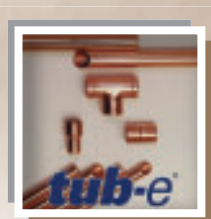




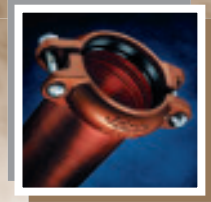
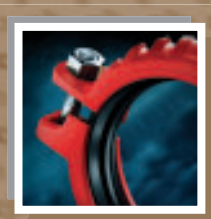
中國管業集團有限公司 CHINA PIPE GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock code: 380



INTERIM REPORT

2008



CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th June 2008

The board of directors (the “Board”/“Directors”) of China Pipe Group Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2008 together with comparative figures for the corresponding period in 2007 as follows:

		Unaudited	
		For the six months ended	
		30th June	
	<i>Note</i>	2008	2007
		HK\$'000	HK\$'000
Revenue	4	424,100	274,792
Cost of sales	6	(333,755)	(201,216)
		<hr/>	<hr/>
Gross profit		90,345	73,576
Other income		–	20
Other gains/(losses), net	5	10,874	(1,002)
Selling and distribution costs	6	(9,401)	(8,066)
Administrative expenses	6	(47,986)	(36,164)
		<hr/>	<hr/>
Operating profit		43,832	28,364
Finance costs, net		(5,947)	(588)
		<hr/>	<hr/>
Profit before income tax		37,885	27,776
Income tax expense	7	(12,304)	(5,268)
		<hr/>	<hr/>
Profit for the period		25,581	22,508
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		25,581	22,508
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic	9	0.20 cents	0.19 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted	9	N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>
Dividends	8	2,507	4,837
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th June 2008

		Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	10	12,325	12,400
Investment properties	10	353,996	243,363
Rental deposits and other assets	11	3,252	3,257
Deferred income tax assets		178	–
		<hr/>	<hr/>
		369,751	259,020
		-----	-----
Current assets			
Inventories		251,271	271,984
Trade and other receivables	11	290,359	221,552
Financial assets at fair value through profit or loss		28,763	22,938
Amount due from a related company	14	–	8,586
Tax recoverable		585	140
Cash and cash equivalents		89,775	33,272
		<hr/>	<hr/>
		660,753	558,472
		-----	-----
Total assets		1,030,504	817,492
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th June 2008

		Unaudited	Audited
		30th June	31st December
		2008	2007
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		25,065	25,065
Reserves		447,309	412,518
Proposed dividend		2,507	10,026
		<hr/>	<hr/>
Total equity		474,881	447,609
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES			
Non-current liabilities			
Borrowings	13	162,275	70,000
Deferred income tax liabilities		12,797	5,780
		<hr/>	<hr/>
		175,072	75,780
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and other payables	12	158,163	88,275
Taxation payable		3,885	1,449
Borrowings	13	218,503	204,379
		<hr/>	<hr/>
		380,551	294,103
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		1,030,504	817,492
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Net current assets		280,202	264,369
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total assets less current liabilities		649,953	523,389
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Share capital	Share premium	Capital reserve	Merger reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2007	24,185	29,345	34,115	3,700	–	248,519	339,864
Exchange differences arising on translation of financial statements of subsidiaries	–	–	–	–	237	–	237
Profit for the period	–	–	–	–	–	22,508	22,508
Total recognised income and expense for the period ended 30th June 2007	–	–	–	–	237	22,508	22,745
2006 final dividend	–	–	–	–	–	(9,674)	(9,674)
At 30th June 2007	<u>24,185</u>	<u>29,345</u>	<u>34,115</u>	<u>3,700</u>	<u>237</u>	<u>261,353</u>	<u>352,935</u>
At 1st January 2008	25,065	79,418	34,115	3,700	4,199	301,112	447,609
Exchange differences arising on translation of financial statements of subsidiaries	–	–	–	–	11,717	–	11,717
Profit for the period	–	–	–	–	–	25,581	25,581
Total recognised income and expense for the period ended 30th June 2008	–	–	–	–	11,717	25,581	37,298
2007 final dividend	–	–	–	–	–	(10,026)	(10,026)
At 30th June 2008	<u>25,065</u>	<u>79,418</u>	<u>34,115</u>	<u>3,700</u>	<u>15,916</u>	<u>316,667</u>	<u>474,881</u>

