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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2015

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 2015, together with the comparative figures for the corresponding period in 2014, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2015

		Unaudited	
		For the six months ended 30th June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**298,933**	266,327
Cost of sales	*4*	**(222,952)**	(199,290)
Gross profit		**75,981**	67,037
Other gains/(loss), net	*3*	**182**	(2,187)
Selling and distribution costs	*4*	**(11,322)**	(9,287)
General and administrative expenses	*4*	**(46,918)**	(44,553)
Operating profit		**17,923**	11,010
Finance income	*5*	**721**	575
Finance costs	*5*	**(733)**	(958)
Finance costs, net	*5*	**(12)**	(383)
Profit before income tax		**17,911**	10,627
Tax expense	*6*	**(4,313)**	(2,549)
Profit for the period attributable to equity holders of the Company		**13,598**	8,078
Earnings per share		***HK cent***	*HK cent*
Basic and diluted	*7*	**1.02**	0.61
		HK$'000	*HK$'000*
Dividend	*8*	**-**	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2015

	Unaudited	
	For the six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**13,598**	8,078
Other comprehensive income:		
Item that have been reclassified or may be subsequently reclassified to profit or loss:		
Currency translation differences	**(6)**	(165)
Release of exchange reserve upon disposal of a subsidiary	-	(1,651)
Other comprehensive income for the period, net of tax	**(6)**	(1,816)
Total comprehensive income for the period, net of tax attributable to equity holders of the Company	**13,592**	6,262

There was no tax impact relating to the components of other comprehensive income for the six months ended 30th June 2014 and 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2015

	Note	**Unaudited 30th June 2015** *HK$'000*	Audited 31st December 2014 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**6,041**	4,297
Rental deposits and other assets	*9*	**7,240**	6,833
		13,281	11,130
Current assets			
Inventories		**173,911**	143,474
Trade receivables	*9*	**111,038**	124,206
Prepayments, deposits and other receivables	*9*	**26,531**	36,363
Financial assets at fair value through profit or loss		**772**	-
Tax recoverable		**28**	28
Pledged bank deposits		**73,000**	68,699
Cash and cash equivalents		**125,443**	121,677
		510,723	494,447
Total assets		**524,004**	505,577

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2015

	Note	Unaudited 30th June 2015 *HK$'000*	Audited 31st December 2014 *HK$'000*
EQUITY			
Equity holders			
Share capital		**26,665**	26,665
Reserves		**338,068**	324,412
Total equity		**364,733**	351,077
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**154**	323
Other non-current liabilities		**3,217**	3,223
		3,371	3,546
Current liabilities			
Trade and other payables	*10*	**73,237**	73,164
Taxation payable		**5,479**	1,837
Borrowings		**77,184**	75,953
		155,900	150,954
Total liabilities		**159,271**	154,500
Total equity and liabilities		**524,004**	505,577
Net current assets		**354,823**	343,493
Total assets less current liabilities		**368,104**	354,623

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 2014, 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 2014.

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

The following amendments to standards are mandatory for the Group's financial year beginning 1st January 2015. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The Group has not applied any new standards and amendments to standards that have been issued but are not effective for the current accounting period. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**240,929**	245,603
Macau	**58,004**	20,724
	298,933	266,327

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

	Unaudited	Audited
	30th June	31st December
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**10,739**	8,484
Mainland China	**2,542**	2,646
	13,281	11,130

3. OTHER GAINS/(LOSS), NET

	Unaudited	
	For the six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Net exchange loss	**(274)**	(1,314)
Net gain/(loss) on disposal of property, plant and equipment	**101**	(3)
Loss on financial assets at fair value through profit or loss	**(4)**	-
Loss on disposal of a subsidiary	**-**	(871)
Sundry income	**359**	1
	182	(2,187)

4. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**217,339**	194,978
Auditor's remuneration	**562**	518
Depreciation of property, plant and equipment	**1,033**	720
Employee benefit expenses (including directors' emoluments)	**33,659**	31,456
Operating lease payments	**9,352**	8,718
Provision for impairment of trade and other receivables, net	**19**	-
Provision/(write-back of provision) for impairment of inventories, net	**1,059**	(444)
Other expenses	**18,169**	17,184
	281,192	253,130
Representing:		
Cost of sales	**222,952**	199,290
Selling and distribution costs	**11,322**	9,287
General and administrative expenses	**46,918**	44,553
	281,192	253,130

