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 2011

FINANCIAL HIGHLIGHTS

- Revenue from continuing operation for the year ended 31st December 2011 amounted to approximately HK$438.4 million, representing an increase of 13.8% as compared to 2010.
- Profit attributable to equity holders of the Company for the year ended 31st December 2011 amounted to approximately HK$13.3 million (2010: loss of approximately HK$122.8 million, as previously disclosed, mainly resulted from one-off losses relating to the manufacturing and sale of seamless steel pipes segment amounted to approximately HK$81.1 million (mainly included impairment losses on property, plant and equipment, land use rights and goodwill) and loss on revaluation of the investment properties amounted to approximately HK$23.1 million).

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 2011, together with the comparative figures for the corresponding year in 2010, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2011

	Note	2011 HK$'000	Restated 2010 HK$'000
Continuing operation:			
Revenue	2	**438,395**	385,145
Cost of sales	4	**(330,014)**	(293,197)
Gross profit		**108,381**	91,948
Other gains, net	3	**5,442**	508
Selling and distribution costs	4	**(13,604)**	(9,621)
General and administrative expenses	4	**(83,588)**	(88,617)
Operating profit/(loss)		**16,631**	(5,782)
Finance costs, net	5	**(967)**	(7,449)
Profit/(loss) before income tax		**15,664**	(13,231)
Tax expense	6	**(2,791)**	(3,434)
Profit/(loss) for the year from continuing operation		**12,873**	(16,665)
Discontinued operations:			
Seamless steel pipes	7(a)	**(148)**	(135,563)
Investment properties	7(b)	**-**	(14,855)
Loss for the period/year from discontinued operations		**(148)**	(150,418)
Profit/(loss) for the year		**12,725**	(167,083)
Attributable to:			
Equity holders of the Company		**13,280**	(122,769)
Non-controlling interests		**(555)**	(44,314)
		12,725	(167,083)
Earnings/(loss) per share		***HK cent***	*HK cent*
Basic and diluted			
From continuing operation		**0.097**	(0.125)
From discontinued operations		**0.003**	(0.796)
	8	**0.100**	(0.921)
		HK$'000	*HK$'000*
Dividend	9	**-**	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2011

	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) for the year	**12,725**	(167,083)
Other comprehensive income:		
Currency translation differences	**577**	4,617
Release of exchange reserve upon disposal of subsidiaries	**(4,773)**	(15,488)
Total comprehensive income for the year, net of tax	**8,529**	(177,954)
Attributable to:		
Equity holders of the Company	**9,261**	(133,747)
Non-controlling interests	**(732)**	(44,207)
	8,529	(177,954)
Total comprehensive income attributable to equity holders of the Company:		
Continuing operation	**12,796**	(15,987)
Discontinued operations	**(3,535)**	(117,760)
	9,261	(133,747)

There was no tax impact relating to the components of other comprehensive income for the years ended 31st December 2010 and 2011.

CONSOLIDATED BALANCE SHEET

As at 31st December 2011

	Note	**2011**	2010
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,296**	10,109
Land use rights		**-**	28,462
Deferred tax assets		**97**	4,578
Rental deposits and other assets		**4,853**	3,196
		10,246	46,345
Current assets			
Inventories		**160,825**	230,545
Trade and other receivables	*10*	**126,598**	166,446
Pledged bank deposits		**70,450**	92,789
Cash and cash equivalents		**54,869**	62,230
		412,742	552,010
Total assets		**422,988**	598,355

CONSOLIDATED BALANCE SHEET

As at 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves – others		**270,792**	259,742
		297,457	286,407
Non-controlling interests		**-**	(11,114)
Total equity		**297,457**	275,293
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**-**	4,541
Current liabilities			
Trade and other payables	*11*	**54,725**	142,837
Amount due to a related company		**876**	876
Amount due to a non-controlling shareholder		**-**	17
Taxation payable		**5**	749
Borrowings		**69,925**	174,042
		125,531	318,521
Total liabilities		**125,531**	323,062
Total equity and liabilities		**422,988**	598,355
Net current assets		**287,211**	233,489
Total assets less current liabilities		**297,457**	279,834

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 ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention. 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 following revised standard and amendments to existing standards, which are mandatory for accounting periods beginning on or after 1st January 2011 and relevant to the Group.

