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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 2021**

FINANCIAL HIGHLIGHTS

	2021	2020	Percentage
	HK\$'000	HK\$'000	Change
Revenue from continuing operation	682,187	497,295	37%
Profit for the year from continuing operation	61,849	30,712	101%
Profit from continuing and discontinued operations attributable to equity holders of the Company	62,306	20,152	209%
Basic earnings per share	HK4.67 cents	HK1.51 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 2021, together with the comparative figures for the corresponding year in 2020, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		2021	2020
	Note	HK\$'000	HK\$'000
Continuing operation:			
Revenue	2	682,187	497,295
Cost of sales	4	<u>(479,383)</u>	<u>(356,804)</u>
Gross profit		202,804	140,491
Other gains, net	3	2,090	9,512
Selling and distribution costs	4	(21,558)	(16,562)
General and administrative expenses	4	(108,551)	(100,952)
Provision for impairment of financial assets	4	<u>(1,238)</u>	<u>(409)</u>
Operating profit		<u>73,547</u>	<u>32,080</u>
Finance income	5	4,632	8,276
Finance costs	5	<u>(5,843)</u>	<u>(6,871)</u>
Finance (costs)/income, net	5	<u>(1,211)</u>	<u>1,405</u>
Profit before income tax		72,336	33,485
Tax expense	6	<u>(10,487)</u>	<u>(2,773)</u>
Profit for the year from continuing operation		61,849	30,712
Discontinued operation:			
Profit/(loss) for the year from discontinued operation	11	<u>348</u>	<u>(15,808)</u>
Profit for the year		<u>62,197</u>	<u>14,904</u>
Profit/(loss) attributable to:			
Equity holders of the Company		62,306	20,152
Non-controlling interests		<u>(109)</u>	<u>(5,248)</u>
		<u>62,197</u>	<u>14,904</u>
Earnings/(loss) per share			
	7	HK cents	HK cents
Basic and diluted			
From continuing operation		4.64	2.30
From discontinued operation		<u>0.03</u>	<u>(0.79)</u>
		<u>4.67</u>	<u>1.51</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Profit for the year	62,197	14,904
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain on post-employment benefit obligations, net of tax	319	184
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	296	184
Release of exchange reserve upon disposal of subsidiaries	835	-
Realisation of exchange reserve upon deregistration of a subsidiary	153	-
Other comprehensive income for the year, net of tax	1,603	368
Total comprehensive income for the year	63,800	15,272
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	63,888	20,674
Non-controlling interests	(88)	(5,402)
	63,800	15,272
Total comprehensive income/(loss) attributable to equity holders of the Company:		
Continuing operation	62,554	31,542
Discontinued operation	1,334	(10,868)
	63,888	20,674

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,751	3,634
Right-of-use assets		96,480	114,977
Intangible assets		375	426
Loan to a related company	9	-	77,706
Rental deposits and other assets	9	6,598	6,524
		105,204	203,267
		105,204	203,267
Current assets			
Loan to a related company	9	78,152	-
Inventories		280,094	192,168
Trade receivables	9	159,554	127,476
Deposits, prepayments and other receivables	9	65,057	55,987
Financial assets at fair value through profit or loss		1,706	1,742
Tax recoverable		2	4
Pledged certificate of deposit		10,000	10,000
Pledged bank deposits		36,000	36,000
Cash and bank balances		172,084	189,088
		802,649	612,465
		802,649	612,465
Total assets		907,853	815,732

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY			
Equity holders			
Share capital		26,645	26,645
Reserves		601,652	537,764
		<u>628,297</u>	<u>564,409</u>
Non-controlling interests		-	(3,187)
Total equity		<u>628,297</u>	<u>561,222</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		85,099	98,979
Deferred tax liabilities		1,663	1,508
Other non-current liabilities		974	1,527
		<u>87,736</u>	<u>102,014</u>
Current liabilities			
Trade payables, other payables and contract liabilities	<i>10</i>	108,550	71,011
Taxation payable		8,524	2,864
Lease liabilities		18,727	21,637
Borrowings		56,019	56,984
		<u>191,820</u>	<u>152,496</u>
Total liabilities		<u>279,556</u>	<u>254,510</u>
Total equity and liabilities		<u>907,853</u>	<u>815,732</u>
Net current assets		<u>610,829</u>	<u>459,969</u>
Total assets less current liabilities		<u>716,033</u>	<u>663,236</u>

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.

