

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 31 DECEMBER 2022**

**FINANCIAL HIGHLIGHTS**

	<b>2022</b>	Restated 2021	Percentage Change
	<b>HK\$'000</b>	HK\$'000	
Revenue from continuing operation	<b>636,535</b>	682,187	(7%)
Profit for the year from continuing operation	<b>49,218</b>	55,967	(12%)
Profit from continuing and discontinued operations attributable to equity holders of the Company	<b>49,218</b>	56,424	(13%)
Basic earnings per share	<b>HK3.69 cents</b>	HK4.23 cents	

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 31 December 2022, together with the comparative figures for the corresponding year in 2021, are as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

		2022	Restated 2021
	Note	HK\$'000	HK\$'000
<b>Continuing operation:</b>			
<b>Revenue</b>	2	<b>636,535</b>	682,187
Cost of sales	4	<b>(461,678)</b>	(486,428)
<b>Gross profit</b>		<b>174,857</b>	195,759
Other gains, net	3	<b>4,064</b>	2,090
Selling and distribution costs	4	<b>(19,710)</b>	(21,558)
General and administrative expenses	4	<b>(101,367)</b>	(108,551)
Provision for impairment of financial assets	4	<b>(61)</b>	(1,238)
<b>Operating profit</b>		<b>57,783</b>	66,502
Finance income	5	<b>6,384</b>	4,632
Finance costs	5	<b>(5,925)</b>	(5,843)
Finance income/(costs), net	5	<b>459</b>	(1,211)
<b>Profit before income tax</b>		<b>58,242</b>	65,291
Tax expense	6	<b>(9,024)</b>	(9,324)
<b>Profit for the year from continuing operation</b>		<b>49,218</b>	55,967
<b>Discontinued operation:</b>			
Profit for the year from discontinued operation	11	-	348
Profit for the year		<b>49,218</b>	56,315
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		<b>49,218</b>	56,424
Non-controlling interests		-	(109)
		<b>49,218</b>	56,315
<b>Earnings per share</b>			
	7	<b>HK cents</b>	Restated HK cents
Basic and diluted			
From continuing operation		<b>3.69</b>	4.20
From discontinued operation		-	0.03
		<b>3.69</b>	4.23

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2022*

	2022 <i>HK\$'000</i>	Restated 2021 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>49,218</b>	<b>56,315</b>
<b>Other comprehensive income:</b>		
<b>Item that will not be reclassified   subsequently to profit or loss:</b>		
Actuarial gain on post-employment benefit obligations, net of tax	173	319
<b>Item that may be subsequently reclassified   to profit or loss:</b>		
Currency translation differences	(824)	296
Release of exchange reserve upon disposal of subsidiaries	-	835
Realisation of exchange reserve upon deregistration of a subsidiary	-	153
Other comprehensive (loss)/income for the year, net of tax	(651)	1,603
<b>Total comprehensive income for the year</b>	<b>48,567</b>	<b>57,918</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Company	48,567	58,006
Non-controlling interests	-	(88)
	<b>48,567</b>	<b>57,918</b>
<b>Total comprehensive income attributable to equity holders of the Company:</b>		
Continuing operation	48,567	56,672
Discontinued operation	-	1,334
	<b>48,567</b>	<b>58,006</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

		31/12/2022	Restated 31/12/2021	Restated 01/01/2021
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		5,093	1,751	3,634
Right-of-use assets		91,998	96,480	114,977
Intangible assets		324	375	426
Loan to a related company	9	78,154	-	77,706
Loan to a director	9	5,000	-	-
Rental deposits and other assets	9	7,369	6,598	6,524
		<b>187,938</b>	105,204	203,267
<b>Current assets</b>				
Loan to a related company	9	-	78,152	-
Inventories		243,703	273,874	192,993
Trade receivables	9	151,481	159,554	127,476
Deposits, prepayments and other receivables	9	64,500	65,057	55,987
Financial assets at fair value through profit or loss		1,513	1,706	1,742
Tax recoverable		750	2	4
Pledged certificate of deposit		-	10,000	10,000
Pledged bank deposits		46,000	36,000	36,000
Cash and bank balances		206,487	172,084	189,088
		<b>714,434</b>	796,429	613,290
<b>Total assets</b>		<b>902,372</b>	901,633	816,557