HKAS 24 (Revised)	Related party disclosures
HKFRSs Amendments	Improvements to HKFRSs 2010

The Group has assessed the impact of the adoption of these revised standard and amendments to existing 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 consolidated financial statements except the following:

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years. HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred tax: Recovery of Underlying Assets
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
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 year, 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, retail and logistics 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 of during the year and constituted the discontinued operation of the Group. Details of this discontinued operation are set out in Note 7(a).

As at 31st December 2010, the Group had disposed of all investment properties, the results related to investment properties were presented under discontinued operation. Details of this discontinued operation are set out in Note 7(b).

The segment information for the year ended 31st December 2011 and 2010 are as follows:

	For the year ended 31st December 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	438,395	64,512	502,907
Operating profit	37,466	979	38,445
Interest income	438	129	567
Interest expense	(1,340)	(2,825)	(4,165)
Profit/(loss) before income tax	36,564	(1,717)	34,847
Tax expense	(2,791)	-	(2,791)
Profit/(loss) for the year	33,773	(1,717)	32,056
Non-controlling interests	-	555	555
Profit/(loss) before corporate overhead attributable to equity holders of the Company	33,773	(1,162)	32,611
Operating profit includes:			
Depreciation and amortisation	1,808	318	2,126
Provision for impairment of trade and other receivables, net	710	-	710
Write-back of provision for impairment of inventories, net	3,093	-	3,093
Capital expenditure	870	15	885

For the year ended 31st December 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	452,299	(67,154)	385,145	131,334	1,902	(386)	132,850	517,995
Operating profit/(loss)	21,194	386	21,580	(137,506)	(24,293)	(386)	(162,185)	(140,605)
Interest income	211	-	211	91	2	-	93	304
Interest expense	(2,736)	-	(2,736)	(7,220)	(3,054)	-	(10,274)	(13,010)
Profit/(loss) before income tax	18,669	386	19,055	(144,635)	(27,345)	(386)	(172,366)	(153,311)
Tax (expense)/credit	(3,434)	-	(3,434)	9,072	29	-	9,101	5,667
Profit/(loss) for the year	15,235	386	15,621	(135,563)	(27,316)	(386)	(163,265)	(147,644)
Non-controlling interests	-	-	-	44,314	-	-	44,314	44,314
Profit/(loss) before corporate overhead attributable to equity holders of the Company	15,235	386	15,621	(91,249)	(27,316)	(386)	(118,951)	(103,330)
Operating profit/(loss) includes:								
Depreciation and amortisation	1,988	-	1,988	9,864	692	-	10,556	12,544
Provision for impairment of trade and other receivables, net	5,866	-	5,866	20	-	-	20	5,886
Write-back of provision for impairment of inventories, net	4,736	-	4,736	-	-	-	-	4,736
Impairment loss on land use rights	-	-	-	2,471	-	-	2,471	2,471
Impairment loss on property, plant and equipment	-	-	-	98,900	-	-	98,900	98,900
Impairment loss on goodwill	-	-	-	23,050	-	-	23,050	23,050
Capital expenditure	1,226	-	1,226	1,591	9	-	1,600	2,826

	2011	Restated 2010
	HK$'000	*HK$'000*
Reconciliation of profit/(loss) before corporate overhead attributable to the equity holders of the Company and discontinued operations		
Continuing operation:		
Profit before corporate overhead for reportable segments	**33,773**	15,621
Administrative expenses (note)	**(20,771)**	(27,345)
Depreciation	**(64)**	(17)
Interest income	**34**	3
Interest expense	**(99)**	(4,927)
	12,873	(16,665)
Discontinued operations:		
Seamless steel pipes	**(1,162)**	(91,249)
Investment properties	**-**	(27,702)
After-tax gain on disposal of subsidiaries	**1,569**	12,847
	407	(106,104)
Profit/(loss) attributable to the equity holders of the Company	**13,280**	(122,769)

