



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
2009

The board of directors (the “Board”/“Directors”) of China Pipe Group Limited (the “Company”) hereby presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June 2009. These condensed consolidated interim financial information have not been audited, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th June 2009

		Unaudited	
		For the six months ended	
		30th June	
	<i>Note</i>	2009	2008
		HK\$'000	<i>HK\$'000</i>
Revenue	4	206,693	424,100
Cost of sales	6	(169,752)	(333,755)
Gross profit		36,941	90,345
Other gains/(losses), net	5	30,693	10,874
Selling and distribution costs	6	(5,413)	(9,401)
Administrative expenses	6	(38,147)	(47,986)
Operating profit		24,074	43,832
Finance income		44	95
Finance costs		(5,703)	(6,042)
Profit before income tax		18,415	37,885
Income tax expense	7	(5,174)	(12,304)
Profit for the period		13,241	25,581
Attributable to:			
Equity holders of the Company		13,241	25,581
Earnings per share			
Basic	8	0.11 cents	0.20 cents
Diluted	8	N/A	N/A
Dividends	9	–	2,507

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2009

	Unaudited	
	For the six months ended	
	30th June	
	2009	2008
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	13,241	25,581
Other comprehensive income		
Currency translation differences	986	11,717
Total comprehensive income for the period	<u>14,227</u>	<u>37,298</u>
Total comprehensive income attributable to:		
– equity holders of the Company	<u>14,227</u>	<u>37,298</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30th June 2009

		Unaudited	Audited
		30th June	31st December
		2009	2008
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	10,421	11,791
Investment properties	10	321,640	295,498
Rental deposits and other assets	11	972	972
		333,033	308,261
Current assets			
Inventories		180,367	260,337
Trade and other receivables	11	150,356	189,374
Financial assets at fair value through profit or loss		-	22,493
Tax recoverable		792	893
Pledged bank deposits		17,000	20,000
Cash and cash equivalents		23,408	19,476
		371,923	512,573
Total assets		704,956	820,834

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30th June 2009

	<i>Note</i>	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	25,065	25,065
Reserves		393,786	379,559
Total equity		418,851	404,624
LIABILITIES			
Non-current liabilities			
Loan from a director	15c	–	29,651
Borrowings	13	96,557	134,155
Deferred income tax liabilities		6,849	1,997
		103,406	165,803
Current liabilities			
Trade and other payables	12	62,601	83,223
Amounts due to related companies	15c	–	1,994
Loan from a director	15c	54,597	–
Taxation payable		1,079	5,180
Borrowings	13	64,422	160,010
		182,699	250,407
Total liabilities		286,105	416,210
Total equity and liabilities		704,956	820,834
Net current assets		189,224	262,166
Total assets less current liabilities		522,257	570,427

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2008	25,065	79,418	34,115	3,700	4,199	301,112	447,609
Other comprehensive income:							
Currency translation differences	-	-	-	-	11,717	-	11,717
Profit for the period	-	-	-	-	-	25,581	25,581
Total comprehensive income for the period ended 30th June 2008	-	-	-	-	11,717	25,581	37,298
2007 final dividend	-	-	-	-	-	(10,026)	(10,026)
At 30th June 2008	25,065	79,418	34,115	3,700	15,916	316,667	474,881
At 1st January 2009	25,065	79,418	34,115	3,700	16,343	245,983	404,624
Other comprehensive income:							
Currency translation differences	-	-	-	-	986	-	986
Profit for the period	-	-	-	-	-	13,241	13,241
Total comprehensive income for the period ended 30th June 2009	-	-	-	-	986	13,241	14,227
At 30th June 2009	25,065	79,418	34,115	3,700	17,329	259,224	418,851

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30th June 2009

	Unaudited	
	For the six months ended	
	30th June	
	2009	2008
	HK\$'000	HK\$'000
Net cash flows generated from operating activities	81,136	56,331
Net cash flows generated from/(used in) investing activities	28,150	(94,537)
Net cash flows (used in)/generated from financing activities	(103,356)	93,003
Net increase in cash and cash equivalents	5,930	54,797
Cash and cash equivalents at beginning of period	17,316	33,263
Exchange differences on cash and cash equivalents	162	1,715
Cash and cash equivalents at end of period	23,408	89,775

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 25th September 2009.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2009 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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 2008, 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 and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2009.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (Continued)

- HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. This does not have 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.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2009, but are either currently not relevant for the Group or have no material impact on the Group’s financial statements.

