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 2013

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 2013, together with the comparative figures for the corresponding period in 2012, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2013

		Unaudited	
		For the six months ended 30th June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**223,821**	215,993
Cost of sales	*4*	**(171,513)**	(169,376)
Gross profit		**52,308**	46,617
Other gains/ (loss), net	*3*	**1,614**	(156)
Selling and distribution costs	*4*	**(6,660)**	(6,514)
General and administrative expenses	*4*	**(40,784)**	(36,289)
Operating profit		**6,478**	3,658
Finance income	*5*	**353**	370
Finance costs	*5*	**(864)**	(842)
Finance costs, net	*5*	**(511)**	(472)
Profit before income tax		**5,967**	3,186
Tax expense	*6*	**(1,738)**	(981)
Profit for the period attributable to equity holders of the Company		**4,229**	2,205
Earnings per share		***HK cent***	*HK cent*
Basic and diluted	*7*	**0.032**	0.017
		HK$'000	*HK$'000*
Dividend	*8*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2013

	Unaudited	
	For the six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**4,229**	2,205
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**138**	(121)
Total comprehensive income for the period, net of tax attributable to equity holders of the Company	**4,367**	2,084

There was no tax impact relating to the components of other comprehensive income for the six months ended 30th June 2013 and 2012.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2013

	Note	**Unaudited 30th June 2013 *HK$'000***	Audited 31st December 2012 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**6,157**	6,381
Rental deposits and other assets	*9*	**6,423**	6,416
		12,580	12,797
Current assets			
Inventories		**160,905**	174,856
Trade receivables	*9*	**92,179**	99,124
Prepayments, deposits and other receivables	*9*	**26,773**	27,667
Pledged bank deposits		**67,904**	94,348
Cash and cash equivalents		**94,632**	26,889
		442,393	422,884
Total assets		**454,973**	435,681

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2013

	Note	**Unaudited 30th June 2013** *HK$'000*	Audited 31st December 2012 *HK$'000*
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**290,928**	285,961
Total equity		**317,593**	312,626
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**37**	44
Other non-current liabilities		**3,614**	3,619
		3,651	3,663
Current liabilities			
Trade and other payables	*10*	**51,820**	51,246
Taxation payable		**2,229**	484
Borrowings		**79,680**	67,662
		133,729	119,392
Total liabilities		**137,380**	123,055
Total equity and liabilities		**454,973**	435,681
Net current assets		**308,664**	303,492
Total assets less current liabilities		**321,244**	316,289

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 2012, 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 2012.

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 or revised standards, amendments to existing standards and interpretation

The following new or revised standards, amendments to existing standards and interpretation issued by HKICPA, which are effective for current accounting period of the Group.

HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards -Government loans
HKFRS 7 Amendment	Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 1 Amendment	Presentation of items of other comprehensive income
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investment in associates and joint ventures
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine
Amendments to HKFRSs 10, 11 and 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
Annual Improvements Project	Annual improvements 2009-2011 cycle

The Group has assessed the impact of the adoption of these new or revised standards, amendments to existing standards and interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the condensed consolidated financial statements.

New or revised standards, amendments to existing standards and interpretation that are not effective and have not been early adopted by the Group

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 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.

HKFRS 9	Financial instruments[2]
HKAS 32 Amendment	Offsetting financial assets and financial liabilities[1]
HKAS 36 Amendment	Recoverable amount disclosures for non-financial assets[1]
HKAS 39 Amendment	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC)-Int 21	Levies[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRSs 10, 12 and 27(2011)	Investment Entities[1]

[1] effective for annual periods beginning on or after 1st January 2014
[2] effective for annual periods beginning on or after 1st January 2015

2. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

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 operation substantially in Hong Kong and Macau. Revenue represents the sales of pipes and fittings to customers.

Geographical information

The Group is domiciled in Hong Kong. Revenue from external customers by geographical location is detailed below:

	Revenue Unaudited For the six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**219,229**	209,684
Mainland China	**761**	1,419
Others	**3,831**	4,890
	223,821	215,993

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

	Unaudited 30th June 2013	Audited 31st December 2012
	HK$'000	*HK$'000*
Hong Kong	**2,347**	2,121
Mainland China	**5,014**	5,464
	7,361	7,585

3. OTHER GAINS/(LOSS), NET

	Unaudited For the six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Net exchange gains /(loss)	**972**	(144)
Net loss on disposal of property, plant and equipment	**(56)**	(12)
Sundry income	**698**	-
	1,614	(156)

4. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**164,357**	165,158
Auditor's remuneration	**475**	500
Depreciation of property, plant and equipment	**1,013**	780
Employee benefit expenses (including directors' emoluments)	**28,103**	25,579
Operating lease payments	**8,892**	8,158
Reversal of provision for impairment of trade and other receivables, net	**-**	(10)
Provision/(write-back of provision) for impairment of inventories, net	**2,118**	(128)
Other expenses	**13,999**	12,142
	218,957	212,179
Representing:		
Cost of sales	**171,513**	169,376
Selling and distribution costs	**6,660**	6,514
General and administrative expenses	**40,784**	36,289
	218,957	212,179

5. FINANCE COSTS, NET

	Unaudited For the six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**(353)**	(370)
Interest expense on bank borrowings wholly repayable within five years	**864**	842
	511	472

6. TAX EXPENSE

	Unaudited For the six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**1,729**	888
Overseas tax	**16**	101
Deferred taxation	**(7)**	(8)
Tax expense	**1,738**	981

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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. 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	
	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**4,229**	2,205
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

Diluted earnings per share for the six months ended 30th June 2012 and 2013 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

8. DIVIDEND

The Board does not declare interim dividend for the six months ended 30th June 2013 (six months ended 30th June 2012: Nil).

9. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2013	Audited 31st December 2012
	HK$'000	*HK$'000*
Trade receivables	**93,414**	100,359
Less: provision for impairment	**(1,235)**	(1,235)
Trade receivables – net	**92,179**	99,124
Prepayments	**25,993**	21,711
Other receivables, deposits and other assets	**3,195**	8,336
Rental deposits	**4,008**	4,036
	33,196	34,083
	125,375	133,207
Less: non-current portion	**(6,423)**	(6,416)
	118,952	126,791

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:

	Unaudited 30th June 2013	Audited 31st December 2012
	HK$'000	*HK$'000*
Within credit period	**65,713**	69,332
1 to 30 days	**17,875**	22,323
31 to 60 days	**3,716**	4,767
61 to 90 days	**697**	1,271
91 to 120 days	**604**	9
Over 120 days	**4,809**	2,657
	93,414	100,359

10. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2013	Audited 31st December 2012
	HK$'000	*HK$'000*
Trade payables	**26,468**	24,654
Accrued expenses and other payables	**25,352**	26,592
	51,820	51,246

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

	Unaudited 30th June 2013	Audited 31st December 2012
	HK$'000	*HK$'000*
Within 30 days	**21,007**	19,637
31 to 60 days	**3,312**	3,085
61 to 90 days	**618**	998
Over 90 days	**1,531**	934
	26,468	24,654

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30th June 2013, the Group recorded revenue of approximately HK$223.8 million (2012: HK$216.0 million), representing an increase of 3.6% as compared with the same period in 2012. The profit attributable to equity holders of the Company for the six months ended 30th June 2013 was approximately HK$4.2 million (2012: HK$2.2 million), representing an increase of 91.8% over the same period in 2012 as the overall gross margin was improved. The basic earnings per share was approximately HK0.032 cent (2012: HK0.017 cent).

Business Review

We are engaged in the trading of pipes and fittings including wholesale, retail and logistics services operations substantially in Hong Kong and Macau. We focus on trading of pipes and fittings and our revenue is derived from this segment.

Trading of pipes and fittings

Trading of pipes and fittings generated revenue approximately HK$223.8 million for the first half of 2013, representing an increase of 3.6% as compared to HK$216.0 million for the same period last year. We delivered pipes and fittings to match the progress of the contractors' projects. Our sales recorded a modest increase as the progress of some projects was at a slow pace for the first half of the year. On-going infrastructure and housing projects in Hong Kong are expected to continue for a few years, more orders will be secured in the second half of the year as we have a strong presence in Hong Kong market.

For the period under review, selling and distribution costs were HK$6.7 million (corresponding period of 2012: HK$6.5 million), a slight increase of 2.2% as compared with the same period of last year. This increase was in tandem with the increase in sales. General and administrative expenses were HK$40.8 million (corresponding period of 2012: HK$36.3 million), an increase of 12.4% from the same period of last year. This was mainly attributable to the increase in salaries and allowances expenses, professional fees and rental expenses. Finance income and finance costs remained fairly stable as compared to the corresponding period of last year.

PROSPECTS

It is expected that the construction and infrastructure projects in Hong Kong are very promising. Driven by the Hong Kong Government increasing spending on infrastructure and housing projects, the demand of construction materials, pipes and fittings will remain strong. Accordingly, we remain cautiously optimistic about prospects for the Group's trading of pipes and fittings.

To stay ahead of competition, we will continue to enhance our quality of services. We will strive to proactively review and improve our purchasing and cost strategies so as to improve our operating efficiency. To enhance our strong presence in Hong Kong, the Group will continue to work closely with landlords, professional consultants and main contractors in order to strengthen our relationship and reputation in the market.

We will stay focused on trading of pipes and fittings which will provide us with a solid platform to tap on the opportunities ahead as they arise.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30th June 2013, the cash and bank balances of the Group were approximately HK$162.5 million (31st December 2012: HK$121.2 million) including pledged bank deposits amounted to approximately HK$67.9 million (31st December 2012: HK$94.3 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 2013, the Group had aggregate banking facilities of trade finance of approximately HK$114.0 million (31st December 2012: HK$138.0 million), approximately HK$97.7 million (31st December 2012: HK$85.5 million) was utilised. The Group's total borrowings stood at approximately HK$79.7 million (31st December 2012: HK$67.7 million), the entire amount of borrowings for both periods end will mature within one year. The entire amount of borrowings outstanding at 30th June 2013 of HK$79.7 million (31st December 2012: HK$67.7 million) was subject to floating rates.

The gearing ratio as measured by total debt to total equity was approximately 25% as at 30th June 2013 and approximately 22% as at 31st December 2012.

As at 31st December 2012 and 30th June 2013, 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 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 30th June 2013, bank deposits of the Group held by subsidiaries with an aggregate carrying value of approximately HK$67.9 million (31st December 2012: HK$94.3 million) were pledged to banks for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th June 2013 (31st December 2012: Nil).

STAFF AND REMUNERATION POLICY

As at 30th June 2013, the Group employed a total of 183 employees (31st December 2012: 187). Total employee benefit expenses for the period ended 30th June 2013 was approximately HK$28.1 million (2012: HK$25.6 million).

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.

INTERIM DIVIDEND

The Board does not declare interim dividend for the six months ended 30th June 2013 (six months ended 30th June 2012: 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 Corporate Governance Code 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 2013 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 2013.

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 2013 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, 17th August 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.