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 31 December 2022*

		31/12/2022	Restated 31/12/2021	Restated 01/01/2021
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>				
<b>Equity holders</b>				
Share capital		26,645	26,645	26,645
Reserves		645,026	596,459	535,266
<b>Total equity</b>		<b>671,671</b>	<b>623,104</b>	<b>561,911</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Lease liabilities		78,124	85,099	98,979
Deferred tax liabilities		2,117	1,663	1,508
Other non-current liabilities		542	974	1,527
		<b>80,783</b>	<b>87,736</b>	<b>102,014</b>
<b>Current liabilities</b>				
Trade payables, other payables and contract liabilities	<i>10</i>	73,634	108,550	71,011
Taxation payable		26	7,497	3,000
Lease liabilities		22,905	18,727	21,637
Borrowings		53,353	56,019	56,984
		<b>149,918</b>	<b>190,793</b>	<b>152,632</b>
<b>Total liabilities</b>		<b>230,701</b>	<b>278,529</b>	<b>254,646</b>
<b>Total equity and liabilities</b>		<b>902,372</b>	<b>901,633</b>	<b>816,557</b>
<b>Net current assets</b>		<b>564,516</b>	<b>605,636</b>	<b>460,658</b>
<b>Total assets less current liabilities</b>		<b>752,454</b>	<b>710,840</b>	<b>663,925</b>

## 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, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value. 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.

#### a) Adoption of amendments to standards

The Group has applied the following amendments to standards for the first time for the annual reporting period commencing 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37 AG 5 (Revised)	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRS 3	Merger Accounting for Common Control Combinations
Amendments to HKFRS 16	Reference to the Conceptual Framework
Amendments to Annual improvements project	Covid-19-Related Rent Concessions beyond 30 June 2021
	Annual Improvements to HKFRSs 2018-2020

The Group has applied for the first time the above amendments to standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The adoption of amendments to standards do not have a material impact on the Group’s results of operations or financial position.

#### Issued but not yet effective new standards, amendments to standards and interpretation

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2022 and have not been early adopted by the Group. The Group is assessing the impact of these new standards, amendments to standards and interpretations.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 8 HKFRS 17 and Amendments to HKFRS 17	Definition of Accounting Estimates <sup>1</sup> Insurance Contracts <sup>1</sup>
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
HK Int 5 (Revised)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> effective date to be determined

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### b) Change in Accounting Policy

Prior to 1 January 2022, the cost of inventory was determined on the first-in first-out basis. In preparing the consolidated financial statements for the year ended 31 December 2022, the Group has re-considered the appropriateness of its accounting policy on inventory costing in view of the change in market circumstance and industry practice. The directors of the Group consider that changing from first-in first-out method to weighted average method, which is an acceptable inventory costing formula according to HKAS 2 Inventories, would provide more relevant and no less reliable information on the financial performance. In particular, such change could enhance comparability with other industry players and timely reflect the change in overall economic environment, value of inventories and hence inventory cost in the financial performance of the Group.

The change in accounting policy has been accounted for retrospectively and the comparative figures for the corresponding comparative prior periods has been restated. Unaffected items are not included. The relevant effect of this change is shown as below:

*Summary of the effect of restatement on the Group's consolidated financial statements for the year ended 31 December 2021*

#### Consolidated income statement (Extracted)

	As previously stated <i>HK\$'000</i>	Change in accounting policy <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Continuing operation			
Cost of sales	(479,383)	(7,045)	(486,428)
Income tax expense	(10,487)	1,163	(9,324)
Profit for the year	61,849	(5,882)	55,967
Profit attribute to			
- Equity holders of the Company	62,306	(5,882)	56,424
Earnings per share	<i>HK cents</i>	<i>HK cent</i>	<i>HK cents</i>
- From continuing operation	4.64	(0.44)	4.20

#### Consolidated statement of financial position (Extracted)

	As previously stated <i>HK\$'000</i>	Change in accounting policy <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Current assets</b>			
Inventories	280,094	(6,220)	273,874
<b>Current liabilities</b>			
Taxation payable	8,524	(1,027)	7,497
<b>Equity</b>			
Retained earnings	433,909	(5,193)	428,716

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### b) Change in Accounting Policy (Continued)

*Summary of the effect of restatement on the Group's consolidated financial statements for the year ended 1 January 2021*

#### Consolidated statement of financial position (Extracted)

	As previously stated <i>HK\$'000</i>	Change in accounting policy <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Current assets</b>			
Inventories	192,168	825	192,993
<b>Current liabilities</b>			
Taxation payable	2,864	136	3,000
<b>Equity</b>			
Retained earnings	<u>371,603</u>	<u>689</u>	<u>372,292</u>

*Summary of the effect of restatement on the Group's consolidated statement of equity*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
As at 31 December		
As previously stated	433,909	371,603
Effects of change in accounting policy	<u>(5,193)</u>	<u>689</u>
As restated	<u>428,716</u>	<u>372,292</u>

The effect of the change in accounting policy on consolidated statement of financial position as at 31 December 2022 was to increase inventories by HK\$3,528,000 and increase taxation payable by HK\$582,000. The effect of the change in accounting policy on consolidated income statement for the year ended 31 December 2022 was to increase income tax expense by HK\$582,000 and decrease cost of sales by HK\$3,528,000.