- Amendment to HKFRS 7, “Financial instruments: disclosures”.
- HKAS 23 (amendment), “Borrowing costs”.
- HKFRS 2 (amendment), “Share-based payment”.
- HKAS 32 (amendment), “Financial instruments: presentation”.
- HK(IFRIC) 9 (amendment), “Reassessment of embedded derivatives” and HKAS 39 (amendment), “Financial instruments: Recognition and measurement”.
- HK(IFRIC) 13, “Customer loyalty programmes”.
- HK(IFRIC) 15, “Agreements for the construction of real estate”.
- HK(IFRIC) 16, “Hedges of a net investment in a foreign operation”.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (Continued)

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current Period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results of operations and financial position.

4 TURNOVER AND SEGMENT INFORMATION

The Group had adopted HKFRS 8 with effect from 1st January 2009. However, the adoption of this standard has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The chief operating decision-maker has been identified as the Executive Directors and senior management. They review the Group's internal reporting in order to assess performances and allocate resources. Management has determined the operating segments based on these reports.

For management purposes, the Group is organised into two main business and reportable segments:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION (Continued)

The segment results and other segment items are as follows:

	Unaudited Six months ended 30th June									
	2009					2008				
	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Total segment revenue	205,805	888	-	-	206,693	418,436	581	5,083	-	424,100
Segment results	742	23,617	(913)	628	24,074	42,838	24,959	135	(24,100)	43,832
Finance income					44					95
Finance costs					(5,703)					(6,042)
Profit before income tax					18,415					37,885
Income tax expense					(5,174)					(12,304)
Profit for the period					13,241					25,581
Depreciation	(1,039)	(374)	(68)	-	(1,481)	(1,690)	(37)	-	-	(1,727)

Unallocated results represented mainly net fair value gains on financial assets at fair value through profit and loss and corporate expenses.

The segment assets and liabilities are as follows:

	Unaudited 30th June 2009					Audited 31st December 2008				
	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000	Trading of pipes and fittings HK\$'000	Investment in properties HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
	Assets	357,117	345,393	1,085	1,361	704,956	476,640	319,050	1,076	24,068
Liabilities	(117,873)	(102,044)	(519)	(65,669)	(286,105)	(273,497)	(103,123)	(709)	(38,881)	(416,210)
Capital expenditure	33	38	-	-	71	2,180	71,080	27	-	73,287

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4 TURNOVER AND SEGMENT INFORMATION (Continued)

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.

5 OTHER GAINS/(LOSSES), NET

	Unaudited	
	For the six months ended	
	30th June	
	2009	2008
	HK\$'000	HK\$'000
Net fair value gains on investment properties	25,082	26,687
Net fair value gains/(losses) on financial assets at fair value through profit or loss	5,728	(16,727)
Net exchange (losses)/gains	(117)	474
Gain on disposal of property, plant and equipment	-	440
	30,693	10,874

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

6 EXPENSES BY NATURE

	Unaudited For the six months ended 30th June	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cost of inventories	162,107	331,386
Auditors' remuneration	553	315
Employee benefit expenses (including directors' emoluments)	22,098	32,394
Depreciation of property, plant and equipment	1,481	1,727
Provision for/(write-back of) impairment of inventories	6,677	(1,103)
(Write-back of)/provision for impairment of trade and other receivables	(225)	296
Operating lease on land and buildings	8,162	7,845
Other expenses	12,459	18,282
	213,312	391,142
Representing:		
Cost of sales	169,752	333,755
Selling and distribution costs	5,413	9,401
Administrative expenses	38,147	47,986
	213,312	391,142

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

7 INCOME TAX EXPENSE

	Unaudited	
	For the six months ended	
	30th June	
	2009	2008
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	308	5,373
– Overseas income tax	41	88
– Under/(over)-provision in prior years	(26)	4
Deferred income tax	4,851	6,839
	<hr/>	<hr/>
	5,174	12,304
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$13,241,000 (2008: HK\$25,581,000) and the weighted average of 12,532,700,000 shares (2008: 12,532,700,000 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 2008 and 2009.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

9 DIVIDENDS

	Unaudited	
	For the six months ended	
	30th June	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend, Nil (2008: HK0.02 cents) per ordinary share	-	2,507
	<u> </u>	<u> </u>

The directors do not recommend any payment of interim dividend for the period.

No final dividend for year 2008 was paid during the period. A 2007 final dividend of HK0.08 cents per ordinary share, totalling HK\$10,026,000 was paid in June 2008.

