



### **Corporate Information**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Chui Siu On (Chairman and Managing Director,

Mr. Ho Yu Hoi

Mr. Lai Man Kit

Mr. Li Chi Hang

Mr. Wong Kwok Keunc

Mr. Lau Siu Chung

#### **Non-Executive Directors**

Mr. Ng Kin Nam (Vice Chairman)

Mr. Wan Tak Wing, Gary

### **Independent Non-Executive Directors**

Dr. Cheng Ngok

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

### **COMPANY SECRETARY**

Mr. Tam Yiu Chung

### **AUDIT COMMITTEE**

Dr. Cheng Ngok (Chairman)

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

### **REMUNERATION COMMITTEE**

Mr. Chui Siu On *(Chairman)* 

Mr. I ai Man Kit

Dr. Chena Naok

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

### **PRINCIPAL BANKERS**

Bangkok Bank Public Company Limited

Citic Ka Wah Bank Limited

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

Industrial and Commercial Bank of China

(Asia) Limited

Standard Chartered Bank (Hong Kong) Limited

United Overseas Bank Limited

### **LEGAL ADVISERS TO THE COMPANY**

Michael Li & Co

### **AUDITORS**

Ernst & Young

Certified Public Accountants

### **LISTING VENUE**

Main Board of The Stock Exchange of Hong Kong Limited

### STOCK CODE

0929

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 268<sup>-</sup>

Grand Cavman KY1-111<sup>-7</sup>

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Block E1

Hoi Bun Industrial Building

No. 6 Wina Yip Street

Kwun Tong, Kowloon

Hong Kong

Tel: (852) 2688 5920

Fax: (852) 2688 6155

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yue Hu Cun

Zengcheng, Guangzhou

Guanadona Province, the PRC

Post code: 511335

Tel: (86) 20 8294 5929

Fax: (86) 20 8294 6929

## PRINCIPAL PLACE OF BUSINESS IN MACAU

Alameda Dr. Calos D' Assumpcao

No. 398, 9 Andar F, Macau

Tel: (853) 2875 0516

Fax: (853) 2875 0515

## PRINCIPAL PLACE OF BUSINESS IN THAILAND

99/1 Mu Phaholyothin Road, Sanubtueb.

Wangnoi, Avutthava 13170, Thailanc

Tel: (66) 3572 3333

Fax: (66) 3572 3003

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26/F, Tesbury Centre, 28 Queen's Road East

Wanchai, Hong Kong

### WEBSITE

http://www.ipegroup.com

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## **Corporate Profile**

IPE Group Limited (the "Company" or "IPE Group") was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2002. The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of high precision metal components.

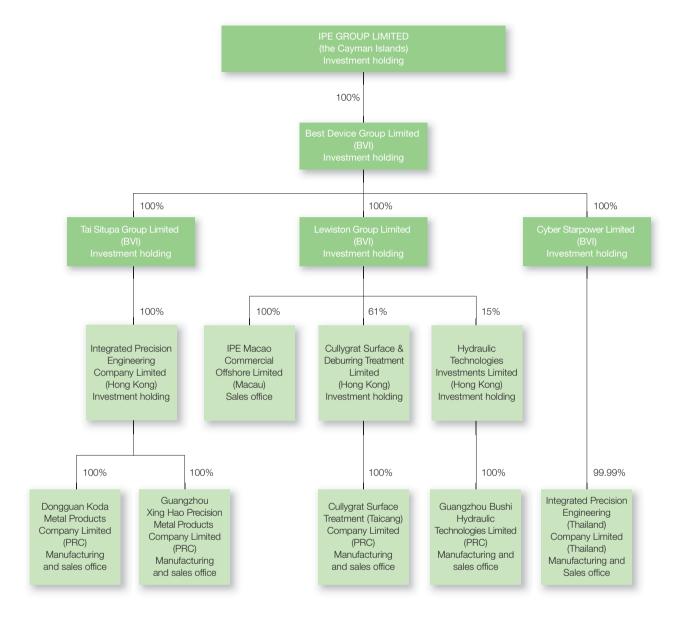
The Group started its high precision components business in 1990 in Singapore and now produces high precision metal components and assembled parts used in hard disk drives ("HDD"), hydraulic equipment, automotive parts, electronic and other devices.