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 2011 and 2010 are as follows:

	Reportable segment		
	Trading of pipes and fittings	**Corporate and others (note)**	**Total**
As at 31st December 2011	***HK$'000***	***HK$'000***	***HK$'000***
Assets	**410,060**	**12,928**	**422,988**
Liabilities	**118,628**	**6,903**	**125,531**

	Reportable segments				
	Trading of pipes and fittings	Seamless steel pipes	Total reportable segments	Corporate and others (note)	Total
As at 31st December 2010	*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 at corporate level 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	
	2011	Restated 2010
	HK$'000	*HK$'000*
Continuing operation:		
Hong Kong	**427,729**	378,050
Mainland China	**1,084**	2,406
Others	**9,582**	4,689
	438,395	385,145
Discontinued operations:		
Mainland China		
Seamless steel pipes	**64,512**	131,334
Investment properties	**-**	1,338
Hong Kong		
Investment properties	**-**	178
	64,512	132,850
	502,907	517,995

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

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**1,585**	2,576
Mainland China	**3,711**	35,974
Others	**-**	21
	5,296	38,571

3. OTHER GAINS, NET

	2011 *HK$'000*	Restated 2010 *HK$'000*
Write-back of trade payables	**6,192**	-
Provision for customer claim	**(3,694)**	-
Gain on disposal of subsidiaries	**832**	-
Net exchange gains	**2,222**	562
Net loss on disposal of property, plant and equipment	**(110)**	(54)
	5,442	508

4. EXPENSES BY NATURE

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

	2011 *HK$'000*	Restated 2010 *HK$'000*
Cost of inventories sold	**325,931**	288,718
Auditor's remuneration	**1,330**	1,458
Depreciation of property, plant and equipment	**1,872**	2,005
Employee benefit expenses (including directors' emoluments)	**56,652**	51,412
Operating lease on land and buildings	**16,264**	15,865
Provision for impairment of trade and other receivables, net	**710**	5,866
Write-back of provision for impairment of inventories, net	**(3,093)**	(4,736)
Other expenses	**27,540**	30,847
	427,206	391,435
Representing:		
Cost of sales	**330,014**	293,197
Selling and distribution costs	**13,604**	9,621
General and administrative expenses	**83,588**	88,617
	427,206	391,435

5. FINANCE COSTS, NET

	2011	Restated 2010
	HK$'000	*HK$'000*
Bank interest income	**(472)**	(214)
Interest expense on loan from a shareholder	**99**	4,927
Interest expense on bank borrowings wholly repayable within five years	**1,340**	2,736
	967	7,449

6. TAX EXPENSE

	2011	Restated 2010
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**2,652**	1,229
Overseas tax	**230**	45
Over-provision in prior years	**(31)**	(98)
Total current tax	**2,851**	1,176
Deferred taxation:		
Origination and reversal of temporary differences	**(60)**	2,258
Tax expense	**2,791**	3,434

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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 year ended 31st December 2011, the financial results of the discontinued operation for the period up to the completion of the disposal has been consolidated.