## 2. SEGMENT INFORMATION

The Executive Directors of the Company have been identified as the CODM. Management determines the operating segments based on the Group's internal reports, which are then submitted to the CODM for performance assessment and resources allocation.

The Executive Directors assess the performance of the operating segment based on a measure of profit before income tax and regard there to be only one operating segment – trading of construction materials, mainly pipes and fittings. Accordingly, segment disclosures are not presented.

The revenue from contracts with customers recognised during the years ended 31 December 2022 and 2021 are trading of construction materials, mainly pipes and fittings, all of which were recognised at a point in time.

### Geographical information

The Group is domiciled in Hong Kong. The Group's revenues from external customers by geographical location are detailed below:

	Revenue	
	For the year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	565,702	638,690
Macau	63,816	41,143
Mainland China	7,017	2,354
	<b>636,535</b>	<b>682,187</b>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	186,734	103,996
Mainland China	1,204	1,208
	<b>187,938</b>	<b>105,204</b>

## 3. OTHER GAINS, NET

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange gain	978	2,136
Gain on early termination of lease	38	-
Net loss on disposal of property, plant and equipment	(90)	(54)
Loss on financial assets at fair value through profit or loss	(193)	(53)
Dividend income from financial assets at fair value through profit or loss	65	61
Hong Kong Government grants (Note)	3,266	-
	<b>4,064</b>	<b>2,090</b>

Note:

During the year, the Group has received HK\$3,266,000 from Employment Support Scheme under the Anti-epidemic Fund of Hong Kong Special Administration Region Government to set off against wages, salaries and welfare (2021: Nil).

#### 4. EXPENSES BY NATURE

Operating profit is arrived at after charging:

	2022 <i>HK\$'000</i>	Restated 2021 <i>HK\$'000</i>
Cost of inventories sold	449,904	468,523
Amortisation of intangible assets	51	51
Auditor's remuneration		
- Audit services	1,313	1,173
- Non-audit services	192	177
Depreciation of property, plant and equipment	1,667	2,679
Depreciation of right-of-use assets	23,798	23,896
Employee benefit expenses	65,671	73,050
Short-term and low-value lease expenses	1,477	2,287
Provision for impairment of financial assets	61	1,238
Provision for and write-off of inventories, net	3,173	6,685
Other expenses	35,509	38,016
	<u>582,816</u>	<u>617,775</u>
Representing:		
Cost of sales	461,678	486,428
Selling and distribution costs	19,710	21,558
General and administrative expenses	101,367	108,551
Provision for impairment of financial assets	61	1,238
	<u>582,816</u>	<u>617,775</u>

**5. FINANCE (INCOME)/COSTS, NET**

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	<b>(2,041)</b>	(339)
Other interest income	<b>(4,343)</b>	(4,293)
Interest expense on bank borrowings	<b>1,882</b>	1,345
Interest expense on lease liabilities	<b>4,043</b>	4,498
	<u><b>(459)</b></u>	<u>1,211</u>

**6. TAX EXPENSE**

	<b>2022</b>	Restated 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	<b>8,578</b>	9,047
Overseas tax	<b>75</b>	536
Over provision in prior years	<b>(49)</b>	(351)
Total current tax	<u><b>8,604</b></u>	<u>9,232</u>
Deferred taxation:		
Origination and reversal of temporary differences	<u><b>420</b></u>	<u>92</u>
Tax expense	<u><b>9,024</b></u>	<u>9,324</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 for the year attributable to equity holders and weighted average number of ordinary shares with adjustments where applicable as follows:

	2022	Restated 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company from continuing operation	49,218	55,967
Profit attributable to equity holders of the Company from discontinued operation	-	457
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	<u>49,218</u>	<u>56,424</u>
<b>Number of shares</b>	<i>Thousands</i>	<i>Thousands</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,332,266</u>	<u>1,332,266</u>

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2022 and 2021.