The Group's highly valued customers are top-tier multinational corporations in the information technology, fluid power, automotive and household electronic sectors where optimal precision is vital.

Apart from supplying high volume precision components according to customer specifications, we are providing solutions to our global partners and working very closely with them in implementing new projects. Such projects typically take longer time to come to fruition as they involve development of many metal and plastic parts, and electronic circuits and the necessary know-how in final assembly and testing of the assembled device before shipment to the end customers can take place. The Group has developed a team of high caliber engineers which are able to provide solutions to our global partners.

## **Group Structure**

Principal subsidiaries and the joint venture of the Company as at 30 June 2009



## Financial Highlights

### **RATIO ANALYSIS**

				Year ended 31 December			
	1H 2009	2H 2008	1H 2008	2008	2007	2006	
KEY STATISTICS:							
Current ratio	1.05	1.05	1.41	1.05	1.29	1.36	
Gearing ratio (net debt/capital &							
net debt)	0.38	0.41	0.37	0.41	0.34	0.36	
Gross profit margin	1.6%	20.4%	26.6%	23.8%	25.6%	29.3%	
EBITDA margin	22.0%	22.7%	28.8%	26.0%	32.2%	32.5%	
Net (loss)/profit margin	(9.9)%	1.0%	12.0%	7.0%	13.3%	14.6%	
PER SHARE DATA:							
Net asset value per share (HK\$)	1.29	1.35	1.45	1.35	1.33	1.12	

### HALF YEARLY TURNOVER AND SEGMENT INFORMATION

		2009		1 2008		H 2008		1 2007		1 2007
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
HDD pivot components HDD spindle motor	81,458	32%	149,707	38%	199,507	43%	166,646	38%	148,495	41%
components	84,361	34%	124,102	32%	127,494	27%	115,465	27%	102,545	29%
HDD components  Hydraulic equipment	165,819	66%	273,809	70%	327,001	70%	282,111	65%	251,040	70%
components	42,991	17%	78,455	20%	88,843	19%	91,816	21%	74,116	21%
Automotive components	33,621	14%	22,863	6%	34,605	7%	28,395	7%	15,970	4%
Others	8,646	3%	16,098	4%	20,042	4%	28,446	7%	19,285	5%
	251,077	100%	391,225	100%	470,491	100%	430,768	100%	360,411	100%

## **Management Discussion and Analysis**

### **BUSINESS REVIEW**

During the first quarter of 2009, the impact of the global financial tsunami still lingered and the business environment for the Group was exceptionally challenging. In the second quarter, the Group began to benefit from the impact of measures by governments in a number of countries to stimulate their economies and demand for our HDD components and automotive components began to pick up. Total turnover in the second quarter was double that of the first quarter.

Despite the abovementioned recovery in the second quarter, during the period under review, the Group's turnover fell 46.6% to HK\$251 million from our record turnover of HK\$470 million for the first half of 2008. The Group recorded a net loss of HK\$24.5 million attributable to equity holders for the six months under review, compared to a profit of HK\$57.1 million for the corresponding period in 2008.

The Group's turnover by business segments during the interim period is shown below:

	1H09 HK\$'000	%	1H08 HK\$'000	%	% change
HDD components Hydraulic equipment components Automotive components Others	165,819 42,991 33,621 8,646	66.1% 17.1% 13.4% 3.4%	327,001 88,843 34,605 20,042	69.5% 18.9% 7.4% 4.2%	-49.3% -51.6% -2.8% -56.9%
	251,077	100.0%	470,491	100.0%	-46.6%

The demand for computers, especially notebook computers, has been quite resilient in the second quarter of 2009. The popularity of netbooks has remained a buoyant sub-market trend as many notebook brands have pushed into this arena and this contributed to the demand for HDD components which rebounded in the second quarter of 2009. IPE Group benefited from this rebound in demand and recorded sales of HDD components in the second quarter of 2009 of HK\$123 million, a growth of 187.0% or HK\$80 million when compared to the first quarter of 2009 of HK\$43 million. Despite the strong rebound in the second quarter, the Group still recorded a decrease of sales of HDD components by 49.3% from HK\$327 million in the six months ended 30 June 2008 to HK\$166 million in the six months ended 30 June 2009.

Sales of automotive components also rebounded in the second quarter to limit the first half decline to a slight 2.8% to HK\$33.6 million when compared to the corresponding period in 2008. We benefited from measures introduced by the PRC government to stimulate its economy.

