中國管業集團有限公司
China Pipe Group Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00380)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2014

FINANCIAL HIGHLIGHTS

	2014	2013	Percentage
	HK$'000	*HK$'000*	Change
Revenue	**553,845**	504,143	10%
Profit attributable to equity holders of the Company	**21,729**	16,661	30%
Basic earnings per share	**HK0.163 cent**	HK0.125 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 2014, together with the comparative figures for the corresponding year in 2013, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Revenue	2	**553,845**	504,143
Cost of sales	4	**(416,116)**	(384,718)
Gross profit		**137,729**	119,425
Other (losses)/gains, net	3	**(1,861)**	2,568
Selling and distribution costs	4	**(19,032)**	(14,867)
General and administrative expenses	4	**(90,426)**	(86,002)
Operating profit		**26,410**	21,124
Finance income	5	**1,267**	863
Finance costs	5	**(1,586)**	(1,729)
Finance costs, net	5	**(319)**	(866)
Profit before income tax		**26,091**	20,258
Tax expense	6	**(4,362)**	(3,597)
Profit for the year attributable to equity holders of the Company		**21,729**	16,661
Earnings per share		***HK cent***	*HK cent*
Basic and diluted	7	**0.163**	**0.125**
		HK$'000	*HK$'000*
Dividend	8	**-**	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**21,729**	16,661
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial (loss)/gain on post-employment benefit obligations, net of tax	**(411)**	930
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**(158)**	253
Release of exchange reserve upon disposal of a subsidiary	**(1,651)**	-
Other comprehensive income for the year, net of tax	**(2,220)**	1,183
Total comprehensive income for the year, net of tax, attributable to equity holders of the Company	**19,509**	17,844

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,297**	5,782
Rental deposits and other assets	*9*	**6,833**	5,776
		11,130	11,558
Current assets			
Inventories		**143,474**	157,563
Trade receivables	*9*	**124,206**	117,886
Deposits, prepayments and other receivables	*9*	**36,363**	28,668
Tax recoverable		**28**	40
Pledged bank deposits		**68,699**	69,196
Cash and cash equivalents		**121,677**	107,039
		494,447	480,392
Total assets		**505,577**	491,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2014

	Note	2014 HK$'000	2013 HK$'000
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**324,412**	304,563
Total equity		**351,077**	331,228
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**323**	289
Other non-current liabilities		**3,223**	2,687
		3,546	2,976
Current liabilities			
Trade and other payables	*10*	**73,164**	59,656
Taxation payable		**1,837**	1,329
Borrowings		**75,953**	96,761
		150,954	157,746
Total liabilities		**154,500**	160,722
Total equity and liabilities		**505,577**	491,950
Net current assets		**343,493**	322,646
Total assets less current liabilities		**354,623**	334,204

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. In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

Adoption of amendments to 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.

Amendments to HKFRSs 10, 12 and HKAS 27(2011)	Investment Entities
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

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

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2014 and have not been early adopted by the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture[2]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operation[2]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amorisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

[1] effective for annual periods beginning on or after 1st July 2014

[2] effective for annual periods beginning on or after 1st January 2016

[3] effective for annual periods beginning on or after 1st January 2017

[4] effective for annual periods beginning on or after 1st January 2018

[5] effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January 2016 and therefore is not applicable to the Group

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3rd March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**468,503**	483,866
Mainland China	**-**	708
Macau	**85,342**	19,569
	553,845	504,143

The Group's non-current assets by geographical location are detailed below:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**8,484**	5,905
Mainland China	**2,646**	5,653
	11,130	11,558

3. OTHER (LOSSES)/GAINS, NET

	2014 ***HK$'000***	2013 *HK$'000*
Net exchange (loss)/gains	**(1,201)**	1,743
Net gain/(loss) on disposal of property, plant and equipment	**87**	(216)
Loss on disposal of a subsidiary	**(871)**	-
Others	**124**	1,041
	(1,861)	2,568

4. EXPENSES BY NATURE

Operating profit is arrived at after charging:

