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 2012

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 2012, together with the comparative figures for the corresponding period in 2011, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2012

		Unaudited	
		For the six months ended 30th June	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Continuing operation:			
Revenue	*2*	**215,993**	193,667
Cost of sales	*4*	**(169,376)**	(145,675)
Gross profit		**46,617**	47,992
Other (loss)/gains, net	*3*	**(156)**	979
Selling and distribution costs	*4*	**(6,514)**	(6,045)
General and administrative expenses	*4*	**(36,289)**	(38,807)
Operating profit		**3,658**	4,119
Finance costs, net	*5*	**(472)**	(463)
Profit before income tax		**3,186**	3,656
Tax expense	*6*	**(981)**	(1,613)
Profit for the period from continuing operation		**2,205**	2,043
Discontinued operation:	*7*		
Seamless steel pipes		**-**	(148)
Profit for the period		**2,205**	1,895

		Unaudited For the six months ended 30th June	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Equity holders of the Company		**2,205**	2,450
Non-controlling interest		**-**	(555)
		2,205	1,895
Earnings per share		***HK cent***	*HK cent*
Basic and diluted			
From continuing operation		**0.017**	0.015
From discontinued operation		**-**	0.003
	8	**0.017**	0.018
		HK$'000	*HK$'000*
Dividend	*9*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2012

	Unaudited	
	For the six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**2,205**	1,895
Other comprehensive income:		
Currency translation differences	**(121)**	355
Release of exchange reserve upon disposal of subsidiaries	**-**	(4,773)
Total comprehensive income for the period, net of tax	**2,084**	(2,523)
Attributable to:		
Equity holders of the Company	**2,084**	(1,791)
Non-controlling interest	**-**	(732)
	2,084	(2,523)
Total comprehensive income attributable to equity holders of the Company:		
Continuing operation	**2,084**	1,744
Discontinued operation	**-**	(3,535)
	2,084	(1,791)

There was no tax impact relating to the components of other comprehensive income for the six months ended 30th June 2012 and 2011.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2012

	Note	**Unaudited 30th June 2012 *HK$'000***	Audited 31st December 2011 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,892**	5,296
Deferred tax assets		**105**	97
Rental deposits and other assets		**6,095**	4,853
		11,092	10,246
Current assets			
Inventories		**181,162**	160,825
Trade and other receivables	*10*	**129,032**	126,598
Pledged bank deposits		**93,925**	70,450
Cash and cash equivalents		**33,757**	54,869
		437,876	412,742
Total assets		**448,968**	422,988

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2012

	Note	**Unaudited 30th June 2012**	Audited 31st December 2011
		HK$'000	*HK$'000*
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves – others		**273,807**	270,792
Total equity		**300,472**	297,457
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**43,369**	54,725
Amount due to a related company		**876**	876
Taxation payable		**985**	5
Borrowings		**103,266**	69,925
		148,496	125,531
Total liabilities		**148,496**	125,531
Total equity and liabilities		**448,968**	422,988
Net current assets		**289,380**	287,211
Total assets less current liabilities		**300,472**	297,457

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated 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 condensed consolidated interim financial information should be read in conjunction with the audited consolidated annual financial statements for the year ended 31st December 2011, 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 2011.

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

Adoption of amendments to existing standards

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1st January 2012.

Amendments to HKFRS 7	Disclosures – Transfers of financial assets
Amendments to HKAS 12	Deferred Tax – Recovery of underlying assets

The Group has assessed the impact of the adoption of these 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 condensed consolidated interim financial information.

The following new standards, amendments to existing standards and interpretation 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, amendments to existing standards and interpretation 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 1	Government loans[2]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures [4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
HKAS 19 (2011)	Employee benefits[2]
HKAS 27 (2011)	Separate financial statements[2]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[2]
Annual Improvements Project	Annual improvements 2009-2011 cycle[2]

[1] effective for annual periods beginning on or after 1st July 2012
[2] effective for annual periods beginning on or after 1st January 2013
[3] effective for annual periods beginning on or after 1st January 2014
[4] effective for annual periods beginning on or after 1st January 2015

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 only one reportable segment, which is trading of pipes and fittings. Trading of pipes and fittings includes wholesale, retail and logistics operations substantially in Hong Kong and Macau.

For the six months ended 30th June 2011, the Group had two reportable segements, which were (i) trading of pipes and fittings; and (ii) manufacturing and sale of seamless steel pipes. Manufacturing and sale of seamless steel pipes segment was mainly contributed by a subsidiary of the Group, namely 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 in May 2011 and constituted the discontinued operation of the Group. Details of the discontinued operation are set out in Note 7.