In the hydraulic equipment components market, sales decreased by 51.6% to HK\$43 million in the six months ended 30 June 2009 when compared to the corresponding period in 2008. Unlike the performance of our other two main business segments, there was no pick-up in demand for hydraulic equipment components in the second quarter as compared to the first quarter. In the period under review, sales halved, reflecting the weak economy of the US and of Europe.

### **Management Discussion and Analysis**

### **FINANCIAL REVIEW**

Due to the sharp drop in turnover, our gross profit margin for the six months ended 30 June 2009 fell to 1.6% from 26.6% for the corresponding period in 2008. The decrease of gross margin for the period also reflected the consumption of high-cost raw materials which were purchased before the financial crisis and the increase in depreciation charges owing to acquisition of a large quantity of machinery and equipment during 2008 before the financial crisis.

During the period under review, selling and distribution costs totalled HK\$7.2 million, amounting to 2.9% of turnover. This represented a decrease of 35.3% when compared to the corresponding period in 2008, reflecting the decline in turnover.

Due to our efforts to implement cost saving measures, administrative expenses decreased by HK\$6.0 million to HK\$31.9 million for the six months period ended 30 June 2009.

Other income amounted to HK\$18.6 million in the first half of 2009, mainly comprised of exchange gain and the fair value gain on investment property. In 2008, the Group had no such gains.

Finance costs decreased by 23.3% to HK\$8.3 million for the period under review as compared to the corresponding period in 2008. This was due to the decline in interest rates and the reduction in interest-bearing bank loans and other borrowings.

For the six months ended 30 June 2009, the Group had a net loss of HK\$24.7 million compared to a net profit of HK\$56.6 million for the six months ended 30 June 2008.

### Liquidity and Financial Resources

During the six months ended 30 June 2009, the Group recorded a net cash inflow from operating activities of HK\$29.5 million (2008: HK\$77.9 million) despite the loss recorded in this period. There was a net cash outflow from investing activities of HK72.0 million (2008: HK\$55.0 million), due to payments for new machineries and equipment ordered in 2008. With regard to financing activities, there was a net cash outflow of HK\$42.1 million (2008: inflow of HK\$11.9 million) due to the repayment of bank loans after taking into account of new bank loans and proceeds from issue of shares amounting to HK\$128.2 million and HK\$15.3 million, respectively. As at 30 June 2009, the Group had cash and cash equivalents of HK\$54.5 million (31 December 2008: HK\$136.5 million).

As at 30 June 2009, the Group had total bank borrowings of HK\$461.8 million (31 December 2008: HK\$517.2 million). The gearing ratio, calculated as net debt (represented by total bank borrowings minus cash and bank balances) divided by shareholders' equity was 43.0% (31 December 2008: 40.3%).

#### Pledge of Assets

As at 30 June 2009, the Group had total bank borrowings of HK\$461.8 million (31 December 2008: HK\$517.2 million) secured by corporate guarantee made by the Group. The Group had no charge on any of its assets for its banking facilities as at 30 June 2009.

## **Management Discussion and Analysis**

### FINANCIAL REVIEW (Continued)

### Foreign Exchange Exposure

The Group is exposed to fluctuations in foreign exchange rates. Since most of the Group's revenue is denominated in US dollars, whereas most of the Group's expenses, such as costs of major raw materials and machinery and production expenses, are denominated in Japanese Yen, Renminbi and Thai Baht, fluctuations in exchange rates can materially affect the Group. Appreciation in value of Japanese Yen, in particular, will adversely affect the Group's profitability. Accordingly, the Group has entered into forward exchange contracts to reduce potential exposure to currency fluctuations.

#### **Human Resources**

The Company, together with its subsidiaries, had a workforce of 4,135 as at 30 June 2009, an increase of 29.5% when compared to 3,192 employees as at 31 December 2008, but a reduction of 8.8% when compared to the workforce of 4,536 as at 30 June 2008. Staff costs (excluding directors' emoluments) amounted to HK\$40,934,000 in the first half of 2009 (2008 first half: HK\$56,122,000). Employees are offered competitive salaries with bonuses awarded on performance basis.