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30th June 2008

	Unaudited	
	For the six months ended	
	30th June	
	2008	2007
	HK\$'000	HK\$'000
Net cash flows generated from operating activities	56,331	27,309
Net cash flows used in investing activities	(94,537)	(16,176)
Net cash flows generated from/(used in) financing activities	93,003	(57,752)
Net increase/(decrease) in cash and cash equivalents	54,797	(46,619)
Cash and cash equivalents at beginning of period	33,263	101,219
Exchange differences on cash and cash equivalents	1,715	75
Cash and cash equivalents at end of period	89,775	54,675
Analysis of cash and cash equivalents		
Bank balances and cash	89,775	54,950
Bank overdrafts	–	(275)
	89,775	54,675

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Pipe Group Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in trading of construction materials, mainly pipes and fittings.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 23rd September 2008.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2008 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s Audit Committee. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2008 but are not currently relevant for the Group.

HK(IFRIC) – Int 11, “HKFRS 2 – Group and treasury share transactions”

HK(IFRIC) – Int 12, “Service concession arrangements”

HK(IFRIC) – Int 14, “HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction”

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards or interpretations have been issued but are not effective for the financial year beginning 1st January 2008 and have not been early adopted:

HKAS 1 (Revised), “Presentation of financial statements”, effective for annual periods beginning on or after 1st January 2009. The Group will apply HKAS 1 (Revised) from 1st January 2009.

HKAS 23 (Revised), “Borrowing costs”, effective for annual periods beginning on or after 1st January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs, if any.

HKAS 27 (Revised), “Consolidated and Separate Financial Statements”, effective for annual periods beginning on or after 1st July 2009. The Group will apply HKAS 27 (Revised) for 1st January 2010.

HKAS 32 (Amendment), “Financial instruments: presentation”, and consequential amendments to HKAS 1, “Presentation of financial statements”, effective for annual periods beginning on or after 1st January 2009. Management is assessing the impact of changes of HKAS 32 (Amendment) on the Group’s operations.

HKFRS 2 (Amendment) “Share-based payment”, effective for annual periods beginning on or after 1st January 2009. This amendment is not relevant to the Group as the Group does not have any share-based payment.

HKFRS 3 (Revised), “Business combinations” and consequential amendments to HKAS 27, “Consolidated and separate financial statements”, HKAS 28, “Investments in associates” and HKAS 31, “Interests in joint ventures”, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting and consolidation on the Group. The Group does not have any associated companies and joint ventures.

HKFRS 8, “Operating segments”, effective for annual periods beginning on or after 1st January 2009. HKFRS 8 replaces HKAS 14, “Segment reporting”, and requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Management believes that this standard should not have a significant impact to the number of reportable segments, as well as the manner in which the segments are reported as the reportable segment is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HK(IFRIC) – Int 13, “Customer loyalty programmes”, effective for annual periods beginning on or after 1st July 2008. HK(IFRIC) – Int 13 is not relevant to the Group’s operation as none of the Group’s companies operate any loyalty programmes.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

- (i) Trading of a range of pipes and fittings on a wholesale and retail basis; and
- (ii) Investment in properties for rental income

The segment results for the period ended 30th June 2008 are as follows:

	Unaudited				Group HK\$'000
	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Total segment revenue	418,436	581	5,083	–	424,100
Segment results	42,838	24,959	135	(24,100)	43,832
Finance costs, net					(5,947)
Profit before income tax					37,885
Income tax expense (Note 7)					(12,304)
Profit for the period					<u>25,581</u>

The segment results for the period ended 30th June 2007 are as follows:

	Unaudited				Group HK\$'000
	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Total segment revenue	273,882	910	–	–	274,792
Segment results	34,977	157	–	(6,770)	28,364
Finance costs, net					(588)
Profit before income tax					27,776
Income tax expense (Note 7)					(5,268)
Profit for the period					<u>22,508</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

Other segment items included in the income statement are as follows:

	Unaudited					
	Period ended 30th June 2008			Period ended 30th June 2007		
	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Group HK\$'000	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Group HK\$'000
Depreciation of property, plant and equipment (Note 10)	1,690	37	1,727	1,204	37	1,241
Impairment of trade and other receivables (Note 6)	296	-	296	-	-	-
(Write-back of)/provision for slow-moving inventories (Note 6)	(1,103)	-	(1,103)	763	-	763

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise deferred income tax assets, tax recoverable, financial assets at fair value through profit or loss, amount due from a related company and cash and cash equivalents and other receivables of corporate office.

