as the principal business of the Group. As a result, the Group's profitability, liquidity and financial position have been strengthened. As at 30th June 2011, the working capital ratio (as measured by current assets to current liabilities) of the Group was 3.10 (31st December 2010: 1.73) and gearing ratio (as measured by total debt to total equity) was 24% (31st December 2010: 63%).

PROSPECTS

The Group will continue to develop our pipe trading business in Hong Kong and Macau. Looking forward to the second half of this year, the operating environment will remain competitive. To face the challenge, the Group will focus our efforts on upgrading our products and services, strengthening our relationships with our customers and marketing of new product lines. 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 30th June 2011, the cash and bank balances of the Group were approximately HK$113.3 million (31st December 2010: HK$155.0 million) including pledged bank deposit amounted to HK$74.9 million (31st December 2010: HK$92.8 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 30th June 2011, the Group had aggregate banking facilities of trade finance of approximately HK$91.0 million (31st December 2010: HK$233.3 million, of which representing banking facilities of both trade finance and term loans), approximately HK$78.4 million (31st December 2010: HK$221.0 million) was utilised. The Group's total borrowings stood at approximately HK$69.5 million (31st December 2010: HK$174.0 million), the entire amount of borrowings for both periods end will mature within one year.

The entire amount of borrowings outstanding at 30th June 2011 of HK$69.5 million (31st December 2010: HK$174.0 million) was subject to floating rates.

The gearing ratio as measured by total debt to total equity was approximately 24% as at 30th June 2011 and approximately 63% as at 31st December 2010.

As at 30th June 2011, the entire amount of the Group's borrowings (31st December 2010: 39% of the Group's total borrowings) was denominated in HK dollars, no borrowing (31st December 2010: 61% of the Group's total borrowings) 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 will arrange for any hedging facilities if necessary.

CHARGE ON ASSETS

As at 30th June 2011, certain assets of the Group held by subsidiaries with an aggregate carrying value of approximately HK$74.9 million (31st December 2010: HK$204.1 million) were pledged to banks for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th June 2011 (31st December 2010: a subsidiary of the Group in Mainland China had provided a corporate guarantee, with maximum exposure of approximately HK$21.9 million, 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).

STAFF AND EMPLOYMENT

As at 30th June 2011, the Group employed a total of 187 employees (31st December 2010: 501). Total employee benefit expenses for the period ended 30th June 2011 was approximately HK$26.0 million (2010: HK$27.6 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.

INTERIM DIVIDEND

The Board does not declare interim dividend for the six months ended 30th June 2011 (six months ended 30th June 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules of Stock Exchange throughout the period.

REVIEW BY AUDIT COMMITTEE

The condensed consolidated interim financial information for the six months ended 30th June 2011 has not been audited nor reviewed by the Company's auditor, PricewaterhouseCoopers, but this report has been reviewed by the audit committee of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited condensed consolidated financial information for the period. The audit committee of the Company currently consists of Mr. Wong Yee Shuen, Wilson and Mr. Chen Wei Wen as independent non-executive directors and Mr. U Kean Seng as non-executive director.

COMPLIANCE WITH MODEL CODE OF LISTING RULES

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry with the directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the six months ended 30th June 2011.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Company at www.chinapipegroup.com and the website of the Stock Exchange at www.hkexnews.hk. The 2011 interim report of the Company will be available at the websites of the Company and the Stock Exchange and despatched to shareholders of the Company.

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

Hong Kong, 19th August 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.