### **PROSPECTS**

The demand for our HDD components and automotive components has recovered strongly from its trough in the first quarter of 2009 and its growth momentum is continuing. However, demand for hydraulic equipment components has yet to show signs of recovery. Despite the still unencouraging outlook for hydraulic equipment components demand, based on a steady increase in orders in recent months for HDD and automotive components, the Group is optimistic that our sales performance and profitability will be much improved in the second half of 2009, and if so, it is likely that the Group will be able to record a profit for the year ending 31 December 2009, barring unforeseen circumstances.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the interests and short positions of the directors, in the share capital and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### (A) Long position in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Notes	Number of ordinary shares in the Company	Percentage of the Company's issued share capital <sup>#</sup>
Mr. Chui Siu On	Through controlled corporation	1	353,660,000	48.26%
	Directly beneficially owned		6,045,000	0.83%
	Through spouse	2	100,000	0.01%
			359,805,000	49.10%
Mr. Ng Kin Nam	Directly beneficially owned		7,670,000	1.05%
	Through spouse	3	800,000	0.11%
			8,470,000	1.16%
Mr. Ho Yu Hoi	Directly beneficially owned		4,550,000	0.62%
Mr. Lai Man Kit	Held jointly with spouse	4	1,000,000	0.14%

#### Notes:

- 1. These shares were owned by Tottenhill Limited, the entire issued share capital of which was owned as to 51.3% by Mr. Chui Siu On, 25.0% by Mr. Ng Kin Nam, 13.9% by Mr. Ho Yu Hoi, 6.0% by Mr. Lai Man Kit and 3.8% by Mr. Li Chi Hang. By virtue of his 51.3% shareholding in Tottenhill Limited, Mr. Chui Siu On was deemed to be interested in the entire 353,660,000 shares of the Company owned by Tottenhill Limited pursuant to Part XV of the SFO.
- These shares held by Ms. Leung Wing Yi, the wife of Mr. Chui Siu On, were also disclosed as Ms. Leung's personal interest in the
  section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" below.
   Mr. Chui Siu On was deemed to be interested in these 100,000 shares of the Company held by his wife pursuant to Part XV of the
  SFO.
- 3. These shares, held by Ms. Angeleslao, Jocelyn O, the wife of Mr. Ng Kin Nam. Accordingly, Mr. Ng Kin Nam was deemed to be interested in these 800,000 shares of the Company held by his wife pursuant to Part XV of the SFO.
- 4. These shares were held jointly by Mr. Lai Man Kit and his spouse, Ms. Kwong Yin No, Irene.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

## (B) Long position in ordinary shares of associated corporation – Tottenhill Limited, the Company's holding company:

Name of director	Capacity and nature of interest	Number of ordinary shares in Tottenhill Limited	Percentage of Tottenhill Limited's issued share capital
Mr. Chui Siu On	Directly beneficially owned	180,832,500	51.3%
Mr. Ng Kin Nam	Directly beneficially owned	88,125,000	25.0%
Mr. Ho Yu Hoi	Directly beneficially owned	48,997,500	13.9%
Mr. Lai Man Kit	Directly beneficially owned	21,150,000	6.0%
Mr. Li Chi Hang	Directly beneficially owned	13,395,000	3.8%

### (C) Long position in underlying shares of the Company – physically settled unlisted equity derivatives:

Name of director	Capacity and nature of interest	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital <sup>#</sup>
Mr. Wong Kwok Keung	Directly beneficially owned	5,000,000	0.682%
Mr. Lau Siu Chung	Directly beneficially owned	5,000,000	0.682%
Mr. Ng Kin Nam	Directly beneficially owned	500,000	0.068%
Mr. Wan Tak Wing, Gary	Directly beneficially owned	500,000	0.068%
Dr. Cheng Ngok	Directly beneficially owned	1,000,000	0.136%
Mr. Choi Hon Ting, Derek	Directly beneficially owned	1,000,000	0.136%
Mr. Wu Karl Kwok	Directly beneficially owned	1,000,000	0.136%

Note: Details of the above share options granted by the Company are set out in the section "Share option scheme" below.

In addition to the above, as at 30 June 2009, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

Save as disclosed above and in the below section headed "Share Option Scheme", as at 30 June 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; nor there had been any grant or exercise of rights during the period ended 30 June 2009.