Segment liabilities comprise operating liabilities and borrowings. They exclude items such as taxation payable, deferred income tax liabilities and other payables of corporate office.

Capital expenditure comprises mainly additions to property, plant and equipment, and investment properties as set out in Note 10.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

The segment assets and liabilities at 30th June 2008 and capital expenditure for the period are as follows:

	Unaudited					
	Business segment					
	Trading of pipes and fittings		Investment properties	Others	Unallocated	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets	633,972	359,515	6,997	30,020	1,030,504	
Liabilities	(426,265)	(111,790)	–	(17,568)	(555,623)	
Capital expenditure (Note 10)	1,134	71,080	–	–	72,214	

Segment assets and liabilities are reconciled to Group's assets and liabilities as follows:

	Unaudited	
	Assets HK\$'000	Liabilities HK\$'000
Segment assets/liabilities	1,000,484	(538,055)
Unallocated:		
Deferred income tax	178	(12,797)
Current income tax	585	(3,885)
Cash and cash equivalents	433	–
Other receivables	61	–
Other payables	–	(886)
Financial assets at fair value through profit or loss	28,763	–
Total	1,030,504	(555,623)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31st December 2007 and capital expenditure for the year are as follows:

	Audited				
	Business segment				
	Trading of pipes and Investment fittings in properties		Others Unallocated		Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	524,209	248,554	10,079	34,650	817,492
Liabilities	(246,436)	(113,780)	(370)	(9,297)	(369,883)
Capital expenditure	6,187	203,523	683	–	210,393

Segment assets and liabilities are reconciled to Group's assets and liabilities as follows:

	Audited	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Segment assets/liabilities	782,842	(360,586)
Unallocated:		
Deferred income tax	–	(5,780)
Current income tax	140	(1,449)
Cash and cash equivalents	1,347	–
Other receivables	10,225	–
Other payables	–	(2,068)
Financial assets at fair value through profit or loss	22,938	–
Total	817,492	(369,883)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments

The Group primarily operates in Hong Kong and the People's Republic of China ("the PRC"). The Group's turnover by geographical location is determined by the country in which the customer is located.

	Unaudited	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue:		
Hong Kong	371,075	266,023
PRC	49,588	6,409
Others	3,437	2,360
	<hr/>	<hr/>
Total	424,100	274,792
	<hr/> <hr/>	<hr/> <hr/>

Total assets are allocated based on where the assets are located.

	Unaudited At 30th June 2008 <i>HK\$'000</i>	Audited At 31st December 2007 <i>HK\$'000</i>
Total assets:		
Hong Kong	633,958	579,631
PRC	391,218	235,220
Others	5,328	2,641
	<hr/>	<hr/>
Total	1,030,504	817,492
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments (Continued)

Capital expenditure is allocated based on where the assets are located.

	Unaudited	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure:		
Hong Kong	71,867	17,347
PRC	347	3,552
Others	–	112
	<hr/>	<hr/>
Total	72,214	21,011
	<hr/> <hr/>	<hr/> <hr/>

5 OTHER GAINS/(LOSSES), NET

	Unaudited	
	For the six months ended	
	30th June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net fair value gains on investment properties	26,687	–
Net fair value losses on financial assets		
at fair value through profit or loss	(16,727)	(993)
Net exchange gains/(losses)	474	(9)
Gain on disposal of property, plant and equipment	440	–
	<hr/>	<hr/>
	10,874	(1,002)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

6 EXPENSES BY NATURE

	Unaudited	
	For the six months ended	
	30th June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories	331,386	197,539
Auditors' remuneration	315	1,187
Employee benefit expenses (including directors' emoluments)	32,394	23,925
Depreciation of property, plant and equipment	1,727	1,241
(Write-back of)/provision for slow-moving inventories	(1,103)	763
Impairment of trade and other receivables	296	–
Operating lease on land and buildings	7,845	7,132
Other expenses	18,282	13,659
	<u>391,142</u>	<u>245,446</u>
Representing:		
Cost of sales	333,755	201,216
Selling and distribution costs	9,401	8,066
Administrative expenses	47,986	36,164
	<u>391,142</u>	<u>245,446</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

7 INCOME TAX EXPENSE

	Unaudited	
	For the six months ended	
	30th June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	5,373	5,105
– Overseas income tax	88	163
– Under-provision in prior years	4	–
Deferred income tax	6,839	–
	<u>12,304</u>	<u>5,268</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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.

