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 2012

**FINANCIAL HIGHLIGHTS**

| | **2012** **HK$'000** | 2011 HK$'000 | Percentage Change |
|---|---|---|---|
| Revenue | **455,127** | 438,395 | 4% |
| Profit attributable to equity holders of the Company | **13,700** | 13,280 | 3% |
| Basic earnings per share-continuing operation | **HK0.103 cent** | HK0.097 cent | |

The board of directors (the "Board") of China Pipe Group Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2012, together with the comparative figures for the corresponding year in 2011, are as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st December 2012*

| | Note | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| *Continuing operation:* | | | |
| **Revenue** | 2 | **455,127** | 438,395 |
| Cost of sales | 4 | **(350,578)** | (330,014) |
| **Gross profit** | | **104,549** | 108,381 |
| Other gains, net | 3 | **4,579** | 5,442 |
| Selling and distribution costs | 4 | **(13,337)** | (13,604) |
| General and administrative expenses | 4 | **(77,581)** | (83,588) |
| **Operating profit** | | **18,210** | 16,631 |
| Finance income | 5 | **745** | 472 |
| Finance costs | 5 | **(2,001)** | (1,439) |
| Finance costs, net | 5 | **(1,256)** | (967) |
| **Profit before income tax** | | **16,954** | 15,664 |
| Tax expense | 6 | **(3,254)** | (2,791) |
| **Profit for the year from continuing operation** | | **13,700** | 12,873 |
| *Discontinued operation:* | | | |
| Seamless steel pipes | | **-** | (148) |
| Loss for the year from discontinued operation | | **-** | (148) |
| **Profit for the year** | | **13,700** | 12,725 |
| Attributable to: | | | |
| **Equity holders of the Company** | | **13,700** | 13,280 |
| Non-controlling interests | | **-** | (555) |
| | | **13,700** | 12,725 |
| **Earnings per share** | | ***HK cent*** | *HK cent* |
| Basic and diluted | | | |
| From continuing operation | | **0.103** | 0.097 |
| From discontinued operation | | **-** | 0.003 |
| | 7 | **0.103** | 0.100 |
| | | ***HK$'000*** | *HK$'000* |
| **Dividend** | 8 | **-** | - |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31st December 2012*

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **13,700** | 12,725 |
| **Other comprehensive income:** | | |
| Currency translation differences | **97** | 577 |
| Release of exchange reserve upon disposal of subsidiaries | **-** | (4,773) |
| **Total comprehensive income for the year, net of tax** | **13,797** | 8,529 |
| Attributable to: | | |
| **Equity holders of the Company** | **13,797** | 9,261 |
| Non-controlling interests | **-** | (732) |
| | **13,797** | 8,529 |
| **Total comprehensive income attributable to equity holders of the Company:** | | |
| Continuing operation | **13,797** | 12,796 |
| Discontinued operation | **-** | (3,535) |
| | **13,797** | 9,261 |

There was no tax impact relating to the components of other comprehensive income for the years ended 31st December 2011 and 2012.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31st December 2012*

| | Note | 2012 | 2011 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **6,381** | 5,296 |
| Deferred tax assets | | **-** | 97 |
| Rental deposits and other assets | *9* | **6,416** | 4,853 |
| | | **12,797** | 10,246 |
| **Current assets** | | | |
| Inventories | | **174,856** | 160,825 |
| Trade receivables | *9* | **99,124** | 90,803 |
| Deposits, prepayments and other receivables | *9* | **27,667** | 35,795 |
| Pledged bank deposits | | **94,348** | 70,450 |
| Cash and cash equivalents | | **26,889** | 54,869 |
| | | **422,884** | 412,742 |
| **Total assets** | | **435,681** | 422,988 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December 2012*

| | Note | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity holders** | | | |
| Share capital | | **26,665** | 26,665 |
| Reserves | | **285,961** | 270,792 |
| **Total equity** | | **312,626** | 297,457 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **44** | - |
| Other non-current liabilities | | **3,619** | 3,865 |
| | | **3,663** | 3,865 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **51,246** | 50,860 |
| Amount due to a related company | | **-** | 876 |
| Taxation payable | | **484** | 5 |
| Borrowings | | **67,662** | 69,925 |
| | | **119,392** | 121,666 |
| **Total liabilities** | | **123,055** | 125,531 |
| **Total equity and liabilities** | | **435,681** | 422,988 |
| **Net current assets** | | **303,492** | 291,076 |
| **Total assets less current liabilities** | | **316,289** | 301,322 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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. Certain comparative figures have been reclassified to conform to the current year's presentation.