## 8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## 9. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	152,744	160,756
Less: loss allowance	<u>(1,263)</u>	<u>(1,202)</u>
	<u>151,481</u>	<u>159,554</u>
Prepayments	57,430	57,998
Loan to a related party	-	2,000
Loan to a director	5,000	-
Rental deposits	6,170	6,617
Other receivables, deposits and other assets	8,299	6,191
Less: loss allowance	<u>(30)</u>	<u>(1,151)</u>
	<u>76,869</u>	<u>71,655</u>
Loan to a related company	78,278	78,276
Less: loss allowance	<u>(124)</u>	<u>(124)</u>
	<u>78,154</u>	<u>78,152</u>
Total of trade and other receivables, deposits and prepayments	<b>306,504</b>	309,361
Less: included in non-current assets		
Rental deposits and other assets	(7,369)	(6,598)
Loan to a director	(5,000)	-
Loan to a related company	<u>(78,154)</u>	<u>-</u>
Included in current assets	<b><u>215,981</u></b>	<b><u>302,763</u></b>

The Group generally grants credit period of 60-90 days to its customers for its trading of pipes and fittings operation. The ageing analysis of the trade receivables based on the invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	45,076	55,436
31 to 60 days	41,297	52,278
61 to 90 days	32,333	27,119
91 to 120 days	13,574	15,198
Over 120 days	<u>20,464</u>	<u>10,725</u>
	<b><u>152,744</u></b>	<b><u>160,756</u></b>

The closing loss allowance for all trade receivables reconcile to the opening loss allowance are as follows:

	<b><i>HK\$'000</i></b>
Loss allowance as at 31 December 2021	(1,202)
Loss allowance for trade receivables	(61)
Loss allowance as at 31 December 2022	<u>(1,263)</u>

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

There was loss allowance of HK\$1,263,000 for trade receivables as at 31 December 2022 (2021: HK\$1,202,000).

#### **10. TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES**

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>32,056</b>	56,604
Contract liabilities	<b>20,728</b>	27,026
Accrued expenses and other payables	<b>20,850</b>	24,920
	<u><b>73,634</b></u>	<u>108,550</u>

The ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>22,775</b>	51,350
31 to 60 days	<b>5,266</b>	3,085
61 to 90 days	<b>3,569</b>	1,679
Over 90 days	<b>446</b>	490
	<u><b>32,056</b></u>	<u>56,604</u>

## 11. DISCONTINUED OPERATION

Biomass pellet fuel products are contributed by a subsidiary of the Group, 貴州中冠新能源有限公司 (Guizhou Zhongguan New Energy Limited\*), which manufactures and sells biomass pellet fuel products in the PRC. The Group discontinued biomass pellet fuel products segment in 2020 and the disposal was completed in March 2021. The results of this segment were presented as discontinued operation for the year ended 31 December 2021.

In March 2021, the Group completed the disposal of the entire equity interest in Guizhou Zhongguan Industry Development Limited\* (貴州中冠產業發展有限公司), which engaged biomass pellet fuel products business through its 66.7% equity interests owned subsidiary namely of Guizhou Zhongguan New Energy Limited\* (貴州中冠新能源有限公司). For the year ended 31 December 2021, the financial results of the discontinued operation for the period up to the completion of the disposal has been consolidated.

The results and cash flows of the discontinued operation included in the consolidated income statement and the consolidated statement of cash flows are as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Revenue	-	-
Cost of sales	-	-
Gross loss	-	-
Other gains, net	-	-
Selling and distribution costs	-	(18)
General and administrative expenses	-	(326)
Provision for impairment of financial assets	-	-
Provision for impairment of property, plant and equipment	-	-
Operating loss	-	(344)
Finance income, net	-	-
Loss before income tax	-	(344)
Tax credit	-	-
Loss after income tax from discontinued operation	-	(344)
Gain on disposal of subsidiaries	-	692
Profit for the period from discontinued operation	-	348
Attributable to:		
Equity holders of the Company	-	457
Non-controlling interests	-	(109)
	-	348

*\*For identification purpose only*

## 11. DISCONTINUED OPERATION (CONTINUED)

Analysis of the cash flows of discontinued operation is as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Operating activities cash flows	-	(16)
Investing activities cash flows	-	-
Financing activities cash flows	-	-
	<hr/>	<hr/>
	-	(16)
	<hr/>	<hr/>

## 12. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for the cost of inventory of which are set out in note 1(b).



## **BUSINESS REVIEW**

We encountered the last three years of COVID-19 pandemic challenges and operated in an unprecedented business environment. Despite the challenges and uncertainties brought by COVID-19, we were fortunate that the impact of COVID-19 on our business was relatively lower. We could maintain a healthy financial position. With our solid track record, we continued to develop our core business of trading of pipe and fitting.