Pursuant to the Corporate Income Tax Law of the People's Republic of China approved by the National People's Congress on 16th March 2007, the new enterprise income tax rates for domestic enterprises and foreign invested enterprises are unified at 25% with effect from 1st January 2008.

8 DIVIDENDS

	Unaudited	
	For the six months ended	
	30th June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK0.02 cents (2007: HK0.04 cents) per ordinary share	<u>2,507</u>	<u>4,837</u>

A 2007 final dividend of HK0.08 cents (2006 final: HK0.08 cents) per ordinary share, totalling HK\$10,026,000 was paid in June 2008 (2006 final: HK\$9,674,000).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

8 DIVIDENDS (Continued)

The Board has resolved to declare an interim dividend of HK0.02 cents per share, amounting to approximately HK\$2,507,000 (2007: approximately HK\$4,837,000). This interim dividend has not been recognised as a dividend payable in this interim financial information. It will be recognised in shareholders' equity for the year ending 31st December 2008.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$25,581,000 (2007: HK\$ 22,508,000) and the weighted average of 12,532,700,000 shares (2007: 12,092,700,000 shares) in issue during the period.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in half year ended 30th June 2007 and 2008.

10 CAPITAL EXPENDITURE

	Unaudited	
	Property, plant and equipment <i>HK\$ '000</i>	Investment properties <i>HK\$ '000</i>
Net book amount at 1st January 2007	4,111	16,800
Additions	5,365	15,646
Depreciation	(1,241)	–
	<hr/>	<hr/>
Net book amount at 30th June 2007	8,235	32,446
	<hr/> <hr/>	<hr/> <hr/>
Net book amount at 1st January 2008	12,400	243,363
Translation differences	518	12,866
Additions	1,134	71,080
Depreciation	(1,727)	–
Net fair value gains	–	26,687
	<hr/>	<hr/>
Net book amount at 30th June 2008	12,325	353,996
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

10 CAPITAL EXPENDITURE (Continued)

The net fair value gains of the investment properties for the six months ended 30th June 2008, as determined by the Directors of the Company by reference to recent market transactions in similar properties, amounted to approximately HK\$26,687,000 (2007: Nil). The investment properties have not been valued by an external independent valuer as at 30th June 2008.

The fair values of the Group's investment properties at 31st December 2007 have been arrived at on the basis of valuations carried out on that date by DTZ Debenham Tie Leung Limited and Lawson David & Sung Surveyors Limited, independent professional valuers, for properties located in Hong Kong and the PRC respectively. Valuations were based on current prices in an active market for all properties.

During the period, the Group acquired an investment property located in Hong Kong at a consideration of approximately HK\$71,080,000.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
Trade receivables	169,672	193,067
Less: provision for impairment of receivables	(1,395)	(2,432)
	<hr/>	<hr/>
Trade receivables, net	168,277	190,635
Prepayments	909	2,230
Other receivables	120,929	28,534
Rental deposits and other assets	3,496	3,410
	<hr/>	<hr/>
	293,611	224,809
Less: non-current portion	(3,252)	(3,257)
	<hr/>	<hr/>
	290,359	221,552
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

11 TRADE AND OTHER RECEIVABLES (Continued)

The Group normally grants credit terms of 90 to 120 days. The ageing analysis of trade receivables, based on the due date, is as follows:

	Unaudited 30th June 2008 <i>HK\$'000</i>	Audited 31st December 2007 <i>HK\$'000</i>
Within credit period	106,442	110,563
0 – 30 days	27,075	41,829
31 – 60 days	12,153	17,988
61 – 90 days	9,565	10,272
91 – 120 days	1,985	4,620
Over 120 days	12,452	7,795
	<hr/> 169,672 <hr/> <hr/>	<hr/> 193,067 <hr/> <hr/>

12 TRADE AND OTHER PAYABLES

	Unaudited 30th June 2008 <i>HK\$'000</i>	Audited 31st December 2007 <i>HK\$'000</i>
Trade payables	33,118	37,960
Accrued expenses and other payables	125,045	50,315
	<hr/> 158,163 <hr/> <hr/>	<hr/> 88,275 <hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

12 TRADE AND OTHER PAYABLES (Continued)

Details of the ageing analysis of trade payables is as follows:

	Unaudited 30th June 2008 <i>HK\$'000</i>	Audited 31st December 2007 <i>HK\$'000</i>
Current – 30 days	20,247	21,600
31 – 60 days	5,425	9,998
61 – 90 days	3,479	5,792
Over 90 days	3,967	570
	<hr/>	<hr/>
	33,118	37,960
	<hr/> <hr/>	<hr/> <hr/>

13 BORROWINGS

	Unaudited 30th June 2008 <i>HK\$'000</i>	Audited 31st December 2007 <i>HK\$'000</i>
Non-current		
Long-term bank loans	162,275	70,000
	-----	-----
Current		
Short-term bank loans	64,402	74,091
Trust receipt loans	154,101	130,279
Bank overdrafts	–	9
	<hr/>	<hr/>
	218,503	204,379
	-----	-----
	380,778	274,379
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

13 BORROWINGS (Continued)

Movements in borrowings, excluding bank overdrafts, is analysed as follows:

	<i>HK\$'000</i>
Six months ended 30th June 2008	
Opening amount at 1st January 2008	274,370
Translation differences	3,379
New borrowings	362,304
Repayment of borrowings	(259,275)
	<hr/>
Closing amount at 30th June 2008	380,778
	<hr/> <hr/>
Six months ended 30th June 2007	
Opening amount at 1st January 2007	126,256
New borrowings	62,518
Repayment of borrowings	(110,321)
	<hr/>
Closing amount at 30th June 2007	78,453
	<hr/> <hr/>

Interest expense on borrowings for the six months ended 30th June 2008 is HK\$6,042,000 (30th June 2007: HK\$1,397,000).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

14 RELATED PARTY TRANSACTIONS

The Group is controlled by Maxable International Enterprises Limited, a company incorporated in the British Virgin Islands, which owns approximately 71.82% of the Company's shares. The remaining interests are widely held. The ultimate controlling party of the Group is Ms. Wing Man Yi.

During the period, the Group had the following significant transactions, which were carried out in the normal course of the Group's business:

(a) Expenses

	Unaudited	
	30th June	30th June
	2008	2007
	HK\$'000	HK\$'000
Rental expenses paid to related companies (<i>Note</i>)	5,982	5,832

Note:

The related companies are beneficially owned and controlled by certain former Directors of the Company. Rental expenses were paid to these companies for leasing office premises, retail outlets and warehouses of the Group.

- (b) As at 30th June 2008, the Company held equity interests in a related company, which is incorporated and listed on Hong Kong Stock Exchange, amounting to HK\$12,280,100 (2007: HK\$22,938,000) (including in financial assets at fair value through profit or loss). The related company is controlled by certain common Directors of the Company. On 16th July 2008, the related company acquired 29.52% equity interest of the Company from Maxable International Enterprises Limited and became a substantial shareholder of the Company.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

14 RELATED PARTY TRANSACTIONS (Continued)

(c) Year end balances

	Unaudited	Audited
	30th June	31st December
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a related company (<i>Note</i>)	—	8,586

Note:

The related company is controlled by certain common Directors of the Company. The balance was unsecured, interest-free and repayable on demand. The carrying value of the balance approximated its fair value at 31st December 2007. The balance had been fully settled in February 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the period ended 30th June 2008, the Group recorded a net profit of approximately HK\$25,581,000 (2007: HK\$22,508,000), representing an increase of 13.65% over the first six months of 2007. The revenue increased by 54.33% to approximately HK\$424,100,000 (2007: HK\$274,792,000). The basic earnings per share increased by 5.26% to HK0.20 cents as compared to HK0.19 cents for the same period of 2007.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK0.02 cents (2007: HK0.04 cents) per ordinary share. The interim dividend will be payable on 7th November 2008 to shareholders whose names appear on the Register of Members of the Company on 30th October 2008.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 28th October 2008 to Thursday, 30th October 2008 (both days inclusive). During which period, no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 27th October 2008.