	2014 *HK$'000*	2013 *HK$'000*
Cost of inventories sold	**406,494**	372,928
Auditor's remuneration	**1,108**	989
Depreciation of property, plant and equipment	**1,409**	1,936
Employee benefit expenses (including directors' emoluments)	**63,539**	59,396
Operating lease payments	**17,687**	17,727
Provision for impairment of trade and other receivables, net	**43**	128
Provision for impairment of inventories, net	**1,078**	2,144
Other expenses	**34,216**	30,339
	525,574	485,587

Representing:

	2014 *HK$'000*	2013 *HK$'000*
Cost of sales	**416,116**	384,718
Selling and distribution costs	**19,032**	14,867
General and administrative expenses	**90,426**	86,002
	525,574	485,587

5. FINANCE COSTS, NET

	2014 *HK$'000*	2013 *HK$'000*
Bank interest income	**(1,267)**	(863)
Interest expense on bank borrowings wholly repayable within one year	**1,586**	1,729
	319	866

6. TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**3,939**	3,457
Overseas tax	**417**	93
Over-provision in prior years	**(109)**	(14)
Total current tax	**4,247**	3,536
Deferred taxation:		
Origination and reversal of temporary differences	**115**	61
Tax expense	**4,362**	3,597

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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:

	2014	2013
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**21,729**	16,661
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 2013 and 2014 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

Pursuant to an ordinary resolution passed in the special general meeting held on 16th January 2015, every ten shares of the Company's issued and unissued shares with par value of HK$0.002 per share have been consolidated into one share with par value of HK$0.02 with effect from 19th January 2015. The authorised share capital of the Company is HK$500,000,000 comprising 25,000 million shares with a par value of HK$0.02 per share and the number of shares in issue has been reduced from 13,332,700,000 shares to 1,333,270,000 shares.

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December 2014 (2013: Nil).

9. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**125,025**	119,249
Less: provision for impairment	**(819)**	(1,363)
Trade receivables – net	**124,206**	117,886
Prepayments	**29,477**	27,428
Consideration receivable from disposal of a subsidiary	**4,615**	-
Other receivables, deposits and other assets	**4,559**	2,961
Rental deposits	**4,545**	4,055
	167,402	152,330
Less: non-current portion	**(6,833)**	(5,776)
	160,569	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:

	2014	2013
	HK$'000	*HK$'000*
Within credit period	**87,629**	92,747
1 to 30 days	**23,631**	15,736
31 to 60 days	**6,828**	4,218
61 to 90 days	**3,153**	792
91 to 120 days	**256**	1,075
Over 120 days	**3,528**	4,681
	125,025	119,249

10. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**32,572**	22,483
Accrued expenses and other payables	**40,592**	37,173
	73,164	59,656

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**28,768**	18,842
31 to 60 days	**856**	2,192
61 to 90 days	**715**	1,205
Over 90 days	**2,233**	244
	32,572	22,483

BUSINESS REVIEW

Pipes and fittings sales continued with modest growth during the year under review, rising 9.9%. The increase in revenue of the Group was mainly driven by the robust construction industry. The continued increase in major infrastructure and construction projects in Hong Kong and Macau led to a general increase in the demand for construction materials. These stemmed from MTRC Express Rail Link projects in Hong Kong and the casinos expansion and resort hotel projects in Macau. We were also pleased to be the pipes and fittings supplier to the notable customers and a number of prestigious projects including MTRC Shatin Central Link, Galaxy, Venetian and Wynn Resort. In order to maintain sustainable growth, the Group will continue to maintain close and stable relationships with renowned customers and manufacturers.

In order to entrench our market position in building materials, pipes and fittings in Hong Kong and Macau, the Group will leverage our market knowledge, wide customer base and distribution channels of Bun Kee (International) Limited, a subsidiary of the Company. Our three retail shops located in Hong Kong Island, Kowloon and New Territories covering three regional clusters and one retail shop located in Macau, help to bolster our footprint in Hong Kong and Macau. During the year under review, a shop in Hong Kong was relocated with new lease. Although the rental of the shop was increased after the relocation, it continued to contribute significantly to the revenue and profit of the Group. The shops are crucial towards capturing more potential customers in Hong Kong and Macau. With keen competitive pressure and rising costs of rental and staff, we will continue to stay vigilant and work hard towards managing the rising cost.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, the Group achieved steady growth, with our proactive management team and contribution of our staff.

