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 2014

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 2014, together with the comparative figures for the corresponding period in 2013, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2014

		Unaudited	
		For the six months ended 30th June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**266,327**	223,821
Cost of sales	*4*	**(199,290)**	(171,513)
Gross profit		**67,037**	52,308
Other (loss)/gains, net	*3*	**(2,187)**	1,614
Selling and distribution costs	*4*	**(9,287)**	(6,660)
General and administrative expenses	*4*	**(44,553)**	(40,784)
Operating profit		**11,010**	6,478
Finance income	*5*	**575**	353
Finance costs	*5*	**(958)**	(864)
Finance costs, net	*5*	**(383)**	(511)
Profit before income tax		**10,627**	5,967
Tax expense	*6*	**(2,549)**	(1,738)
Profit for the period attributable to equity holders of the Company		**8,078**	4,229
Earnings per share		***HK cent***	*HK cent*
Basic and diluted	*7*	**0.061**	0.032
		HK$'000	*HK$'000*
Dividend	*8*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2014

	Unaudited For the six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period	**8,078**	4,229
Other comprehensive income:		
Item that have been reclassified or may be subsequently reclassified to profit or loss:		
Currency translation differences	**(165)**	138
Release of exchange reserve upon disposal of a subsidiary	**(1,651)**	-
Other comprehensive income for the period, net of tax	**(1,816)**	138
Total comprehensive income for the period, net of tax attributable to equity holders of the Company	**6,262**	4,367

There was no tax impact relating to the components of other comprehensive income for the six months ended 30th June 2014 and 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2014

	Note	**Unaudited 30th June 2014** *HK$'000*	Audited 31st December 2013 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,736**	5,782
Rental deposits and other assets	*9*	**5,893**	5,776
		8,629	11,558
Current assets			
Inventories		**162,942**	157,563
Trade receivables	*9*	**112,570**	117,886
Prepayments, deposits and other receivables	*9*	**33,934**	28,668
Tax recoverable		**40**	40
Pledged bank deposits		**77,720**	69,196
Cash and cash equivalents		**96,803**	107,039
		484,009	480,392
Total assets		**492,638**	491,950

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2014

	Note	Unaudited 30th June 2014 HK$'000	Audited 31st December 2013 HK$'000
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**310,976**	304,563
Total equity		**337,641**	331,228
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**246**	289
Other non-current liabilities		**2,664**	2,687
		2,910	2,976
Current liabilities			
Trade and other payables	*10*	**56,391**	59,656
Taxation payable		**3,190**	1,329
Borrowings		**92,506**	96,761
		152,087	157,746
Total liabilities		**154,997**	160,722
Total equity and liabilities		**492,638**	491,950
Net current assets		**331,922**	322,646
Total assets less current liabilities		**340,551**	334,204

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 2013, 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 2013.

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 and interpretation

The following amendments to standards and interpretation are mandatory for the Group's financial year beginning 1st January 2014. The adoption of these amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies
Amendments to HKFRSs 10, 12 and HKAS 27(2011)	Investment Entities

The Group has not applied any new standards, amendments to standards and interpretation that have been issued but are not effective for the current accounting period.

2. REVENUE AND 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 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	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**245,603**	219,229
Mainland China	**-**	761
Others	**20,724**	3,831
	266,327	223,821

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

	Unaudited	Audited
	30th June	31st December
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**2,508**	2,572
Mainland China	**228**	3,210
	2,736	5,782

3. OTHER (LOSS)/GAINS, NET

	Unaudited	
	For the six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Net exchange (loss)/gains	**(1,314)**	972
Net loss on disposal of property, plant and equipment	**(3)**	(56)
Loss on disposal of a subsidiary	**(871)**	-
Sundry income	**1**	698
	(2,187)	1,614

4. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**194,978**	164,357
Auditor's remuneration	**518**	475
Depreciation of property, plant and equipment	**720**	1,013
Employee benefit expenses (including directors' emoluments)	**31,456**	28,103
Operating lease payments	**8,718**	8,892
(Write-back of provision)/provision for impairment of inventories, net	**(444)**	2,118
Other expenses	**17,184**	13,999
	253,130	218,957
Representing:		
Cost of sales	**199,290**	171,513
Selling and distribution costs	**9,287**	6,660
General and administrative expenses	**44,553**	40,784
	253,130	218,957

5. FINANCE COSTS, NET

	Unaudited For the six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**(575)**	(353)
Interest expense on bank borrowings wholly repayable within one year	**958**	864
	383	511

6. TAX EXPENSE

	Unaudited For the six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**2,461**	1,729
Overseas tax	**131**	16
Deferred taxation	**(43)**	(7)
Tax expense	**2,549**	1,738

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	
	2014	2013
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**8,078**	4,229
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 2013 and 2014 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 2014 (six months ended 30th June 2013: Nil).

9. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2014	Audited 31st December 2013
	HK$'000	*HK$'000*
Trade receivables	**113,436**	119,249
Less: provision for impairment	**(866)**	(1,363)
Trade receivables – net	**112,570**	117,886
Prepayments	**25,224**	27,428
Other receivables, deposits and other assets	**10,438**	2,961
Rental deposits	**4,165**	4,055
	39,827	34,444
	152,397	152,330
Less: non-current portion	**(5,893)**	(5,776)
	146,504	146,554

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 2014	Audited 31st December 2013
	HK$'000	*HK$'000*
Within credit period	**80,636**	92,747
1 to 30 days	**21,480**	15,736
31 to 60 days	**6,878**	4,218
61 to 90 days	**635**	792
91 to 120 days	**277**	1,075
Over 120 days	**3,530**	4,681
	113,436	119,249

10. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2014	Audited 31st December 2013
	HK$'000	*HK$'000*
Trade payables	**30,647**	22,483
Accrued expenses and other payables	**25,744**	37,173
	56,391	59,656

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

	Unaudited 30th June 2014	Audited 31st December 2013
	HK$'000	*HK$'000*
Within 30 days	**24,609**	18,842
31 to 60 days	**2,202**	2,192
61 to 90 days	**2,619**	1,205
Over 90 days	**1,217**	244
	30,647	22,483

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30th June 2014, the Group recorded revenue of approximately HK$266.3 million (2013: HK$223.8 million), representing an increase of 19.0% as compared with the same period in 2013. The profit attributable to equity holders of the Company for the six months ended 30th June 2014 was approximately HK$8.1 million (2013: HK$4.2 million), representing an increase of 92.9% over the same period in 2013 with the overall improvement of gross margin. The basic earnings per share was approximately HK0.061 cent (2013: HK0.032 cent).

Business Review

As from last year's growth, revenue in the trading of pipes and fittings including wholesale and retail continue to record a steady growth.

The Group continued its focus on the trading of pipes and fittings including wholesale, retail and logistics operation, substantially in Hong Kong and Macau. The Group provides a wide variety of pipes and fittings for the market. The Group's core business has benefited from the HKSAR Government's increased capital expenditure on infrastructure projects and public housing projects.

Driven by the construction booms in both private and public sectors, overall result of trading of pipes and fittings was very encouraging in the first half of 2014. During the period under review, the Group was busy delivering pipes and fittings to various sites in order to keep pace with the progress of on-going large projects. We are pleased to see that the infrastructure projects are in full swing and the construction and/or redevelopment of various hospitals are also in progress. We are poised to benefit from these developments.

Operating expenses increased due to the higher sales volume and higher volume of operational activities. Selling and distribution costs grew 39.4% to HK$9.3 million (corresponding period of 2013: HK$6.7 million). The increase was mainly attributable to additional transportation expenses and cost of the salesman. General and administrative expenses were HK$44.6 million (corresponding period of 2013: HK$40.8 million)，an increase of 9.2% over the corresponding period in 2013. The increase was mainly due to an increase of staff costs and related expenses of approximately HK$3.3 million.

PROSPECTS

With the growth momentum in the first half of 2014, we expect a stable growth to continue in the second half of the year. The Group has maintained a healthy financial position which can enhance our competitive advantages. The Group is positive about the prospects of its core business in Hong Kong and Macau as it has firmly established itself as the market leader. We will strive to secure more orders and result achieve better in the future.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30th June 2014, the cash and bank balances of the Group were approximately HK$174.5 million (31st December 2013: HK$176.2 million) including pledged bank deposits amounted to approximately HK$77.7 million (31st December 2013: HK$69.2 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 2014, the Group had aggregate banking facilities of trade finance of approximately HK$198.5 million (31st December 2013: HK$168.5 million), approximately HK$101.6 million (31st December 2013: HK$117.3 million) was utilised. The Group's total borrowings stood at approximately HK$92.5 million (31st December 2013: HK$96.8 million), the entire amount of borrowings for both periods end will mature within one year. The entire amount of borrowings outstanding at 30th June 2014 of HK$92.5 million (31st December 2013: HK$96.8 million) was subject to fixed rates.

The gearing ratio as measured by total debt to total equity was approximately 27% as at 30th June 2014 and approximately 29% as at 31st December 2013.

As at 31st December 2013 and 30th June 2014, the entire amount of the Group's borrowings was denominated in Hong Kong 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 30th June 2014, bank deposits of the Group held by subsidiaries with an aggregate carrying value of approximately HK$77.7 million (31st December 2013: HK$69.2 million) were pledged to banks for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th June 2014 (31st December 2013: Nil).

STAFF AND REMUNERATION POLICY

As at 30th June 2014, the Group employed a total of 162 employees (31st December 2013: 189). Total employee benefit expenses for the period ended 30th June 2014 was approximately HK$31.5 million (2013: HK$28.1 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 2014 (six months ended 30th June 2013: 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 2014 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 2014.

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 2014 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, 22nd August 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.