Adoption of amendments to standards

The Group has applied the following amendments to standards for the first time for the annual reporting period commencing on or after 1 January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

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 standards, amendments to standards and interpretation

The Group has not early adopted any other new standards, amendments to standards and interpretation that have been issued but are not yet effective. The Group is assessing the impact of these 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 2021 and have not been early adopted by the Group.

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use ¹
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ¹
AG 5 (Revised)	Merger Accounting for Common Control Combinations ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Annual improvements project	Annual Improvements to HKFRS Standards 2018-2020 ¹
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKFRS 8	Definition of Accounting Estimates ²
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts ²
HK Int 5 (2020)	Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹effective for annual periods beginning on or after 1 January 2022

² effective for annual periods beginning on or after 1 January 2023

³ effective date to be determined

2. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”) that are used to make strategic decisions. The CODM has been identified as the executive directors of the Company. The CODM assesses the performance of the operating segments based on a measure of the results of the segments. Finance income and costs, and corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

During the year ended 31 December 2020, the Group has two reportable segments, which are trading of pipes and fittings (“Trading of pipes and fittings”) and manufacture and sale of biomass pellet fuel products (“Biomass Pellet fuel products”). The following summary describes the operations in each of the Group’s reportable segments.

Trading of pipes and fittings includes wholesale, retail and logistics operations substantially in Hong Kong and Macau.

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.

During the year ended 31 December 2021, the Group has only one operating segment.

**For identification purpose only*

The segment information for the year ended 31 December 2020 is as follows:

	For the year ended 31 December 2020				
	Reportable segments				
	Continuing operation	Discontinued operation	Total reportable segments	Unallocated	Total
	Trading of pipes and fittings <i>HK\$'000</i>	Biomass pellet fuel products <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	497,295	277	497,572	-	497,572
Results of reportable segments	52,021	(16,115)	35,906	-	35,906
Reconciliation of results of reportable segments to profit for the year					
Results of reportable segments					
Unallocated income					300
Unallocated expenses					(20,241)
Operating profit					15,965
Finance income					8,276
Finance costs					(6,871)
Profit before income tax					17,370
Tax expense					(2,466)
Profit for the year					14,904
Other segment information:					
Depreciation of property, plant and equipment	3,551	1,088	4,639	35	4,674
Amortisation of intangible assets	51	-	51	-	51
Net gain on disposal of property, plant and equipment	-	(15)	(15)	-	(15)
Provision for impairment of property, plant and equipment	-	9,744	9,744	-	9,744
Reversal of provision for inventories, net	(1,334)	-	(1,334)	-	(1,334)
Provision for impairment of financial assets	409	3,124	3,533	-	3,533
Depreciation of right-of-use assets	25,430	-	25,430	-	25,430

The segment assets and liabilities as at 31 December 2020 is as follows:

	Reportable segments			Total <i>HK\$'000</i>
	Trading of pipes and fittings <i>HK\$'000</i>	Biomass pellet fuel products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	
As at 31 December 2020				
Non-current assets	125,526	-	77,741	203,267
Current assets	582,765	642	29,058	612,465
Total Assets	<u>708,291</u>	<u>642</u>	<u>106,799</u>	<u>815,732</u>
Non-current liabilities	(102,014)	-	-	(102,014)
Current liabilities	(144,186)	(5,132)	(3,178)	(152,496)
Total Liabilities	<u>(246,200)</u>	<u>(5,132)</u>	<u>(3,178)</u>	<u>(254,510)</u>

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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	638,690	460,081
Macau	41,143	37,214
Mainland China	2,354	-
Continuing operation	<u>682,187</u>	497,295
Discontinued operation	-	277
	<u>682,187</u>	<u>497,572</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	103,996	202,052
Mainland China	1,208	1,215
	<u>105,204</u>	<u>203,267</u>