### Adoption of amendments to existing standards

The Group has adopted the following amendments to existing standards, which are mandatory for accounting periods beginning on or after 1st January 2012.

| | |
|---|---|
| HKFRS 1 Amendment | First-time Adoption of Hong Kong Financial Reporting Standards -Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| HKFRS 7 Amendment | Disclosures – Transfers of financial assets |
| HKAS 12 Amendment | 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 consolidated financial statements.

### New standards, amendments to existing standards and interpretations not yet adopted

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.

| | |
|---|---|
| HKFRS 1 Amendment | First-time Adoption of Hong Kong Financial Reporting Standards - Government loans[2] |
| HKFRS 7 Amendment | Disclosures — Offsetting financial assets and financial liabilities[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] |
| HKAS 1 Amendment | Presentation of items of other comprehensive income[1] |
| HKAS 19 (2011) | Employee benefits[2] |
| HKAS 27 (2011) | Separate financial statements[2] |
| HKAS 28 (2011) | Investment in associates and joint ventures[2] |
| HKAS 32 Amendment | Offsetting financial assets and financial liabilities[3] |
| HK(IFRIC)-Int 20 | Stripping costs in the production phase of a surface mine[2] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory effective date of HKFRS 9 and transition disclosures[4] |
| Amendments to HKFRSs 10, 11 and 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance[2] |
| Amendments to HKFRSs 10, 12 and 27(2011) | Investment Entities[3] |
| 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 attributable to equity holders of the Company.

During the year, 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 year ended 31st December 2011, the Group had two reportable segments, 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 relevant holding companies had been disposed of by the Group in May 2011 and the Group discontinued the operation of manufacturing and sale of seamless steel pipes.

The segment information for the years ended 31st December 2012 and 2011 are as follows:

| | **For the year ended 31st December 2012** |
|---|---|
| | **Reportable segment** |
| | **Trading of pipes and fittings** |
| | ***HK$'000*** |
| Revenue | **455,127** |
| Segment results | **31,775** |
| Interest income | **745** |
| Interest expense | **(2,001)** |
| Profit before income tax | **30,519** |
| Tax expense | **(3,254)** |
| Profit before corporate overhead for the year | **27,265** |
| Operating profit includes: | |
| Depreciation | **1,699** |
| Provision for impairment of inventories, net | **2,561** |
| Reversal of provision for impairment of trade and other receivables, net | **(10)** |
| Capital expenditure | **2,847** |

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 |
| Segment results | 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 | 886 | 15 | 901 |

| | 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 segments | **27,265** | 33,773 |
| Administrative expenses (note) | **(13,497)** | (20,771) |
| Depreciation | **(68)** | (64) |
| Interest income | **-** | 34 |
| Interest expense | **-** | (99) |
| | **13,700** | 12,873 |
| *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 | **13,700** | 13,280 |

*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 2012 and 2011 are as follows:

| | **Reportable segment** | | |
|---|---|---|---|
| | **Trading of pipes and fittings** | **Corporate and others (note)** | **Total** |
| **As at 31st December 2012** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Assets | **423,662** | **12,019** | **435,681** |
| Liabilities | **121,016** | **2,039** | **123,055** |

| | 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 |

*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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| *Continuing operation:* | | |
| Hong Kong | **443,580** | 427,729 |
| Mainland China | **2,954** | 1,084 |
| Others | **8,593** | 9,582 |
| | **455,127** | 438,395 |
| *Discontinued operation:* | | |
| Mainland China | | |
| Seamless steel pipes | **-** | 64,512 |
| | **-** | 64,512 |
| | **455,127** | 502,907 |

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **2,121** | 1,585 |
| Mainland China | **4,260** | 3,711 |
| Others | **-** | - |
| | **6,381** | 5,296 |

**3. OTHER GAINS, NET**

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Write-back of trade and other payables | **634** | 6,192 |
| Provision for customer claim | **-** | (3,694) |
| Gain on disposal of subsidiaries | **-** | 832 |
| Net exchange gains | **972** | 2,222 |
| Net loss on disposal of property, plant and equipment | **(13)** | (110) |
| Compensation from government (note) | **2,682** | - |
| Others | **304** | - |
| | **4,579** | 5,442 |

*Note: The amount represents compensation from Urban Renewal Authority in relation to the resumption of a leased property of the Group located at G/F., 618 Shanghai Street, Mongkok, Kowloon.*