<sup>#</sup> The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2009.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following share options were outstanding under the Scheme during the period:

Name of category of participant	At 1 January 2009	Granted during the period***	Number of s Exercised during the period	share options Expired during the period	Forfeited during the period	At 30 June 2009	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
Directors									
Mr. Wong Kwok Keung		2,500,000	-			2,500,000	01-06-09 01-06-09	01-06-10 to 31-05-14 01-06-12 to 31-05-14	0.375 0.375
		5,000,000				5,000,000			
Mr. Lau Siu Chung		2,500,000				2,500,000	01-06-09 01-06-09	01-06-10 to 31-05-14 01-06-12 to 31-05-14	0.375 0.375
		5,000,000				5,000,000			
Mr. Ng Kin Nam	500,000					500,000	27-07-05	27-07-05 to 26-07-10	1.410
Mr. Wan Tak Wing, Gary		500,000				500,000	01-06-09	01-06-10 to 31-05-14	0.375
Dr. Cheng Ngok	500,000	500,000				500,000	27-07-05 01-06-09	27-07-05 to 26-07-10 01-06-10 to 31-05-14	1.410 0.375
	500,000	500,000				1,000,000			
Mr. Wu Karl Kwok	500,000	500,000				500,000	27-07-05 01-06-09	27-07-05 to 26-07-10 01-06-10 to 31-05-14	1.410 0.375
	500,000	500,000				1,000,000			
Mr. Choi Hon Ting, Derek	500,000	500,000				500,000	27-07-05 01-06-09	27-07-05 to 26-07-10 01-06-10 to 31-05-14	1.410 0.375
	500,000	500,000				1,000,000			
	2,000,000	12,000,000				14,000,000			

### SHARE OPTION SCHEME (Continued)

Name of category of participant	At 1 January 2009	Granted during the period***	Number of s Exercised during the period	share options Expired during the period	Forfeited during the period	At 30 June 2009	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
Members of senior management & other employees of the Group									
In aggregate	3,000,000 700,000 3,700,000	15,500,000 2,000,000 8,000,000 2,000,000 27,500,000	- - - - - -	- - - - - -	- - - - - -	3,000,000 700,000 15,500,000 2,000,000 8,000,000 2,000,000 31,200,000	13-09-06 28-09-07 01-06-09 01-06-09 01-06-09 01-06-09	01-01-08 to 31-12-12 01-01-08 to 31-12-10 01-06-10 to 31-05-14 01-06-11 to 31-05-14 01-06-12 to 31-05-14 01-06-13 to 31-05-14	1.350 1.200 0.375 0.375 0.375 0.375
Suppliers of services									
In aggregate	2,000,000 3,000,000	10,500,000	- - -	- - -	- - -	2,000,000 3,000,000 10,500,000	28-09-07 28-09-07 01-06-09	01-01-08 to 31-12-12 01-01-09 to 31-12-12 01-06-10 to 31-05-14	1.200 1.200 0.375
	10,700,000	50,000,000				15,500,000			

Notes to the reconciliation of share options outstanding during the period:

<sup>\*</sup> The vesting period of the share options is from the date of grant until the commencement of the exercise period.

<sup>\*\*</sup> The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

<sup>\*\*\*</sup> The closing prices of the Company's shares immediately before the date of offer and the date of grant were HK\$0.370 and HK\$0.480, respectively. The fair value of the share options granted on 1 June 2009 was determined at the date of grant using the binomial option pricing model was approximately HK\$10 million.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the following parties (not being directors or chief executives of the Company) had interests of more than 5% of the shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long position in the ordinary shares of the Company:

Name of substantial shareholder	Notes	Capacity and nature of interest	Number of ordinary shares in the Company	Percentage of the Company's issued share capital#
Tottenhill Limited	(a)	Directly beneficially owned	353,660,000	48.26%
Ms. Leung Wing Yi	(b)	Directly beneficially owned Through spouse	100,000 359,705,000	0.01% 49.09%
			359,805,000	49.10%
DJE Investment S.A.	(C)	Investment manager	57,800,000	7.89%

#### Notes:

- (a) The interest of Tottenhill Limited was also disclosed as the interest of Mr. Chui Siu On in the above section headed "Directors' interests and short positions in shares and underlying shares".
- (b) These shares were disclosed as the personal and corporate interests of Mr. Chui Siu On, the husband of Ms. Leung Wing Yi, in the above section headed "Directors' interests and short positions in shares and underlying shares". Ms. Leung Wing Yi was deemed to be interested in these shares owned by her husband pursuant to Part XV of the SFO.
- (c) These shares were held by DJE Investment S.A. which was wholly controlled by DJE Kapital AG which in turn was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt. Accordingly, DJE Kapital AG and Dr. Jens Alfred Karl Ehrhardt were deemed to be interested in the 57,800,000 shares pursuant to Part XV of the SFO.
- # The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, no person, other than the directors of the Company, whose interests are set out in the above section "Directors' interests and short positions in shares and underlying shares", had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008 first half: HK\$0.024 per ordinary share).