3. OTHER GAINS, NET

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange gain	2,136	935
Net loss on disposal of property, plant and equipment	(54)	-
(Loss)/gain on financial assets at fair value through profit or loss	(53)	7
Dividend income from financial assets at fair value through profit or loss	61	70
Hong Kong and Macau Government grants	-	8,500
	2,090	9,512

4. EXPENSES BY NATURE

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	461,478	348,878
Amortisation of intangible assets	51	51
Auditor's remuneration		
- Audit services	1,173	1,023
- Non-audit services	177	170
Depreciation of property, plant and equipment	2,679	3,586
Depreciation of right-of-use assets	23,896	25,430
Employee benefit expenses	73,050	64,636
Short-term and low-value lease expenses	2,287	762
Provision for impairment of financial assets	1,238	409
Provision for/(reversal of) and write-off of inventories, net	6,685	(1,334)
Other expenses	38,016	31,116
	610,730	474,727
Representing:		
Cost of sales	479,383	356,804
Selling and distribution costs	21,558	16,562
General and administrative expenses	108,551	100,952
Provision for impairment of financial assets	1,238	409
	610,730	474,727

5. FINANCE COSTS/(INCOME), NET

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank and other interest income	(4,632)	(8,276)
Interest expense on bank borrowings	1,345	1,522
Interest expense on lease liabilities	4,498	5,349
	<u>1,211</u>	<u>(1,405)</u>

6. TAX EXPENSE

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	10,210	2,979
Overseas tax	536	149
Over provision in prior years	(351)	(316)
Total current tax	<u>10,395</u>	<u>2,812</u>
Deferred taxation:		
Origination and reversal of /(provision for) temporary differences	92	(39)
Tax expense	<u>10,487</u>	<u>2,773</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the profit/(loss) for the year attributable to equity holders and weighted average number of ordinary shares with adjustments where applicable as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company from continuing operation	61,849	30,712
Profit/(loss) attributable to equity holders of the Company from discontinued operation	457	(10,560)
Profit attributable to equity holders of the Company for the purpose of basic earnings per share	62,306	20,152
Number of shares	Thousands	Thousands
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,332,266	1,333,111

There were no diluted earnings per share for the year ended 31 December 2021 and 2020 as there was no potential dilutive effect.

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

9. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	160,756	127,586
Less: loss allowance	(1,202)	(110)
	<u>159,554</u>	<u>127,476</u>
Prepayments	57,998	50,576
Loan to a related party	2,000	-
Rental deposits	6,617	6,242
Other receivables, deposits and other assets	6,191	6,988
Less: loss allowance	(1,151)	(1,295)
	<u>71,655</u>	<u>62,511</u>
Loan to a related company	78,276	77,830
Less: loss allowance	(124)	(124)
	<u>78,152</u>	<u>77,706</u>
Total of trade and other receivables, deposits and prepayments	309,361	267,693
Less: included in non-current assets		
Rental deposits and other assets	(6,598)	(6,524)
Loan to a related company	-	(77,706)
Included in current assets	302,763	183,463

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 due date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within credit period	104,189	83,145
1 to 30 days	33,300	27,323
31 to 60 days	15,715	11,345
61 to 90 days	3,982	3,253
91 to 120 days	1,461	417
Over 120 days	2,109	2,103
	<u>160,756</u>	<u>127,586</u>

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

	<i>HK\$'000</i>
Loss allowance as at 31 December 2020	(110)
Loss allowance for trade receivables	(1,092)
Loss allowance as at 31 December 2021	<u>(1,202)</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\$1,202,000 for trade receivables as at 31 December 2021 (2020: HK\$110,000).

10. TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	56,604	37,237
Contract liabilities	27,026	12,589
Accrued expenses and other payables	24,920	21,185
	<u>108,550</u>	<u>71,011</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	51,350	29,186
31 to 60 days	3,085	4,183
61 to 90 days	1,679	2,058
Over 90 days	490	1,810
	<u>56,604</u>	<u>37,237</u>

11. DISCONTINUED OPERATION

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:

	2021	2020
	HK\$'000	HK\$'000
Revenue	-	277
Cost of sales	-	(2,143)
Gross loss	-	(1,866)
Other gains, net	-	15
Selling and distribution costs	(18)	(73)
General and administrative expenses	(326)	(1,323)
Provision for impairment of financial assets	-	(3,124)
Provision for impairment of property, plant and equipment	-	(9,744)
Operating loss	(344)	(16,115)
Finance income, net	-	-
Loss before income tax	(344)	(16,115)
Tax credit	-	307
Loss after income tax from discontinued operation	(344)	(15,808)
Gain on disposal of subsidiaries	692	-
Profit/(loss) for the period/year from discontinued operation	348	(15,808)
Attributable to:		
Equity holders of the Company	457	(10,560)
Non-controlling interests	(109)	(5,248)
	348	(15,808)

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

	2021	2020
	HK\$'000	HK\$'000
Operating activities cash flows	(16)	94
Investing activities cash flows	-	(202)
Financing activities cash flows	-	84
	(16)	(24)

*For identification purpose only

12. SUBSEQUENT EVENTS

After another wave of outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2022, a series of precautionary and control measures have been and continued to be implemented across the region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

BUSINESS REVIEW

It has been two years since the outbreak of COVID-19 pandemic. The operating environment is still difficult as the new COVID-19 variants spread. Despite the challenges and uncertainties brought by COVID-19, we were fortunate that the impact of COVID-19 on our business was relatively lower. In general, the spread of COVID-19 in Hong Kong was contained in 2021. We saw a gradual recovery in economic activities during the year under review. Our business operation gradually normalised during this period.

Despite the difficult business environment, the Group's revenue increased from HK\$497.3 million in 2020 to HK\$682.2 million in 2021. The Group recorded a net profit attributable to equity holders of the Company HK\$62.3 million, a substantial increase of 208.4% over HK\$20.2 million in the same period of 2020. During the year under review, the Group remained on track to focus on the core business of trading of pipe and fitting.

For the year under review, the Group continued to grow both revenue and profit attributable to equity holders of the Company despite the challenges of COVID-19. The Group continued to reap the benefits from the projects secured in last year such as the third runway of Hong Kong International Airport and Tuen Mun Area 54 public housing project. Driven by the Hong Kong Government's commitment to supply more public housing, the demand for our pipes and fittings recorded an uplift in its revenue by 37.2% in 2021. In addition, there was a gradual recovery in the construction sector of Hong Kong in 2021. The contractors had to expedite the progress of the projects which were delayed. As a result, this led to the increase in supplying of pipes and fittings to our customers to accelerate the progress of ongoing projects which were delayed last year.

It was heartening to see strong performance in 2021, maintaining healthy growth in both revenue and results. These encouraging results would not be achieved without the contribution from our management and staff. Nonetheless, we will continue to operate in a very competitive and challenging environment such as the ongoing COVID-19 pandemic, the higher operating costs and raw material prices. These will put strong pressure on our profit margin in the coming year.

The Group maintained adequate financial liquidity. In the face of uncertainties and competitive environment, it is prudent for us to maintain sufficient liquidity to meet working capital and cashflow requirements.

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.

The year 2021 has marked another challenging year. The threat of COVID-19 variants brought a profound impact on the economic environment in Hong Kong. While the Group is fortunate to grow in revenue and profit for the year under review, we continue to face the difficult business environment brought by the COVID-19 pandemic.

Though we faced operational challenges due to the surge in raw material prices and the occasional supply chain disruptions caused by the pandemic, we managed to push ahead to supply our products to our customers.

The Group's revenue from continuing operation increased by 37.2% to HK\$682.2 million for the year ended 31 December 2021 (2020: HK\$497.3 million). The profit attributable to equity shareholders from continuing and discontinued operations was HK\$62.3 million for the year ended 31 December 2021 (2020: HK\$20.2 million), representing an increase of 208.4%. The increase in revenue was underpinned by the backlogs from pre-pandemic projects.