5. FINANCE COSTS, NET

	Unaudited For the six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**(721)**	(575)
Interest expense on bank borrowings wholly repayable within one year	**733**	958
	12	383

6. TAX EXPENSE

	Unaudited For the six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**4,189**	2,461
Overseas tax	**292**	131
Deferred taxation	**(168)**	(43)
Tax expense	**4,313**	2,549

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	**13,598**	8,078
Number of shares	**Thousand**	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,333,270**	1,333,270

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 ("Share Consolidation"). 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. All issued shares are fully paid.

The weighted average number of ordinary shares and basic earnings per share for the six months ended 30th June 2014 and 2015 have been adjusted to reflect the effect of Share Consolidation.

Diluted earnings per share for the six months ended 30th June 2014 and 2015 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 2015 (six months ended 30th June 2014: Nil).

9. TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	30th June	31st December
	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**111,876**	125,025
Less: provision for impairment	**(838)**	(819)
Trade receivables – net	**111,038**	124,206
Prepayments	**20,922**	29,477
Consideration receivable from disposal of a subsidiary	**2,878**	4,615
Other receivables, deposits and other assets	**5,072**	4,559
Rental deposits	**4,899**	4,545
	33,771	43,196
	144,809	167,402
Less: non-current portion	**(7,240)**	(6,833)
	137,569	160,569

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 2015	Audited 31st December 2014
	HK$'000	*HK$'000*
Within credit period	**83,022**	87,629
1 to 30 days	**19,526**	23,631
31 to 60 days	**4,451**	6,828
61 to 90 days	**681**	3,153
91 to 120 days	**641**	256
Over 120 days	**3,555**	3,528
	111,876	125,025

As at 30th June 2015, trade receivables of HK$838,000 (31st December 2014: HK$819,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which have significant delay in repayment or are in unexpected difficult financial situations. These receivables are past due more than 120 days.

10. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2015	Audited 31st December 2014
	HK$'000	*HK$'000*
Trade payables	**32,524**	32,572
Accrued expenses and other payables	**40,713**	40,592
	73,237	73,164

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

	Unaudited 30th June 2015	Audited 31st December 2014
	HK$'000	*HK$'000*
Within 30 days	**28,213**	28,768
31 to 60 days	**2,152**	856
61 to 90 days	**1,354**	715
Over 90 days	**805**	2,233
	32,524	32,572

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the period ended 30th June 2015, the Group recorded revenue of approximately HK$298.9 million (2014: HK$266.3 million), representing an increase of 12.2% as compared with the same period in 2014. The profit attributable to equity holders of the Company for the six months ended 30th June 2015 was approximately HK$13.6 million (2014: HK$8.1 million), representing an increase of 67.9% over the same period in 2014 as the overall gross margin remained fairly stable. The basic earnings per share was approximately HK1.02 cents (2014: HK0.61 cent). The weighted average number of ordinary shares and basic earnings per share for the six months ended 30th June 2014 and 2015 have been adjusted to reflect the effect of Share Consolidation.

Business Review

The Group is a leading provider to the construction sector offering a wide of pipe related products including copper tube, stainless steel, steel pipe, fittings, services and solutions to the constructors, designers, consultants and government agencies in Hong Kong and Macau.

In the first half of 2015, our performance remained healthy growth. Continued with the momentum of the construction works in Hong Kong and the casinos and integrated resorts in Macau last year, the Group achieved an increase in both revenue and profit for the period compared to the same period last year. We saw our trucks fleet was busy to deliver the pipes and fittings to various sites during the period under review. The Group's revenue rose from HK$266.3 million for the period ended 30th June 2014 to HK$298.9 million. The increase was mainly from the buoyant infrastructure projects, housing projects in the private and public sectors in Hong Kong and the integrated resorts in Macau.

Through wholesale, we also distributed pipes and fittings in different business sectors such as civil services, fire services, air conditioning services, plumbing services and maintaining services. In addition, the retail shops in Hong Kong also delivered modest sales growth during the period after the relocation in last year. The retail shop in Macau has better sales than the corresponding period of last year. These had contributed to our profit for the period.

