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 2013

FINANCIAL HIGHLIGHTS

	2013 **HK$'000**	2012 HK$'000	Percentage Change
Revenue	**504,143**	455,127	11%
Profit attributable to equity holders of the Company	**16,661**	13,700	22%
Basic earnings per share	**HK0.125 cent**	HK0.103 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 2013, together with the comparative figures for the corresponding year in 2012, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	2	**504,143**	455,127
Cost of sales	4	**(384,718)**	(350,578)
Gross profit		**119,425**	104,549
Other gains, net	3	**2,568**	4,579
Selling and distribution costs	4	**(14,867)**	(13,337)
General and administrative expenses	4	**(86,002)**	(77,581)
Operating profit		**21,124**	18,210
Finance income	5	**863**	745
Finance costs	5	**(1,729)**	(2,001)
Finance costs, net	5	**(866)**	(1,256)
Profit before income tax		**20,258**	16,954
Tax expense	6	**(3,597)**	(3,254)
Profit for the year attributable to equity holders of the Company		**16,661**	13,700
Earnings per share		***HK cent***	*HK cent*
Basic and diluted	7	**0.125**	0.103
		HK$'000	*HK$'000*
Dividend	8	**-**	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**16,661**	13,700
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain on post-employment benefit obligations, net of tax	**930**	-
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**253**	97
Other comprehensive income for the year, net of tax	**1,183**	97
Total comprehensive income for the year, net of tax, attributable to equity holders of the Company	**17,844**	13,797

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2013

	Note	**2013**	2012
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,782**	6,381
Rental deposits and other assets	*9*	**5,776**	6,416
		11,558	12,797
Current assets			
Inventories		**157,563**	174,856
Trade receivables	*9*	**117,886**	99,124
Deposits, prepayments and other receivables	*9*	**28,668**	27,667
Tax recoverable		**40**	-
Pledged bank deposits		**69,196**	94,348
Cash and cash equivalents		**107,039**	26,889
		480,392	422,884
Total assets		**491,950**	435,681

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**304,563**	285,961
Total equity		**331,228**	312,626
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**289**	44
Other non-current liabilities		**2,687**	3,619
		2,976	3,663
Current liabilities			
Trade and other payables	*10*	**59,656**	51,246
Taxation payable		**1,329**	484
Borrowings		**96,761**	67,662
		157,746	119,392
Total liabilities		**160,722**	123,055
Total equity and liabilities		**491,950**	435,681
Net current assets		**322,646**	303,492
Total assets less current liabilities		**334,204**	316,289

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") 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 standards, amendments to standards and interpretation

The following new standards, amendments to standards and interpretation are mandatory for the Group's financial year beginning 1st January 2013. The adoption of these new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

HKFRS 1 Amendment	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
Amendments to HKFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 Amendment	Presentation of Financial Statements
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
HKFRSs Amendment	Annual Improvements 2009-2011 Cycle

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

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted by the Group. The Group has commenced an assessment of the impact of these new standards, amendments to 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 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 Amendment	Defined Benefit Plans: Employee Contributions[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[3]
Amendments to HKFRSs 10, 12 and HKAS 27(2011)	Investment Entities[1]
HKFRSs Amendment	Annual Improvements 2010-2012 Cycle[2]
HKFRSs Amendment	Annual Improvements 2011-2013 Cycle[2]

[1] effective for annual periods beginning on or after 1st January 2014
[2] effective for annual periods beginning on or after 1st July 2014
[3] mandatory effective date has not yet been fixed
[4] effective for annual periods beginning on or after 1st January 2016

2. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the executive directors of the Company. The chief operating decision-maker 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.

Geographical information

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

	Revenue	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**483,866**	443,580
Mainland China	**708**	2,954
Others	**19,569**	8,593
	504,143	455,127

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

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**2,572**	2,121
Mainland China	**3,210**	4,260
	5,782	6,381

3. OTHER GAINS, NET

	2013 ***HK$'000***	2012 *HK$'000*
Write-back of trade and other payables	**-**	634
Net exchange gains	**1,743**	972
Net loss on disposal of property, plant and equipment	**(216)**	(13)
Compensation from government (note)	**-**	2,682
Others	**1,041**	304
	2,568	4,579

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):

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**372,928**	339,406
Auditor's remuneration	**989**	1,117
Depreciation of property, plant and equipment	**1,936**	1,767
Employee benefit expenses (including directors' emoluments)	**59,396**	52,812
Operating lease payments	**17,727**	16,587
Provision for /(reversal of) impairment of trade and other receivables, net	**128**	(10)
Provision for impairment of inventories, net	**2,144**	2,561
Other expenses	**30,339**	27,256
	485,587	441,496

Representing:

Cost of sales	**384,718**	350,578
Selling and distribution costs	**14,867**	13,337
General and administrative expenses	**86,002**	77,581
	485,587	441,496

5. FINANCE COSTS, NET

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**(863)**	(745)
Interest expense on bank borrowings wholly repayable within one year	**1,729**	2,001
	866	1,256

6. TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**3,457**	2,979
Overseas tax	**93**	157
Over-provision in prior years	**(14)**	(23)
Total current tax	**3,536**	3,113
Deferred taxation:		
Origination and reversal of temporary differences	**61**	141
Tax expense	**3,597**	3,254

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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:

	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**16,661**	13,700
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 years ended 31st December 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 recommend final dividend for the year ended 31st December 2013 (2012: Nil).

9. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**119,249**	100,359
Less: provision for impairment	**(1,363)**	(1,235)
Trade receivables – net	**117,886**	99,124
Prepayments	**27,428**	21,711
Other receivables, deposits and other assets	**2,961**	8,336
Rental deposits	**4,055**	4,036
	152,330	133,207
Less: non-current portion	**(5,776)**	(6,416)
	146,554	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:

	2013	2012
	HK$'000	*HK$'000*
Within credit period	**92,747**	69,332
1 to 30 days	**15,736**	22,323
31 to 60 days	**4,218**	4,767
61 to 90 days	**792**	1,271
91 to 120 days	**1,075**	9
Over 120 days	**4,681**	2,657
	119,249	100,359

10. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**22,483**	24,654
Accrued expenses and other payables	**37,173**	26,592
	59,656	51,246

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

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**18,842**	19,637
31 to 60 days	**2,192**	3,085
61 to 90 days	**1,205**	998
Over 90 days	**244**	934
	22,483	24,654

BUSINESS REVIEW

The Group continues, through its wholly owned subsidiary, Bun Kee (International) Limited ("Bun Kee"), to focus on its business as a leading supplier of pipes, fittings and other related accessories and logistics services in Hong Kong and Macau. At Bun Kee, we pride ourselves as one-stop provider of wide range of pipes and fittings at competitive prices. With many years of experience in pipes and fittings business, Bun Kee is able to offer the market with complete suite of services ranging from products sourcing to logistics services. We serve numerous and diverse customer base including some notable customers.

During the year under review, the Group has involved in supply of its products to numerous projects including public and private housing and MTR projects. Our sales orders on hand will keep us busy well into the next new financial year. In Hong Kong, the Group continued to benefit from the growth path of the housing and infrastructure projects. In Macau, the casino expansion projects presented the opportunity to the Group. Our sales to Macau are on the upward trend. We are pleased to see the improvements in both our revenue and profit. Nonetheless, we must remain vigilant to the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Operations Overview

2013 marked a steady growth for the Group. The Group's revenue rose by 10.8% from HK$455.1 million to HK$504.1 million in 2013, mainly attributable to the promising construction market in 2013. The net profit attributable to equity holders of the Company for the year under review was approximately HK$16.7 million (2012: HK$13.7 million), representing an increase of 21.9% over 2012.

The increase in both revenue and profit was mainly contributed from the blooming construction works in Hong Kong and Macau during the year under review. We believe that the growth trend will continue in the coming years.

For the year ended 31st December 2013, selling and distribution costs grew 11.5%, in tandem with the higher sales volume and higher volume of operational activities. General and administrative expenses rose 10.9% in 2013 mainly due to the increase in the staff costs and the rental expenses. Other gains decreased by 43.5% from HK$4.6 million to HK$2.6 million which was largely due to the one-off compensation income received from the Hong Kong Government in relation to the resumption of a leased property of the Group in 2012. Finance income and finance costs were increased and decreased respectively due to the increase in operating cash inflows for deposits and the early settlement of the loans.

PROSPECTS

Looking ahead, we note that the business environment will continue to remain competitive. Notwithstanding that, we remain cautiously optimistic about the outlook of the Group.

Our business is closely related to the construction industry. We are pleased to see that construction and infrastructure projects will continue to be promising in the coming years. We also see strong demand from the public and private housing projects and the ongoing expansion railway network.

In order to achieve business sustainability, we will continue to deliver on our strategy of providing best quality products at competitive prices. Quality, customer satisfaction, efficient logistics and storage services are the pillars on which the success of Bun Kee was built on over the past years. In order to maintain our competitive advantage, we will continue to focus on our core strength and value. With our experienced team, we will explore all opportunities and growth prospects both in Hong Kong and overseas.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31st December 2013, the cash and bank balances of the Group were approximately HK$176.2 million (2012: HK$121.2 million) including pledged bank deposits, which amounted to HK$69.2 million (2012: HK$94.3 million). Basically the Group's working capital requirement has been financed by its internal resources. The funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

As at 31st December 2013, the Group had aggregate banking facilities of trade finance of approximately HK$168.5 million (2012: HK$138.0 million), approximately HK$117.3 million (2012: HK$85.5 million) was utilised. The Group's total borrowings stood at approximately HK$96.8 million (2012: HK$67.7 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 2013 was approximately HK$96.8 million (2012: HK$67.7 million), subject to fixed rates.

The gearing ratio as measured by total debt to total equity was approximately 29% as at 31st December 2013 (2012: 22%).

As at 31st December 2012 and 2013, the entire amount of the Group's borrowings was denominated in HK dollars.

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 2013, certain bank deposits held by subsidiaries of the Group with an aggregate carrying amounts of approximately HK$69.2 million (2012: HK$94.3 million) were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st December 2012 and 2013.

STAFF AND REMUNERATION POLICY

As at 31st December 2013, the Group employed a total of 189 employees (2012: 187). Total employee benefit expenses for the year ended 31st December 2013 was approximately HK$59.4 million (2012: HK$52.8 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 in recognition of their contribution to the Group.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31st December 2013 (2012: 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 CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code 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 2013.

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 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 2013.

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 2013 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, 21st March 2014

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.