10 CAPITAL EXPENDITURE

	Unaudited	
	Property, plant and equipment	Investment properties
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u> </u>	<u> </u>
Net book amount at 30th June 2008	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Net book amount at 1st January 2009	11,791	295,498
Translation differences	40	1,060
Additions	71	-
Depreciation	(1,481)	-
Net fair value gains	<u> </u>	<u> </u>
Net book amount at 30th June 2009	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

10 CAPITAL EXPENDITURE (Continued)

The investment properties were revalued at 30th June 2009 by Jones Lang LaSalle Sallmanns 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.

At 30th June 2009, investment properties with carrying values of HK\$321,640,000 located both in Hong Kong and PRC have been pledged for banking facilities.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Trade receivables	113,843	145,844
Less: provision for impairment of receivables	(711)	(967)
	<hr/>	<hr/>
Trade receivables, net	113,132	144,877
Prepayments	1,992	2,506
Other receivables	32,610	40,306
Rental deposits and other assets	3,594	2,657
	<hr/>	<hr/>
	151,328	190,346
Less: non-current portion	(972)	(972)
	<hr/>	<hr/>
	150,356	189,374
	<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	Audited
	30th June	31st December
	2009	2008
	HK\$'000	HK\$'000
Within credit period	59,383	101,131
0 – 30 days	26,295	20,209
31 – 60 days	5,519	7,075
61 – 90 days	2,910	6,127
91 – 120 days	3,622	2,205
Over 120 days	16,114	9,097
	<u>113,843</u>	<u>145,844</u>

12 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30th June	31st December
	2009	2008
	HK\$'000	HK\$'000
Trade payables	32,218	46,880
Accrued expenses and other payables	30,383	36,343
	<u>62,601</u>	<u>83,223</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

12 TRADE AND OTHER PAYABLES (Continued)

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

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Current – 30 days	9,045	24,845
31 – 60 days	1,482	3,134
61 – 90 days	1,026	3,257
Over 90 days	<u>20,665</u>	<u>15,644</u>
	<u>32,218</u>	<u>46,880</u>

13 BORROWINGS

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Non-current		
Long-term bank borrowings	<u>96,557</u>	<u>134,155</u>
Current		
Current portion of long-term bank borrowings	15,628	34,996
Short-term bank borrowings	–	30,973
Trust receipt loans	46,498	91,881
Bank overdrafts	–	2,160
Other borrowings	<u>2,296</u>	<u>–</u>
	<u>64,422</u>	<u>160,010</u>
	<u>160,979</u>	<u>294,165</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

13 BORROWINGS (Continued)

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

	Unaudited <i>HK\$'000</i>
Six months ended 30th June 2009	
Opening amount at 1st January 2009	292,005
Translation differences	276
New borrowings	98,058
Repayment of borrowings	(229,360)
	<hr/>
Closing amount at 30th June 2009	160,979
	<hr/> <hr/>
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/>
Interest expense on borrowings for the six months ended 30th June 2009 is HK\$5,703,000 (30th June 2008: HK\$6,042,000).	

14 SHARE CAPITAL

	No. of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:		
As at 31st December 2008 (audited) and 30th June 2009 (unaudited) of HK\$0.002 per share	250,000,000,000	500,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
As at 31st December 2008 (audited) and 30th June 2009 (unaudited) of HK\$0.002 per share	12,532,700,000	25,065
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

15 RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant related party transactions, which were carried out in the normal course of the Group's business at prices and terms mutually agreed between parties as follows:

(a) Expenses

	Unaudited 30th June 2009 HK\$'000	Unaudited 30th June 2008 HK\$'000
Rental expenses paid to related companies (<i>Note</i>)	—	5,982

Note:

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

- (b) As at 31st December 2008, the Company held equity interests in a related company, which is incorporated and listed on the Hong Kong Stock Exchange, amounting to HK\$6,050,000 (included in financial assets at fair value through profit or loss). The related company is controlled by certain former directors of the Company. During the six months ended 30th June 2009, the Company had fully disposed of such equity interests.

(c) Closing balances

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Amounts due to related companies (<i>Note i</i>)	—	1,994
Loan from a director (<i>Note ii</i>)	54,597	29,651

Notes:

- (i) The related companies are beneficially owned and controlled by certain former key management of the Group. The balances were unsecured, interest-free and repayable on demand.
- (ii) The loan is from Mr. Lai Guanglin, a director of the Company. The balance is unsecured, bears interest at 1% per month.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the period ended 30th June 2009, the Group recorded a net profit of approximately HK\$13,241,000 (2008: HK\$25,581,000), representing a decrease of 48.24% over the first six months of 2008. The revenue decreased by 51.26% to approximately HK\$206,693,000 (2008: HK\$424,100,000). The basic earnings per share was HK0.11 cents as compared to HK0.20 cents for the same period in 2008.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period (2008: HK0.02 cents per ordinary share).