Being a one-stop company holding a wide range of pipes and fittings gives us competitive edge over our competitors to meet customers' needs. The Group offers a comprehensive inventory of pipes and fittings to suit the requirement of its customers readily and efficiently. Our pipes and fittings are widely used by various notable projects. We strived to provide a high level of customer services, efficient logistic and quality assurance. In order to strengthen our efficiency and services, we have gradually replaced some of our old trucks. By doing so, we can stay ahead of competition and sustain our future growth.

For the period under review, operating expenses increased in line with the higher sales volume and sales activities. Selling and distribution costs went up 21.5% to HK$11.3 million (corresponding period of 2014: HK$9.3 million), largely due to the increase in the transportation expenses, consultancy fees, sales commission and the logistic staff costs of about HK$2.6 million. The increase in expenses was partially offset by the drop in promotion and overseas travelling expenses of approximately HK$0.6 million. General and administrative expenses increased by a marginal 5.2% to HK$46.9 million (corresponding period of 2014: HK$44.6 million). The increase was primarily due to an increase of staff costs, rental expenses and depreciation expenses of approximately HK$3.0 million, which was partly offset by the decrease in entertainment expenses, consumable expenses and sundry expenses of approximately HK$0.7 million. Both finance income and finance costs increased and decreased respectively due to the strong cash inflows and the early settlement of the trade loans. This resulted in the net finance costs which were insignificant (corresponding period of 2014: HK$0.4 million).

PROSPECTS

Trading of pipes and fittings will continue to be our core business as we have strong presence in Hong Kong and Macau. We are pleased that we have a healthy balance sheet of cash holdings which will support us in seeking good growth business opportunities. While we will stay focused on our core business, we continue to proactively seeking out new opportunities in order to yield better returns to our shareholders. The Group remains cautiously optimistic of the market outlook in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30th June 2015, the cash and bank balances of the Group were approximately HK$198.4 million (31st December 2014: HK$190.4 million) including pledged bank deposits amounted to approximately HK$73.0 million (31st December 2014: HK$68.7 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 2015, the Group had aggregate banking facilities of trade finance of approximately HK$205.9 million (31st December 2014: HK$179.9 million), approximately HK$105.4 million (31st December 2014: HK$83.9 million) was utilised. The Group's total borrowings stood at approximately HK$77.2 million (31st December 2014: HK$76.0 million), the entire amount of borrowings for both periods will mature within one year. The entire amount of borrowings outstanding at 30th June 2015 was HK$77.2 million (31st December 2014: HK$76.0 million). 9% (31st December 2014: 34%) and 91% (31st December 2014: 66%) of the borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 21% as at 30th June 2015 and approximately 22% as at 31st December 2014.

As at 31st December 2014 and 30th June 2015, 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 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 30th June 2015, bank deposits of the Group held by subsidiaries with an aggregate carrying value of approximately HK$73.0 million (31st December 2014: HK$68.7 million) were pledged to banks for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th June 2015 (31st December 2014: Nil).

STAFF AND REMUNERATION POLICY

As at 30th June 2015, the Group employed a total of 166 employees (31st December 2014: 160). Total employee benefit expenses for the period ended 30th June 2015 was approximately HK$33.7 million (2014: HK$31.5 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 2015 (six months ended 30th June 2014: 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.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 21st May 2015, a new share option scheme of the Company was approved by the shareholders of the Company (the "New Scheme"). As at 30th June 2015, no share option was granted by the Company under the New Scheme.

As at 30th June 2015, the total number of shares available for issue upon exercise of all options were granted under the share option scheme adopted on 24th June 2004 and expired on 23rd June 2014 ("Old Scheme") in aggregate was 20,300,000 shares (31st December 2014: 20,900,000 shares), representing approximately 1.52% of the total number of shares of the Company in issue as at 30th June 2015 (31st December 2014: 1.57%).

The above information regarding the number of share options was disclosed on the basis of the information after the Share Consolidation became effective.

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 2015 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 2015.

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 2015 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, 24th August 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.