## 4. EXPENSES BY NATURE

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **339,406** | 325,931 |
| Auditor's remuneration | **1,117** | 1,330 |
| Depreciation of property, plant and equipment | **1,767** | 1,872 |
| Employee benefit expenses (including directors' emoluments) | **52,812** | 56,652 |
| Operating lease payments | **16,587** | 16,264 |
| (Reversal of)/provision for impairment of trade and other receivables, net | **(10)** | 710 |
| Provision/(write-back) of provision for impairment of inventories, net | **2,561** | (3,093) |
| Other expenses | **27,256** | 27,540 |
| | **441,496** | 427,206 |
| Representing: | | |
| Cost of sales | **350,578** | 330,014 |
| Selling and distribution costs | **13,337** | 13,604 |
| General and administrative expenses | **77,581** | 83,588 |
| | **441,496** | 427,206 |

## 5. FINANCE COSTS, NET

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **(745)** | (472) |
| Interest expense on loan from a shareholder | **-** | 99 |
| Interest expense on bank borrowings wholly repayable within five years | **2,001** | 1,340 |
| | **1,256** | 967 |

## 6. TAX EXPENSE

| | 2012 | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current taxation: | | |
| Hong Kong profits tax | **2,979** | 2,652 |
| Overseas tax | **157** | 230 |
| Over-provision in prior years | **(23)** | (31) |
| Total current tax | **3,113** | 2,851 |
| Deferred taxation: | | |
| Origination and reversal of temporary differences | **141** | (60) |
| Tax expense | **3,254** | 2,791 |

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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. 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 ordinary shares with adjustments where applicable as follows:

| | 2012 | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company from continuing operation | **13,700** | 12,873 |
| 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 | **13,700** | 13,280 |
| **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 dilutive effect on basic earnings per share for 2011 and 2012.

## 8. DIVIDEND

The Board does not recommend final dividend for the year ended 31st December 2012 (2011: Nil).

## 9. TRADE AND OTHER RECEIVABLES

| | 2012 *HK$'000* | 2011 *HK$'000* |
|---|---|---|
| Trade receivables | **100,359** | 92,360 |
| Less: provision for impairment | **(1,235)** | (1,557) |
| Trade receivables – net | **99,124** | 90,803 |
| Prepayments | **21,711** | 35,020 |
| Other receivables, deposits and other assets | **8,336** | 1,979 |
| Rental deposits | **4,036** | 3,649 |
| | **133,207** | 131,451 |
| Less: non-current portion | **(6,416)** | (4,853) |
| | **126,791** | 126,598 |

The Group generally grants credit term of 60-120 days for its trading of pipes and fittings operation. The ageing analysis of the trade receivables, based on the due date is as follows:

| | 2012 *HK$'000* | 2011 *HK$'000* |
|---|---|---|
| Within credit period | **69,332** | 68,839 |
| 1 to 30 days | **22,323** | 14,219 |
| 31 to 60 days | **4,767** | 5,235 |
| 61 to 90 days | **1,271** | 1,347 |
| 91 to 120 days | **9** | 96 |
| Over 120 days | **2,657** | 2,624 |
| | **100,359** | 92,360 |

## 10. TRADE AND OTHER PAYABLES

| | 2012 *HK$'000* | 2011 *HK$'000* |
|---|---|---|
| Trade payables | **24,654** | 16,672 |
| Accrued expenses and other payables | **26,592** | 34,188 |
| | **51,246** | 50,860 |

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

| | 2012 *HK$'000* | 2011 *HK$'000* |
|---|---|---|
| Within 30 days | **19,637** | 13,262 |
| 31 to 60 days | **3,085** | 1,904 |
| 61 to 90 days | **998** | 433 |
| Over 90 days | **934** | 1,073 |
| | **24,654** | 16,672 |

## BUSINESS REVIEW

We are pleased to report that the Group delivered profit results during the year under review. As mentioned in 2011, we emphasised on streamlining our business and focused on enhancing its core business of trading of pipes and fittings. With our roots entrenched in Hong Kong, we aim to be the premier leader in Hong Kong and Macau in supplying a wide range of high quality products of pipes and fittings and providing add-value services to our customers.

During the year, we have supplied pipes, fittings and other related accessories to several large projects secured last year. Our people were proactive in participating in the sales and promotion activities. We have focused on better collaboration with the landlords, professional consultants and main contractors in order to capture a larger market share.