FINANCIAL REVIEW

During the six months ended 30th June 2009, the Group's sales decreased to HK\$206,693,000 from HK\$424,100,000 for the same period in 2008. The decrease in sales in the first half of 2009 was primarily attributable to the economic recession triggered by the financial tsunami. The gross profit of the Group for the first six months of 2009 was HK\$36,941,000, with a gross margin of 17.87%, compared to gross profit for the same period in 2008 of HK\$90,345,000 with a gross margin of 21.30%. The decrease in gross margin was mainly resulted from the decrease in the general market prices of our products due to the downturn of the economy.

Selling and distribution cost had decreased when compared with the same period in 2008, which is in line with the decrease in turnover and gross profit. During the period, the Group had made concerted effort to overcome the economic recession and to maintain our competitiveness in the market. After various cost control measures, the administrative expenses for the first six months of 2009 decreased to HK\$38,147,000 (2008: HK\$47,986,000). The amount of inventories had decreased from HK\$260,337,000 as at 31st December 2008 to HK\$180,367,000 as at 30th June 2009 because of the Group's effort to rationalise its inventory level. Total debts of the Group, comprising borrowings and loan from a director, had decreased from HK\$323,816,000 as at 31st December 2008 to HK\$215,576,000 as at 30th June 2009. For the period ended 30th June 2009, the Group had recorded a fair value gains on the investment properties amounted to HK\$25,082,000 due to the recovery of the property market at the end of the period as compared to the beginning of 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

PIPE TRADING BUSINESS

In 2009, the Group's business of the trading of pipes and fittings is still affected by the aftermath of the financial tsunami in last year. Compared with that of last year, the sales volume of the Group has decreased as some of our customers have been adversely affected by the global economic recession. During the period, the Group had experienced a decrease in the profit margins of its products in general due to the downturn of the market.

To cope with the change in market conditions, the Group had tried various efforts to consolidate and rationalise its business operation and also shown its determination to maintain as one of the leader in its market. With the recent recovery of the economy and the measures taken by the government to restore stability in the market, the Group has seen signs of picking up of the activities in the industry. With its well established operation base in Hong Kong, the Group remains optimistic about the business for the whole year 2009.

INVESTMENT IN PROPERTIES

The Group holds certain investment properties located both in Hong Kong and the mainland. During the period, the Group had recorded a fair value gains of HK\$25,082,000 on these investment properties due to the recovery of the property market at the end of the period as compared to the beginning of the period.

At present, the Group is launching a campaign in the property market to let its units of retail shop located in Shanghai. It is expected that these units of retail shop will generate steady rental income and return to the Group in the future.

OUTLOOK

The Group 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.

As announced recently, the Group has entered into agreements to acquire a total of 60% interest in a company, namely 煙臺金裕豐無縫鋼管有限公司, which is principally engaged in the manufacturing, processing, wholesaling and trading of pipes and related products in the PRC. The acquisition is expected to be completed within a short period of time. After the acquisition, the Group will be able to capture the manufacturing and production capability of the new subsidiary and enhance its vertical production value chain. The Group will also leverage on the new subsidiary's facilities to complement our existing operation and further develop our business in the enormous market in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2009, the cash and bank balances of the Group was HK\$23,408,000 (31st December 2008: HK\$19,476,000). Basically the Group's working capital requirement has been financed by its internal resources. The Group believes that funds generated from internal operations, 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\$239,544,492 as at 30th June 2009 (31st December 2008: HK\$327,269,000) for term loans and other trade finance facilities, approximately HK\$229,703,350 (31st December 2008: HK\$302,997,000) of which were utilised as at 30th June 2009. The banking facilities are secured by corporate guarantees from the Company and investment properties held by subsidiaries with carrying values of HK\$321,640,000.

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.

The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars, Euro dollars and Australian dollars. In order to mitigate the foreign exchange risk, the Group has been closely monitoring its foreign currency exposure and requirements and will arrange for any hedging facilities if necessary.

As at 30th June 2009, the gearing ratio (total debts/total equity of the Group) was 0.51 (31st December 2008: 0.80).

CONTINGENT LIABILITIES

As at 30th June 2009, the Group had no material contingent liabilities.