The segment information for the six months ended 30th June 2012 and 2011 are as follows:

	Unaudited For the six months ended 30th June 2012 Reportable segment Trading of pipes and fittings
	HK$'000
Revenue	**215,993**
Operating profit	**9,719**
Interest income	**370**
Interest expense	**(842)**
Profit before income tax	**9,247**
Tax expense	**(981)**
Profit before corporate overhead for the period	**8,266**
Operating profit includes:	
Depreciation	**746**
Reversal of provision for impairment of trade and other receivables, net	**10**
Write-back of provision for impairment of inventories, net	**128**
Capital expenditure	**438**

	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	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 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	
	2012	2011
	HK$'000	*HK$'000*
Reconciliation of profit before corporate overhead attributable to the equity holders of the Company and discontinued operation		
Continuing operation:		
Profit before corporate overhead for reportable segment	**8,266**	13,513
Administrative expenses (Note)	**(6,027)**	(11,371)
Depreciation	**(34)**	(19)
Interest income	**-**	19
Interest expense	**-**	(99)
	2,205	2,043
Discontinued operation:		
Seamless steel pipes	**-**	(1,162)
After-tax gain on disposal of subsidiaries	**-**	1,569
	-	407
Profit attributable to the equity holders of the Company	**2,205**	2,450

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

As at 30th June 2012 and 31st December 2011, the Group has only one reportable segment. Accordingly, no segment assets and liabilities analysis is presented.

Geographical information

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

	Revenue Unaudited For the six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Continuing operation:		
Hong Kong	**209,684**	191,296
Mainland China	**1,419**	-
Others	**4,890**	2,371
	215,993	193,667
Discontinued operation:		
Mainland China		
Seamless steel pipes	**-**	64,512
	215,993	258,179

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

	Unaudited **30th June** **2012**	Audited 31st December 2011
	HK$'000	*HK$'000*
Hong Kong	**1,169**	1,585
Mainland China	**3,723**	3,711
	4,892	5,296

3. OTHER (LOSS)/GAINS, NET

	Unaudited For the six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Net exchange (loss)/gains	**(144)**	147
Gain on disposal of subsidiaries	**-**	832
Loss on disposal of property, plant and equipment	**(12)**	-
	(156)	979

4. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**165,158**	141,736
Auditor's remuneration	**500**	500
Depreciation of property, plant and equipment	**780**	929
Employee benefit expenses (including directors' emoluments)	**25,579**	24,786
Operating lease on land and buildings	**8,158**	8,257
(Reversal)/provision for impairment of trade and other receivables, net	**(10)**	339
Write-back of provision for impairment of inventories, net	**(128)**	(1,015)
Other expenses	**12,142**	14,995
	212,179	190,527
Representing:		
Cost of sales	**169,376**	145,675
Selling and distribution costs	**6,514**	6,045
General and administrative expenses	**36,289**	38,807
	212,179	190,527

5. FINANCE COSTS, NET

	Unaudited For the six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**(370)**	(222)
Interest expense on loan from a shareholder	**-**	99
Interest expense on bank borrowings wholly repayable within five years	**842**	586
	472	463

6. TAX EXPENSE

	Unaudited For the six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**888**	1,635
Overseas tax	**101**	23
Deferred taxation	**(8)**	(45)
Tax expense	**981**	1,613

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 OPERATION

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 six months ended 30th June 2011, the financial results of the discontinued operation for the period up to the completion of the disposal was consolidated.

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

	Unaudited For the six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Revenue	-	64,512
Cost of sales	-	(60,802)
Gross profit	-	3,710
Other loss	-	(7)
Selling and distribution costs	-	(808)
General and administrative expenses	-	(1,916)
Operating profit	-	979
Finance costs, net	-	(2,696)
Loss before income tax	-	(1,717)
Tax expense	-	-
Loss after tax from discontinued operation	-	(1,717)
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)
Attributable to:		
Equity holders of the Company	-	407
Non-controlling interest	-	(555)
	-	(148)
Operating activities cash flows	-	(698)
Investing activities cash flows	-	(15)
Financing activities cash flows	-	348
Exchange differences	-	174
	-	(191)

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit 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	
	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company from continuing operation	**2,205**	2,043
Profit attributable to equity holders of the Company from discontinued operation	**-**	407
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**2,205**	2,450
Number of shares	**Thousand**	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings per share	**13,332,700**	13,332,700

The share options have no potential dilutive effect on basic earnings per share for the six months ended 30th June 2011 and 2012.

9. DIVIDEND

The Board does not declare interim dividend for the six months ended 30th June 2012 (six months ended 30th June 2011: Nil).