The results and cash flows of the discontinued operation included in the consolidated income statement and the consolidated statement of cash flows are as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue	**64,512**	131,334
Cost of sales	**(60,802)**	(132,639)
Gross profit/(loss)	**3,710**	(1,305)
Impairment loss on property, plant and equipment	**-**	(98,900)
Impairment loss on land use rights	**-**	(2,471)
Impairment loss on goodwill	**-**	(23,050)
Other (loss)/gain	**(7)**	44
Selling and distribution costs	**(808)**	(3,186)
General and administrative expenses	**(1,916)**	(8,638)
Operating profit/(loss)	**979**	(137,506)
Finance costs, net	**(2,696)**	(7,129)
Loss before income tax	**(1,717)**	(144,635)
Tax credit	**-**	9,072
Loss after tax from discontinued operation	**(1,717)**	(135,563)
Pre-tax gain on disposal of subsidiaries	**1,569**	-
Tax expense	**-**	-
After-tax gain on disposal of subsidiaries	**1,569**	-
Loss for the period/year from discontinued operation	**(148)**	(135,563)
Attributable to:		
Equity holders of the Company	**407**	(91,249)
Non-controlling interests	**(555)**	(44,314)
	(148)	(135,563)

	2011	2010
	HK$'000	*HK$'000*
Operating activities cash flows	**(698)**	(16,733)
Investing activities cash flows	**(15)**	(1,380)
Financing activities cash flows	**348**	18,653
Exchange differences	**174**	286
	(191)	826

(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 results and cash flows of the discontinued operation included in the consolidated income statement and the consolidated statement of cash flows are as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue	-	1,516
Cost of sales	-	-
Gross profit	-	1,516
Other losses	-	(23,182)
Selling and distribution costs	-	(116)
General and administrative expenses	-	(2,897)
Operating loss	-	(24,679)
Finance costs, net	-	(3,052)
Loss before income tax	-	(27,731)
Tax credit	-	29
Loss after tax from discontinued operation	-	(27,702)
Pre-tax gain on disposal of subsidiaries	-	12,847
Tax expense	-	-
After-tax gain on disposal of subsidiaries	-	12,847
Loss for the year from discontinued operation	-	(14,855)
Attributable to:		
Equity holders of the Company	-	(14,855)
Non-controlling interests	-	-
	-	(14,855)

	2011	2010
	HK$'000	*HK$'000*
Operating activities cash flows	-	(9,708)
Investing activities cash flows	-	114,680
Financing activities cash flows	-	(106,389)
Exchange differences	-	32
	-	(1,385)

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:

	2011	Restated 2010
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company from continuing operation	**12,873**	(16,665)
Profit/(loss) attributable to equity holders of the Company from discontinued operations	**407**	(106,104)
Profit/(loss) attributable to equity holders of the Company for the purpose of basic earnings/(loss) per share	**13,280**	(122,769)
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 recommend final dividend for the year ended 31st December 2011 (2010: Nil).

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**92,360**	100,279
Less: provision for impairment	**(1,557)**	(3,190)
Trade receivables – net	**90,803**	97,089
Prepayments	**35,020**	61,238
Other receivables and assets, net	**775**	7,922
Rental deposits and other assets	**4,853**	3,393
	131,451	169,642
Less: non-current portion	**(4,853)**	(3,196)
	126,598	166,446

The Group generally granted credit term of 60-120 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:

	2011	2010
	HK$'000	*HK$'000*
Within credit period	**68,839**	60,725
1 to 30 days	**14,219**	19,113
31 to 60 days	**5,235**	2,570
61 to 90 days	**1,347**	1,634
91 to 120 days	**96**	535
Over 120 days	**2,624**	15,702
	92,360	100,279

11. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**16,672**	87,425
Accrued expenses and other payables	**38,053**	55,412
	54,725	142,837

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

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**13,262**	21,943
31 to 60 days	**1,904**	5,449
61 to 90 days	**433**	692
Over 90 days	**1,073**	59,341
	16,672	87,425

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31st December 2011, the Group recorded revenue from the continuing operation of approximately HK$438.4 million (2010: HK$385.1 million), representing an increase of 13.8% as compared to 2010. The profit attributable to equity holders of the Company for the year ended 31st December 2011 was approximately HK$13.3 million, as compared with the loss attributable to equity holders of the Company of approximately HK$122.8 million in 2010. As previously disclosed, the loss in 2010 mainly resulted from one-off losses relating to the manufacturing and sale of seamless steel pipes segment amounted to approximately HK$81.1 million (mainly included impairment losses on property, plant and equipment, land use rights and goodwill) and loss on revaluation of the investment properties amounted to approximately HK$23.1 million.