FINANCIAL REVIEW

During the six months ended 30th June 2008, the Group's sales increased to HK\$424,100,000 from HK\$274,792,000 for the same period of 2007. The increase of sales in the first half of 2008 was primarily attributable to the continuously increasing of the metal price. The gross profit of the Group for the first six months of 2008 was HK\$90,345,000, with a gross margin of 21.30%, compared to gross profit for the same period of 2007 of HK\$73,576,000 with a gross margin of 26.78%. The decrease in gross margin was mainly resulted from the fierce price competition.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

During the period under review, selling and distribution cost had increased when compared with the same period of 2007, which is in line with the increase in turnover and gross profit. The administrative expenses for the first six months of 2008 increased to HK\$47,986,000 (2007: HK\$36,164,000). For the period ended 30th June 2008, the Group had recorded a fair value gains on the investment properties amounted to HK\$26,687,000. Furthermore, the Group had also recorded a net fair value losses on the trading securities amounted to HK\$16,727,000. Profit attributable to shareholders of the Company increased by 13.65% to HK\$25,581,000 (2007: HK\$22,508,000), which resulted in a basic earnings per share of HK0.20 cents (2007: HK0.19 cents).

BUSINESS REVIEW

PIPE TRADING BUSINESS

During the first half of 2008, the Group has supplied pipes, fittings and/or other related accessories to several large projects namely, KCRC MOS Railway – Tai Wai Station Complex Development (Phase One); Redevelopment of Lo Wu Correctional Institution; Leighton Road Hotel Development; Refurbishment of Ocean Park; i-Square; Crocodile Building Redevelopment; Tai Koo Shing City Plaza 2; Extension of St. Paul Hospital; Customs Headquarters; Refurbishment and Alteration of The Atrium; Commercial Development at Wang Kwong Road; Shanghai International Finance Centre; Shangri-La Hotel in Wenzhou and The Ritz-Carlton in Sanya.

As at 30th June 2008, contracts on hand amounted to approximately HK\$167,000,000 for the Group. The major projects which the Group will supply pipes, fittings and/or other related accessories include, Venetian Parcel 5 (Shangri-La Hotel and Traders Hotel) in Macau; Venetian Parcel 6 (Sheraton Hotel and St. Regis Hotel) in Macau; Residential Development at Tin Shui Wai Lot no. 24 Area 33; The Latitude; LOHAS Park Phase 2; Residential Development at the junction of Hoi Wang Road and Hoi Ting Road (Lot KIL11167); Design and Construction of Tamar Development Project, Hong Kong (SS P318); Residential Development at 152-160 Kwok Shui Road; Aria; Innovation Tower at The Hong Kong Polytechnic University; Redevelopment at First Street and Second Street in Sai Ying Pun (URA H20); Residential Development at Lai Sing Court, 13-15 Tai Hang Road; Lake W; Wynn Diamond Suites at Wynn Macau Phase 3; China Aircraft Services Limited Hangar Workshop Complex; Residential Development at Choi Wan Road Site 3B Phase 1; Residential Development at Fu Kin Street; Extension of The Open University of Hong Kong Phase II Campus; 21st Century Tower in Shanghai; Jumeirah Han Tang Xintiandi in Shanghai and Conrad Shanghai.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

INVESTMENT IN PROPERTIES

In the first half of 2008, the Group had acquired a property in mid-level central, Hong Kong. Further to the acquisition of properties in Shanghai in 2007, the Group considered this acquisition offer an opportunity for the Group to further diversify into the property business.

OUTLOOK

Looking ahead, the Group continues to face keen competition from our competitors. We will persist in our constant efforts to upgrade our products and services, develop new markets, deepen our contacts and consolidate closer ties with our customers.

In the later part of 2008, the investment properties will start to generate rental incomes. These rental incomes will increase the income stream of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2008, the cash and bank balances of the Group was HK\$89,775,000 (31st December 2007: HK\$33,272,000). Basically the Group's working capital requirement has been financed by its internal resources. The Group believes that funds generated from internal operations, its existing reserve and the available banking facilities will enable the Group to meet its future cash requirements.

The Group had aggregate banking facilities of approximately HK\$476,300,000 as at 30th June 2008 (31st December 2007: HK\$384,191,000) for term loans and other trade finance facilities, approximately HK\$441,212,000 (31st December 2007: HK\$320,067,000) of which were utilised as at 30th June 2008. The banking facilities are secured by corporate guarantees from the Company and investment properties held by subsidiaries with carrying values of HK\$353,996,000.

The Group's borrowings are denominated in Hong Kong dollars and Renminbi. Banking facilities were granted to the Group which bears interest at prevailing market rates.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars, Euro dollars and Australian dollars. Currency forward contracts were arranged for the transactions denominated in currencies other than Hong Kong dollars and United States dollars to mitigate the foreign currency risk.