Our flagship company, Bun Kee (International) Limited "Bun Kee", has been operating for over 65 years. It is a long-established and well known brand in the market. It was acknowledged and well received by our customers. Nowadays, we have become a leading supplier of pipes and fittings in Hong Kong and Macau. However, there is no room to be complacent. Lifting our ability to providing high quality pipes and fittings and services continues to be our goal.

For the year ended 31st December 2014, the Group recorded a 29.9% year-on-year rise on profit attributable to shareholders to HK$21.7 million which was achieved on the back of a revenue of HK$553.8 million. The main drivers of revenue increase of 9.9% were largely to contribution from the sales to Macau and the thriving construction projects in Hong Kong.

Selling and distribution costs incurred an increase of approximately 27.5% from HK$14.9 million in 2013 to HK$19.0 million in 2014. Such increase was mainly attributable to the increase in transportation costs for sales to Macau, staff costs and sales commission. Administrative expenses increased about 5.1% to HK$90.4 million in 2014 from HK$86.0 million in 2013 due to rising staff costs.

Other net losses were about HK$1.9 million in 2014 compared to net gains of HK$2.6 million in 2013. It was mainly attributable to the exchange loss with deprecation of Renminbi during the year and the loss on disposal of a subsidiary in the PRC. Finance income and finance costs were increased and decreased respectively due to the increase in cash inflows and the early settlement of the loans. As a result, the net finance costs of the Group were approximately HK$0.32 million in 2014, as compared to approximately HK$0.87 million in 2013.

FUTURE PROSPECTS

Moving forward to 2015, with the gradual increase of construction projects both in Hong Kong and Macau, the Group is optimistic about the business opportunities ahead. With a sound financial base and a strong management team, the Group is well positioned to capture these opportunities. We will continue to maintain our commitment in ensuring high quality products and best services as always to our customers.

Since the Government of Hong Kong SAR has announced the increase in supplying of public housing units, the Group may benefit from this strong demand. The Group is cautiously optimistic of the growth in the coming year. The Group will also accelerate our efforts to identify growth opportunities in the coming year.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31st December 2014, the cash and bank balances of the Group were approximately HK$190.4 million (2013: HK$176.2 million) including pledged bank deposits, which amounted to HK$68.7 million (2013: HK$69.2 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 2014, the Group had aggregate banking facilities of trade finance of approximately HK$179.9 million (2013: HK$168.5 million), approximately HK$83.9 million (2013: HK$117.3 million) was utilised. The Group's total borrowings stood at approximately HK$76.0 million (2013: HK$96.8 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 2014 was approximately HK$76.0 million (2013: HK$96.8 million). 34% (2013: Nil) and 66% (2013: 100%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 22% as at 31st December 2014 (2013: 29%).

As at 31st December 2013 and 2014, 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 and United States 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 31st December 2014, certain bank deposits held by subsidiaries of the Group with an aggregate carrying amounts of approximately HK$68.7 million (2013: HK$69.2 million) were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st December 2013 and 2014.

STAFF AND REMUNERATION POLICY

As at 31st December 2014, the Group employed a total of 160 employees (2013: 189). Total employee benefit expenses for the year ended 31st December 2014 was approximately HK$63.5 million (2013: HK$59.4 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 a final dividend for the year ended 31st December 2014 (2013: Nil).

EVENT AFTER BALANCE SHEET DATE

Pursuant to an ordinary resolution passed in the special general meeting of the Company held on 16th January 2015, every ten shares of the Company's issued and unissued shares with par value of HK$0.002 per share have been consolidated into one share with par value of HK$0.02 with effect from 19th January 2015.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31st December 2014.

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 Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2014 as set out in the preliminary announcement 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 2014.

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 at www.hkexnews.hk. The 2014 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, 23rd March 2015

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.