For the year under review, other gains, net from continuing operation were about HK\$2.1 million (2020: HK\$9.5 million), representing a decrease of HK\$7.4 million. The decrease was mainly due to the lack of subsidies granted from the Hong Kong Government under the Anti-epidemic Fund and the Macau Government in 2021.

The Group's selling and distribution costs from continuing operation increased by 30.1% year-on-year from HK\$16.6 million in 2020 to HK\$21.6 million in 2021. The increase was mainly attributable to the increase in consultancy fees, sales commission, promotion expenses, transportation costs and motor vehicles running expenses in tandem with the increase in sales. The Group's general and administrative expenses from continuing operation amounted to approximately HK\$108.6 million in 2021 (2020: HK\$101.0 million), representing an increase of about 7.5% year-on-year. The increase was mainly due to the increase in staff costs and short-term and low-value lease expenses.

Finance costs from continuing operation mainly consisted of the interest expenses on bank borrowings and lease liabilities. During the year, the finance costs were HK\$5.8 million (2020: HK\$6.9 million), representing a decrease by about 15.9% over last year. Such decrease was mainly attributable to the decrease in interest on lease liabilities and early settlement of trust receipt loans and lower interest rates. Finance income which was mainly from a loan to a related party, decreased by 44.6% from HK\$8.3 million in 2020 to HK\$4.6 million in 2021 as the downward adjustment of the interest rate of the related party from August 2020. As finance costs outpaced income, we recorded net finance costs of HK\$1.2 million (2020: net finance income of HK\$1.4 million).

FUTURE PROSPECTS

Looking forward, the new COVID-19 variant will impact the overall economy and we expect the year ahead to remain challenging. While the Group remains cautiously optimistic for the coming year of 2022, we will continue to take a prudent approach which is important to weather the uncertain times ahead. We will stay vigilant and continue to pay close attention to the impact of COVID-19. We will take the necessary measures to protect the health and safety of our staff to minimise impact to our business operations.

The Group remains focused in improving our customer service. The Group is committed to invest more resources to streamline its operation by leveraging on digitisation and technologies to enhance our competitiveness and efficiency. We are hopeful that the new ERP system will be completed this year to increase our staff's efficiency and serve our customers better. Though we encounter the present difficult operating environment, we are optimistic about the prospects of pipes and fittings business in Hong Kong and Macau as the public and private construction sectors will continue to be supported by the infrastructure and housing demand in the region.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2021, the cash and bank balances of the Group were approximately HK\$208.1 million (2020: HK\$225.1 million) including pledged bank deposits of approximately HK\$36.0 million (2020: 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 2021, the Group had aggregate banking facilities for trade finance of approximately HK\$262.3 million (2020: HK\$267.3 million), approximately HK\$61.8 million (2020: HK\$61.0 million) was utilised. The Group's total borrowings stood at approximately HK\$56.0 million (2020: HK\$57.0 million), the entire amount of borrowings for both years end will mature within one year.

The entire amount of borrowings outstanding as at 31 December 2021 was approximately HK\$56.0 million (2020: HK\$57.0 million). 18% (2020: 37%) and 82% (2020: 63%) of borrowings were subject to floating and fixed rates respectively.

The gearing ratio as measured by total bank borrowings to total equity was approximately 8.9% as at 31 December 2021 (2020: 10.2%).

As at 31 December 2020 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 2021, certain bank deposits and certificate of deposit held by subsidiaries of the Group with aggregate carrying amounts of approximately HK\$36.0 million (2020: HK\$36.0 million) and HK\$10.0 million (2020: HK\$10.0 million) respectively were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2020 and 2021.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments of HK\$0.56 million (2020: HK\$1.8 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 2021, the Group employed a total of 148 employees (2020: 168). Total employee benefit expenses for the year ended 31 December 2021 was approximately HK\$73.1 million (2020: HK\$64.6 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 2021 (2020: 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 2021.

AUDIT COMMITTEE

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

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 2021 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 2021.

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 2021 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. With our concerted efforts, we can deliver both revenue and profit growth.

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

Hong Kong, 25 March 2022

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 and Mr. Guan Zhiqiang as independent non-executive directors.