As at 30th June 2008, the gearing ratio (total debts/total assets of the Group) was 0.37 (31st December 2007: 0.34).

BANKING FACILITIES WITH ASSETS PLEDGED

Investment properties with carrying values of HK\$353,996,000 as at 30th June 2008 held by subsidiaries of the Group are pledged to banks to obtain banking facilities.

STAFF AND EMPLOYMENT

Including the Directors of the Group, as at 30th June 2008, the Group employed a total of 245 (31st December 2007: 234) full-time employees. Total employee benefit expenses was approximately HK\$32,394,000 (2007: HK\$23,925,000). Remuneration is reviewed annually and certain staff members are entitled to commission. In addition to the basic salaries and contributions to the mandatory provident fund, the Group also pays discretionary bonus and provides staff benefits including medical scheme.

OTHER INFORMATION

DIRECTOR'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30th June 2008, the interests of the Directors and chief executives in the shares of the Company and its associated corporations disclosed pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Ordinary shares of HK\$0.002 each in the Company

Name	Nature of interests	Number of shares	Approximate percentage of shareholding
Ms. Wing Man Yi	Corporate interests (Note)	9,001,500,000 (L)	71.82%

(L) denotes the long position held in the shares

Note:

These shares are held by Maxable International Enterprises Limited, which is wholly and beneficially owned by Ms. Wing Man Yi.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30th June 2008.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations (other than directors or chief executives of the Company) as having an interest of 5% or more of the issued share capital of the Company:

Long position in share and underlying share of the Company

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Maxable International Enterprises Limited	The Company	Beneficial owner <i>(Note 1)</i>	9,001,500,000 <i>(L)</i> <i>(Note 3)</i>	71.82%
Tong Wan Ki, Michael	The Company	Interests of spouse <i>(Note 2)</i>	9,001,500,000 <i>(L)</i> <i>(Note 3)</i>	71.82%
Interchina Holdings Company Limited <i>(Note 3)</i>	The Company	Beneficial owner	3,700,000,000 <i>(L)</i>	29.52%

(L) denotes the long position held in the shares

Notes:

- These shares are held by Maxable International Enterprises Limited, which is wholly and beneficially owned by Ms. Wing Man Yi, an Executive Director and the Chairman of the Company.
- These shares are held by Maxable International Enterprises Limited, which is wholly and beneficially owned by Ms. Wing Man Yi, an Executive Director and the Chairman of the Company. Ms. Wing Man Yi is deemed to be interested in such shares under the SFO. Mr. Tong Wan Ki Michael is the spouse of Ms. Wing Man Yi and accordingly is also deemed to be interested in such shares under the SFO.
- Pursuant to the sale and purchase agreement dated 18th December 2007 entered into between Interchina Holdings Company Limited and Maxable International Enterprises Limited, Interchina Holdings Company Limited has agreed to acquire 3,700,000,000 shares from Maxable International Enterprises Limited. The sale and purchase was completed on 16th July 2008. However, as at 30th June 2008, Interchina Holdings Limited is deemed to be interested in such shares pursuant to the SFO.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS (Continued)

Other than disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at 30th June 2008.

As at 30th June 2008, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

CORPORATE GOVERNANCE

Throughout the period ended 30th June 2008, the Company had adopted the code provisions set out in the Code of Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own corporate governance practices except with the deviations from the code provision A.2.1 set out in the Corporate Governance Code in respect of separate role of Chairman and chief executive officer.

The roles of the Chairman and chief executive officer are not separated and are performed by the same individual, Ms. Wing Man Yi. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between Board and the management of the Company and believes that this structure will enable us to make and implement decisions promptly and efficiently.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated financial information and interim report for the six months ended 30th June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2008.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June 2008, neither the Company nor its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

By order of the Board
China Pipe Group Limited
Wing Man Yi
Chairman

Hong Kong, 23rd September 2008

As at the date of this interim report, the Board consists of Ms. Wing Man Yi, Mr. Chan Wing Yuen, Hubert, Mr. Lam Cheung Shing, Richard and Mr. Zhu Yongjun (all being executive Directors), Mr. Zhang Yang (being a non-executive Directors), and Mr. Lui Tin Nang, Mr. Ko Ming Tung, Edward and Mr. Ho Yiu Yue Louis (all being independent non-executive Directors).