### PURCHASE. SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### **AUDIT COMMITTEE**

The Audit Committee of the Company, comprising the three independent non-executive directors, namely Dr. Cheng Ngok (Chairman of the Audit Committee), Mr. Choi Hon Ting, Derek and Mr. Wu Karl Kwok, has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Company's interim report for the six months ended 30 June 2009.

### **CORPORATE GOVERNANCE**

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Mr. Chui Siu On currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. He is one of the founders of the Group and has extensive experience in the design and manufacture of automation equipment, precision mechanical components and machinery parts. The Board believes that by holding both roles, Mr. Chui will be able to provide the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

#### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 June 2009.

## COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") in respect of the dealings in the Company's securities by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the six months ended 30 June 2009.

## UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following is updated information of director of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

 Mr. Ng Kin Nam has resigned as a non-executive director of Peaktop International Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 925) on 17 July 2009.

#### **APPRECIATION**

The Board would like to take this opportunity to thank our shareholders for their continued support and the fellow directors and our staff for their contributions to the Group.

On behalf of the Board

Chui Siu On

Chairman and Managing Director

Hong Kong 22 September 2009

## **Condensed Consolidated Income Statement**

		Six months ended 30 June		
		2009 (Unaudited)	2008 (Unaudited)	
	Notes	HK\$'000	HK\$'000	
REVENUE	4&5	251,077	470,491	
Cost of sales		(247,076)	(345,249)	
Gross profit		4,001	125,242	
Other income and gains	5	18,610	3,403	
Selling and distribution costs		(7,225)	(11,165)	
Administrative expenses		(31,910)	(37,885)	
Other expenses		(3,029)	(7,380)	
Finance costs	6	(8,310)	(10,832)	
(LOSS)/PROFIT BEFORE TAX	7	(27,863)	61,383	
Tax	8	3,123	(4,756)	
(LOSS)/PROFIT FOR THE PERIOD		(24,740)	56,627	
Attributable to:				
Equity holders of the Company		(24,519)	57,053	
Minority interests		(221)	(426)	
		(24,740)	56,627	
(LOSS)/EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY				
EQUITY HOLDERS OF THE COMPANY	9			
Basic		HK(3.5) cents	HK8.0 cents	
Diluted		N/A	HK8.0 cents	
INTERIM DIVIDEND	10		16,824	

## Condensed Consolidated Statement of Comprehensive Income

	Six months er	Six months ended 30 June			
	2009	2008			
	(Unaudited)	(Unaudited)			
	HK\$'000	HK\$'000			
(Loss)/Profit for the period	(24,740)	56,627			
Other comprehensive income					
Exchange differences on translation of foreign operations	9,663	43,758			
Total comprehensive (loss)/income					
for the period, net of tax	(15,077)	100,385			
Attributable to:					
Equity holders of the Company	(14,863)	100,700			
Minority interests	(214)	(315)			
	(15,077)	100,385			