While we are operating in a competitive industry, we still achieved an increase in revenue by 4%. Our overall gross margin was muted due to some projects which we undertook at a lower margin in order to maintain our market share. In response to the market competition, we will continue to leverage our competitive edge. What we do is to remain steadfast in ensuring full services and single source supplies of products to meet our customers' needs. We sell services beyond products.

In order to broaden our product range, we had further extended our footprint to stainless steel products for a few years. With the environmental protection and hygiene awareness on the rise, stainless steel products are beginning met with market acceptance. The Group believes that we will reap the fruit in the coming year. Along with our traditional products, these products will become our growth momentum.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial and Operations Overview

During the year, the Group has only one reportable segment, which is the trading of pipes and fittings. The Group recorded a 4% increase in revenue from HK$438.4 million to HK$455.1 million in 2012. The net profit attributable to equity holders of the Company for the year under review was approximately HK$13.7 million (2011: HK$13.3 million).

The Group's net profit increased slightly due to a combination of reasons as explained below. Although the market remained very competitive, the Group's gross profit margin was maintained at 23.0% (2011: 24.7%). On the other hand, selling and distribution expenses decreased by 2% to HK$13.3 million and general and administrative expenses went down by 7% to HK$77.6 million as a result of tighter cost control. The increase in sales volume and rise in interest rate drove up the finance costs by 39% to approximately HK$2.0 million.

## PROSPECTS

Going forward, we remain confident about the outlook of the Group.

With the increase of a large number of housing and infrastructure projects in both Hong Kong and Macau in the years ahead, the strong demand for the pipes and fittings is expected to continue. In Hong Kong, the government has embarked and accelerated a series of infrastructure projects. In Macau, casino projects will stimulus the demand of construction materials as well as the products we sell. The various major public and private sector projects are in the pipe line. Meanwhile, the Group, given its business rooted in Hong Kong and its keen understanding of the market, will continue to benefit from these projects in Hong Kong and Macau. In addition, the Group will continue to explore potential overseas market such as New Zealand where we may have the opportunities to participate in the government rebuild program.

The Group will continue to undertake the prudent strategy so as to deliver stable growth and bring better returns to our shareholders.

**LIQUIDITY AND CAPITAL RESOURCES ANALYSIS**

As at 31st December 2012, the cash and bank balances of the Group were approximately HK$121.2 million (2011: HK$125.3 million) including pledged bank deposits, which amounted to HK$94.3 million (2011: HK$70.5 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 2012, the Group had aggregate banking facilities of trade finance of approximately HK$138.0 million (2011: HK$101.5 million), approximately HK$85.5 million (2011: HK$81.3 million) was utilised. The Group's total borrowings stood at approximately HK$67.7 million (2011: HK$69.9 million), the entire amount of borrowings for both years end will mature within one year.

The entire amount of borrowings outstanding as at 31st December 2012 of approximately HK$67.7 million (2011: HK$69.9 million) was subject to floating rates.

The gearing ratio as measured by total debt to total equity was approximately 22% as at 31st December 2012 (2011: 24%).

As at 31st December 2011 and 2012, the entire amount of the Group's borrowings was denominated in HK dollars, no borrowing was denominated in Renminbi.

The Group conducts its business transactions mainly in Hong Kong dollar, Renminbi, United States dollar and Euro. 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 2012, certain assets held by subsidiaries of the Group with an aggregate carrying amounts of approximately HK$94.3 million (2011: HK$70.5 million) were pledged to banks for banking facilities obtained.

**CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31st December 2011 and 2012.

**STAFF AND REMUNERATION POLICY**

As at 31st December 2012, the Group employed a total of 187 employees (2011: 177). Total employee benefit expenses for the year ended 31st December 2012 was approximately HK$52.8 million (2011: HK$57.9 million including both continuing and discontinued operations of HK$56.7 million and HK$1.2 million respectively).

Remuneration policy is 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. The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the result of the Group.

**FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31st December 2012 (2011: 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 (effective until 31st March 2012) and the Corporate Governance Code (the "Code") (effective from 1st April 2012) as stated 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 2012 save that two of independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 21st May 2012 as they had other important business engagement.

**AUDIT COMMITTEE**

The audit committee consists of two independent non-executive directors, namely Mr. Wong Yee Shuen, Wilson and Mr. Chen Wei Wen, and a non-executive director, namely 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 2012 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 2012.

**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 ("Stock Exchange") at www.hkexnews.hk. The 2012 annual 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, 22nd March 2013

*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 and Mr. Tsang Wai Yip as non-executive directors; and Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Ms. Yang Li as independent non-executive directors.*