The revenue from the continuing operation, contributed from the segment of trading of pipes and fittings, increased by 13.8% over that of last year. The profit after tax from the continuing operation for the year ended 31st December 2011 was approximately HK$12.9 million (2010: loss after tax of HK$16.7 million). The basic earnings per share from the continuing operation was approximately HK0.097 cent (2010: basic loss per share of HK0.125 cent).

Review of Operations

Continuing operation

Trading of pipes and fittings

The trading of pipes and fittings reported revenue for the year of approximately HK$438.4 million (2010: HK$385.1 million (excluding inter-segment revenue)) and profit attributable to equity holders of the Company for the year of approximately HK$33.8 million (2010: HK$15.6 million). In 2011, our sales growth was 13.8% due to the improving construction sector and greater effort in sales and marketing. In addition, our gross profit margin was slightly improved and bad debt expense was decreased as compared with last year.

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 (including the holding companies of Kiyofo, which was part of the discontinued operation of the Group) up to the completion of the disposal amounted to approximately HK$64.5 million (for the year ended 31st December 2010: HK$131.3 million) and loss attributable to equity holders of the Company amounted to approximately HK$1.2 million (excluding the gain on disposal of subsidiaries amounted to approximately HK$1.6 million) (for the year ended 31st December 2010: HK$91.2 million). During the year of 2010, one-off losses amounted to approximately HK$81.1 million, which mainly included impairment losses on property, plant and equipment, land use rights and goodwill were recognised in the consolidated income statement.

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 year ended 31st December 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 31st December 2011, the working capital ratio (as measured by current assets to current liabilities) of the Group was 3.29 (2010: 1.73) and gearing ratio (as measured by total debt to total equity) was 24% (2010: 63%).

PROSPECTS

The Group will continue to develop our trading of pipes and fittings business in Hong Kong and Macau. Looking forward, the operating environment will remain competitive. In order to achieve our top line sales growth and improving our bottom line profits, the Group will focus our efforts on sales and marketing of new product lines, upgrading our products and services and strengthening our relationships with our customers.

In addition to the pipes and fittings 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 2011, the cash and bank balances of the Group were approximately HK$125.3 million (2010: HK$155.0 million) including pledged bank deposit, which amounted to HK$70.5 million (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 31st December 2011, the Group had aggregate banking facilities of trade finance of approximately HK$101.5 million (2010: HK$233.3 million, of which representing banking facilities of both trade finance and term loans), approximately HK$81.3 million (2010: HK$221.0 million) was utilised. The Group's total borrowings stood at approximately HK$69.9 million (2010: HK$174.0 million), the entire amount of borrowings for both years end will mature within one year.

The entire amount of borrowings outstanding at 31st December 2011 of approximately HK$69.9 million (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 31st December 2011 (2010: 63%).

As at 31st December 2011, the entire amount of the Group's borrowings (2010: 39% of the Group's total borrowings) was denominated in HK dollars, no borrowing (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 31st December 2011, certain assets held by subsidiaries of the Group with an aggregate carrying amounts of approximately HK$70.5 million (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 31st December 2011. As at 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 was required to provide 50% pledged deposit upon drawdown. This guarantee had been provided as part of counter security arrangement entered into by the subsidiary with the independent third party, whereby the independent third party had 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 2011, the Group employed a total of 177 employees (2010: 501). Total employee benefit expenses for the year ended 31st December 2011 was approximately HK$57.9 million (2010: HK$57.1 million), including both continuing and discontinued operations.

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 2011 (2010: 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December 2011.

AUDIT COMMITTEE

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 a non-executive director.

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 2011 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 2011.

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 at www.hkexnews.hk. The 2011 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.

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

Hong Kong, 14th March 2012

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