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2012	Audited 31st December 2011
	HK$'000	*HK$'000*
Trade receivables	**96,658**	92,360
Less: provision for impairment	**(1,261)**	(1,557)
Trade receivables – net	**95,397**	90,803
Prepayments	**33,162**	35,020
Other receivables and assets, net	**473**	775
Rental deposits and other assets	**6,095**	4,853
	135,127	131,451
Less: non-current portion	**(6,095)**	(4,853)
	129,032	126,598

The Group generally granted credit term of 60-120 days. The ageing analysis of the trade receivables, based on the due date is as follows:

	Unaudited 30th June 2012	Audited 31st December 2011
	HK$'000	*HK$'000*
Within credit period	**71,520**	68,839
1 to 30 days	**19,180**	14,219
31 to 60 days	**3,025**	5,235
61 to 90 days	**530**	1,347
91 to 120 days	**365**	96
Over 120 days	**2,038**	2,624
	96,658	92,360

11. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2012	Audited 31st December 2011
	HK$'000	*HK$'000*
Trade payables	**16,041**	16,672
Accrued expenses and other payables	**27,328**	38,053
	43,369	54,725

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

	Unaudited 30th June 2012	Audited 31st December 2011
	HK$'000	*HK$'000*
Within 30 days	**12,689**	13,262
31 to 60 days	**2,956**	1,904
61 to 90 days	**96**	433
Over 90 days	**300**	1,073
	16,041	16,672

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30th June 2012, the Group recorded revenue from the continuing operation of approximately HK$216.0 million (2011: HK$193.7 million), representing an increase of 12% as compared with the same period in 2011. The profit after tax from the continuing operation for the period ended 30th June 2012 was approximately HK$2.2 million (2011: HK$2.0 million). The profit attributable to equity holders of the Company for the six months ended 30th June 2012 was approximately HK$2.2 million (2011: HK$2.5 million). The basic earnings per share from the continuing operation was approximately HK0.017 cent (2011: HK0.015 cent).

Business Review

Following the completion of the disposal of manufacture and sale of seamless steel pipes business in May 2011, the trading of pipes and fittings remains as the core business of the Group.

Trading of pipes and fittings

Although we were facing a continuously competitive market environment in the first half of this year, we managed to grow the revenue of trading of pipes and fittings by 12% to approximately HK$216.0 million (2011: HK$193.7 million). However, the profit after tax for the first six months dropped to approximately HK$8.3 million (2011: HK$13.5 million) mainly because of higher operating costs.

Corporate expenses

For the period under review, the Group incurred net corporate expenses of approximately HK$6.1 million (2011: HK$11.5 million). The decrease was mainly attributable to drop in professional and legal fee incurred for the period ended 30th June 2011 relating to the disposal of subsidiaries.

PROSPECTS

The Group will continue to develop our pipe trading business in Hong Kong and Macau. Looking forward to the second half of the year, we expect a similar market circumstances as in the first half and therefore a relatively stable performance. Nevertheless, given the coming infrastructural projects and potential accelerating public housing construction, we are cautiously optimistic about the prospects in the foreseeable future.

The Group will continue to take measures to improve operating efficiency and be more responsive to the changing market environment. To keep our competitiveness, the Group will focus our efforts on upgrading our products and services, strengthening relationships with our customers and marketing of new products. Through these initiatives, we aim at growing top line sales and improving 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 2012, the cash and bank balances of the Group were approximately HK$127.7 million (31st December 2011: HK$125.3 million) including pledged bank deposits amounted to approximately HK$93.9 million (31st December 2011: HK$70.5 million). Basically the Group's working capital requirement is 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 2012, the Group had aggregate banking facilities of trade finance of approximately HK$133.0 million (31st December 2011: HK$101.5 million), approximately HK$118.5 million (31st December 2011: HK$81.3 million) was utilised. The Group's total borrowings stood at approximately HK$103.3 million (31st December 2011: HK$69.9 million), the entire amount of borrowings for both periods end will mature within one year.

The entire amount of borrowings outstanding at 30th June 2012 of HK$103.3 million (31st December 2011: HK$69.9 million) was subject to floating rates.

The gearing ratio as measured by total debt to total equity was approximately 34% as at 30th June 2012 and approximately 24% as at 31st December 2011.

As at 31st December 2011 and 30th June 2012, the entire amount of the Group's borrowings was denominated in Hong Kong dollar.

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 2012, bank deposits of the Group held by subsidiaries with an aggregate carrying value of approximately HK$93.9 million (31st December 2011: HK$70.5 million) were pledged to banks for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th June 2012 (31st December 2011: Nil).

STAFF AND EMPLOYMENT

As at 30th June 2012, the Group employed a total of 185 employees (31st December 2011: 177). Total employee benefit expenses for the period ended 30th June 2012 was approximately HK$25.6 million (2011: HK$24.8 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 2012 (six months ended 30th June 2011: 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 (effective until 31st March 2012) and Corporate Governance Code (effective from 1st April 2012) as stated 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 2012 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 2012.

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 2012 interim report of the Company will be available at the website of the Company and the website of the Stock Exchange and despatched to shareholders of the Company.

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

Hong Kong, 30th August 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 non-executive director and Mr. Wong Yee Shuen Wilson, Mr. Chen Wei Wen and Ms. Yang Li as independent non-executive directors.