In the first half of 2022, the Hong Kong Government had to build more community isolation facilities such as Penny's Bay and Kai Tak Community Isolation Facilities in a very short time in response to the most severe COVID-19 fifth wave in the first quarter of 2022. We benefited from the ad hoc strong demand for pipes and fittings for building such isolation facilities. We did well in the first half of the year.

In the second half of 2022, the demand for pipes and fittings returned to a normal level, with the slowing of the pandemic and the completion of the isolation facilities. During the year under review, the Group recorded revenue amounted to approximately HK\$636.5 million (2021: HK\$682.2 million), representing a decrease of 6.7% over last year. The profit attributable to equity holders of the Company was HK\$49.2 million, as compared to a net profit attributable to equity holders of the Company of approximately HK\$56.4 million (restated) for the same period in 2021, representing a decrease of 12.8%. As mentioned in the annual report last year, the significant increase in revenue for 2021 was because we expedited the clearance of backlogs caused by the outbreak of COVID-19 pandemic in 2020. For the year under review, the decrease in revenue was mainly attributable to the retail shop in Tsuen Wan ceasing operation in November 2021 as the lease expired and the reduction in contribution from a large project of the third runway of Hong Kong International Airport which we completed the delivery in 2021.

The growing wider use of Modular Integrated Construction ("MiC") and Multi-trade Integrated MEP ("MiMEP") is the new trend of technology adopted in building construction. During the year, we enhanced our role in sourcing and supplying our products to meet our customers' needs in adopting of MiC and MiMEP.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is a leading provider to the construction sector offering a wide range of pipe (including copper tube, ductile iron and steel pipes) related products, fittings, comprehensive services and solutions to the contractors, designers, consultants and government agencies in Hong Kong and Macau.

The Group's core business lies with our flagship subsidiary, Bun Kee (International) Limited, a well-established company with a long history. Starting from a small retail shop, we grew up to a company listed in Hong Kong. We have become one-stop supplier of a comprehensive range of pipes and fittings. The Group has built a good reputation for the pipes and fittings business in Hong Kong and Macau. We have established stable major customer and supplier bases over the years.

Despite the volatility of the COVID-19 pandemic continued in 2022, we still focus on the supplying of pipes and fittings. We managed to procure some large projects' orders to supply

pipes and fittings during the year under review including the new acute hospital at Kai Tak Development area and Hong Kong International Airport third runway concourse and apron works.

As building costs rise, by using the new technologies that enhance design capabilities and productivity, MiC and MiMEP are attractive to the developers. The Group is also actively exploring the opportunities in capturing more orders from MiC and MiMEP. We will work close with our suppliers in order to achieve a win-win situation.

The Group's revenue decreased by 6.7% to HK\$636.5 million for the year ended 31 December 2022 (2021: HK\$682.2 million). The profit attributable to equity shareholders of the Company was HK\$49.2 million for the year ended 31 December 2022 (2021: restated HK\$56.4 million), representing a decrease of 12.8%. The decrease in revenue was due to the reduction of one retail shop and the completion of delivery for a large project last year.

For the year under review, other gains, net were about HK\$4.1 million (2021: HK\$2.1 million), representing an increase of HK\$2.0 million over last year. The increase was mainly attributable to the receiving of the subsidies granted from the Hong Kong Government under the Anti-epidemic Fund during the year under review.

The Group's selling and distribution costs decreased by 8.8% year-on-year from HK\$21.6 million in 2021 to HK\$19.7 million in 2022. The decrease was primarily attributable to the decrease in consultancy fees, direct logistic staff costs and goods handling charges which were partly offset by the increase in transportation costs, overseas travelling expenses and motor vehicles running expenses. The Group's general and administrative expenses amounted to approximately HK\$101.4 million in 2022 (2021: HK\$108.6 million), representing a decrease of about 6.6% year-on-year. The decrease was mainly due to the decrease in staff costs, depreciation, testing fees and short-term and low-value lease expenses which were partly offset by the increase in professional fees, rates and building management fees, insurance and consumable expenses.