BANKING FACILITIES WITH ASSETS PLEDGED

Investment properties with carrying values of HK\$321,640,000 as at 30th June 2009 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 2009, the Group employed a total of 173 (31st December 2008: 193) full-time employees. Total employee benefit expenses for the period was approximately HK\$22,098,000 (2008: HK\$32,394,000). 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 2009, 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:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Lai Guanglin	The Company	Interest of a controlled corporation (<i>Note 1</i>)	7,805,521,207 (L)	62.28%
Yu Ben Ansheng	The Company	Interest of a controlled corporation (<i>Note 2</i>)	1,530,000,000 (L)	12.21%

(L) denotes the long position held in such shares

Notes:

1. These Shares are held by Singapore Zhongxin, which is wholly and beneficially owned by Mr. Lai Guanglin, a non-executive Director and chairman of the Company. Accordingly, Mr. Lai Guanglin is deemed to be interested in such shares under the SFO.
2. Interest in 1,500,000,000 Shares are held by King Jade Holdings Limited, which is wholly and beneficially owned by Mr. Yu Ben Ansheng, an executive Director. Accordingly, Mr. Yu Ben Ansheng is deemed to be interested in such shares under the SFO.

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 2009.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2009, 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:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Singapore Zhongxin	The Company	Beneficial owner <i>(Note 1)</i>	7,805,521,207 (L)	62.28%
Li Juan	The Company	Interest of spouse <i>(Note 2)</i>	7,805,521,207 (L)	62.28%
King Jade Holdings Limited	The Company	Beneficial owner <i>(Note 3)</i>	1,500,000,000 (L)	11.97%
Zhang Lin	The Company	Interest of spouse <i>(Note 4)</i>	1,530,000,000 (L)	12.21%

(L) denotes the long position held in such shares

Notes:

- These shares are held by Singapore Zhongxin, which is wholly and beneficially owned by Mr. Lai Guanglin, a non-executive Director and chairman of the Company. Accordingly, Mr. Lai Guanglin is deemed to be interested in such shares under the SFO.
- Ms. Li Juan, the spouse of Mr. Lai Guanglin, is also deemed to be interested in Mr. Lai's interest in the Company under the SFO.
- These shares are held by King Jade Holdings Limited, which is wholly and beneficially owned by Mr. Yu Ben Ansheng, an executive Director. Accordingly, Mr. Yu Ben Ansheng is deemed to be interested in such shares under the SFO.
- Ms. Zhang Lin, the spouse of Mr. Yu Ben Ansheng, is also deemed to be interested in Mr. Yu's interest in the Company under 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 2009.

As at 30th June 2009, 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.

SHARE OPTIONS

The Company has adopted a share option scheme (the "Scheme") which became effective for a period of ten years commencing 24th June 2004. No option has been granted since the date of adoption of the Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

At no time during the six months ended 30th June 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

CORPORATE GOVERNANCE

Throughout the period ended 30th June 2009, 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.

During the period, the roles of the Chairman and Chief Executive Officer were performed by the same individual, Ms. Wing Man Yi until her resignation on 23rd February 2009. The Board met regularly to consider major matters affecting the operations of the Company.

Since the appointment of Mr. Lai Guanglin as the Chairman and non-executive Director of the Company and Mr. Cai Shangwu as executive Director of the Company with effect from 23rd February 2009, the Company has taken step to comply with Code Provision A.2.1 of the Corporate Governance Code. On 13th May 2009, Mr. Yu Ben Ansheng was appointed as Chief Executive Officer of the Company. At present, Mr. Lai Guanglin has taken up the role of providing leadership for the Board and ensures that the Board works effectively and discharge its responsibility properly. Mr. Lai also ensures that good corporate governance practice is in force from time to time, and all key issues are discussed by the Board in a timely manner.

OTHER INFORMATION

CORPORATE GOVERNANCE (Continued)

Mr. Yu Ben Ansheng, an executive Director and the Chief Executive Officer of the Company, is currently responsible for managing the day-to-day business of the Company.

AUDIT COMMITTEE

The condensed consolidated interim financial information of the Company for the six months ended 30th June 2009 have not been audited, but have been reviewed by the Audit Committee. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial information for the period. At the date of this interim report, the Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Wong Yee Shuen Wilson, Mr. Lau Kwok Ting and Ms. Wu Xiuru.

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. Having made specific enquiry of all Directors, the Company is satisfied that all Directors have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2009.

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

During the six months ended 30th June 2009, 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
Lai Guanglin
Chairman

Hong Kong, 25th September 2009

As at the date of this interim report, the Board consists of Mr. Yu Ben Ansheng, Mr. Sam Ming Choy and Mr. Cai Shangwu as executive Directors, Mr. Lai Guanglin, Mr. U Kean Seng and Mr. Zhao Yue as non-executive Directors and Mr. Wong Yee Shuen Wilson, Mr. Lau Kwok Ting and Ms. Wu Xiuru as independent non-executive Directors.