Finance costs mainly consisted of the interest expenses on bank borrowings and lease liabilities. During the year, the finance costs were HK\$5.9 million (2021: HK\$5.8 million), representing an increase by about 1.7% over last year. Such increase was mainly attributable to the increase in interest rates on bank borrowings. Finance income which was mainly from a loan to a related party and bank deposits' interest income, increased by 39.1% from HK\$4.6 million in 2021 to HK\$6.4 million in 2022 due to the increase in bank deposits interest rates. As finance income outpaced costs, we recorded net finance income of HK\$0.5 million (2021: a net finance costs of HK\$1.2 million).

## **FUTURE PROSPECTS**

Looking ahead, we believe that the COVID-19 measures will be phased out. Hong Kong is moving forward to normalcy. Since the start of 2023, Hong Kong has eased most of its COVID-19 restrictions and re-opened its border with mainland China. The relaxation of border restrictions with China helped us to increase the business activities with our suppliers in China. The economy of Hong Kong will gradually regain its vitality in future. In addition, we can resume our visits to suppliers, product inspections and work closely with them to promote value-added services to meet our customers' needs.

In the coming years, the Hong Kong Government will continue to address the shortage of public housing issues. The Hong Kong Government is committed to building 30,000 "Light Public Housing" in the next five years. This will stimulate the growth of the construction industry and in turn, drive up the demand for construction materials as well as our products. In addition, the Hong Kong Government is keen on developing the Northern Metropolis with a view to increasing the land supply as well as innovation and technology development. We expect that there will be a large number of infrastructure projects to be built in the northern part of the new territories. We will benefit from such initiatives and the rising demand for public housing development. Against this backdrop, the Group remains cautiously optimistic about the outlook of the construction industry in Hong Kong.

## **LIQUIDITY AND CAPITAL RESOURCES ANALYSIS**

As at 31 December 2022, the cash and bank balances of the Group were approximately HK\$252.5 million (2021: HK\$208.1 million) including pledged bank deposits of approximately HK\$46.0 million (2021: HK\$36.0 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 31 December 2022, the Group had aggregate banking facilities for trade finance of approximately HK\$262.3 million (2021: HK\$262.3 million), approximately HK\$54.5 million (2021: HK\$61.8 million) was utilised. The Group's total borrowings stood at approximately HK\$53.4 million (2021: HK\$56.0 million), the entire amount of borrowings for both years end will mature within one year. 46% (2021: 18%) and 54% (2021: 82%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 7.9% as at 31 December 2022 (2021: restated 9.0%).

As at 31 December 2022 and 2021, 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, Macau Pataca, 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 31 December 2022, certain bank deposits held by subsidiaries of the Group with aggregate carrying amounts of approximately HK\$46.0 million (2021: bank deposits of HK\$36.0 million and certificate of deposit of HK\$10.0 million) were pledged to banks for banking facilities.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 December 2022 and 2021.

## **CAPITAL COMMITMENTS**

As at 31 December 2022, the Group had capital commitments of HK\$0.53 million (2021: HK\$0.56 million) in respect of Enterprise Resources Planning system contracted for but not provided for in consolidated financial statements.

## **STAFF AND REMUNERATION POLICY**

As at 31 December 2022, the Group employed a total of 155 employees (2021: 148). Total employee benefit expenses for the year ended 31 December 2022 was approximately HK\$65.7 million (2021: HK\$73.1 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 to the employees in Hong Kong. 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 adopted a share option scheme for the purpose of providing incentives and rewards to motivate the eligible directors and employees of the Group in recognition of their contributions to the Group.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31 December 2022.

## **AUDIT COMMITTEE**

The audit committee of the Company consists of four independent non-executive directors, namely Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen, Mr. Guan Zhiqiang and Mr. Wang Chaolong.

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 31 December 2022 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 31 December 2022.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the website of the Company at [www.chinapipegroup.com](http://www.chinapipegroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2022 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 in due course.

## **APPRECIATION**

We thank our shareholders, customers, suppliers and banks for their continuous support and confidence in the Group. I would also like to thank our directors, management team and employees for their commendable efforts and valuable contribution to the Group over the years.

By Order of the Board  
**China Pipe Group Limited**  
**Lai Fulin**  
*Chairman*

Hong Kong, 28 March 2023

*As at the date of this announcement, the Board consists of Mr. Lai Fulin and Mr. Yu Ben Ansheng as executive directors; Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen, Mr. Guan Zhiqiang and Mr. Wang Chaolong as independent non-executive directors.*