## **Condensed Consolidated Statement of Financial Position**

		At 30 June	At 31 December
		2009 (Unaudited)	2008
	Notes	HK\$'000	(Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment Prepaid land lease payments	11	1,066,312 38,342	1,122,805 38,582
Investment property	12	20,800	17,000
Loan to an unlisted equity investment  Available–for–sale investment		5,000 150	5,000 150
Other non-current assets		48	95
Deferred tax assets		4,775	1,150
Total non-current assets		1,135,427	1,184,782
CURRENT ASSETS	10		050.000
Inventories Trade receivables	13 14	213,211 184,534	259,220 165,325
Prepayments, deposits and other receivables		16,455	19,698
Cash and cash equivalents		54,526	136,468
Total current assets		468,726	580,711
TOTAL ASSETS		1,604,153	1,765,493
EQUITY			
Equity attributable to equity holders of the Company Issued capital	15	73,280	69,780
Reserves	10	871,847	874,287
Minority interests		945,127 884	944,067 1,098
TOTAL EQUITY		946,011	945,165
NON-CURRENT LIABILITIES Interest-bearing bank and other borrowings	16	204,970	259,519
Deferred tax liabilities	. 0	1,999	2,408
Other payables and accruals  Derivative financial instruments	18	319 6,396	472 6,557
Total non-current liabilities		213,684	268,956
CURRENT LIABILITIES Trade and bills payables	19	55,873	68,702
Other payables and accruals	13	127,150	219,805
Tax payable Interest-bearing bank and other borrowings	16	4,640 256,795	5,201 257,664
· ·	10	<del></del>	
Total current liabilities		444,458	551,372
TOTAL LIABILITIES		658,142	820,328
TOTAL EQUITY AND LIABILITIES		1,604,153	1,765,493
NET CURRENT ASSETS		24,268	29,339
TOTAL ASSETS LESS CURRENT LIABILITIES		1,159,695	1,214,121

## Condensed Consolidated Statement of Changes in Equity

				Attribut	able to ordin	ary equity hol	ders of the	Company					
		Share premium C account HK\$'000	ontributed surplus HK\$'000			Capital redemption reserve HK\$'000	Share option reserve		Retained profits	Proposed dividends HK\$'000			
At 1 January 2009	69,780	331,095	(1,116)	12,255	287	3,685	2,641	101,254	424,186		944,067	1,098	945,165
Loss for the period Other comprehensive income	- -	<u>-</u>	- -			- -		9,656	(24,519)		(24,519) 9,656	(221)	9,663
Total comprehensive income/(loss)								9,656	(24,519)		(14,863)	(214)	(15,077
Issue of shares Share issue expenses Equity-settled share option	3,500	11,781 (121)	-	-	-	-	-	-	-	-	15,281 (121)	-	15,281 (121
arrangements Transfer to retained profits				(47)			763		47		763		763
At 30 June 2009	73,280	342,755*	(1,116)*	12,208*	287*	3,685*	3,404*	110,910*	399,714*	_	945,127	884	946,011
At 1 January 2008	71,843	348,132	(1,116)	10,236	287	556	12,497	116,869	376,205	17,014	952,523	1,767	954,290
Profit for the period Other comprehensive income	-				-	- 		43,647	57,053		57,053 43,647	(426) 111	56,627
Total comprehensive income								43,647	57,053		100,700	(315)	100,38
Final 2007 dividend paid Exercise of share options Repurchase of shares	- 147 (1,410)	- 1,000 -	- - -	- - -	- - -	-	- - -	- - -	-	(16,991) - -	(16,991) 1,147 (1,410)	- - -	(16,991 1,147 (1,410
or shares Capital redemption reserve arising from repurchase	=	(11,982)	=	-	-	-	-	-	-	-	(11,982)	-	(11,982
of shares Equity-settled share option	-	-	-	-	-	1,410	-	-	(1,410)	-	-	-	-
arrangements Forfeiture of options	-	-	-	-	-	-	280 (249)	-	- 249	-	280	-	280
Proposed interim 2008 dividend Fransfer to retained profits	-						-		(16,916)	16,916 (23)			-
At 30 June 2008	70,580	337,150*	(1,116)*	10,236*	287*	1,966*	12,528*	160,516*	415,204*	16,916	1,024,267	1,452	1,025,719

<sup>\*</sup> These reserve accounts comprise the consolidated reserves of HK\$871,847,000 (30 June 2008: HK\$936,771,000) in the condensed consolidated statement of financial position.

## **Condensed Consolidated Statement of Cash Flow**

		Six months ended 30 June			
		2009	2008		
		(Unaudited)	(Unaudited)		
	Note	HK\$'000	HK\$'000		
Net cash inflow from operating activities		29,539	77,898		
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for purchase of items of property, plant and equipment		(74,123)	(56,143)		
Proceeds from disposal of items of property,			, , ,		
plant and equipment		2,173	1,133		
Net cash outflow from investing activities		(71,950)	(55,010)		
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		15,281	(40,000)		
Repurchase of shares		-	(13,392)		
Share options exercised		100.040	1,147		
New bank loans and other borrowings  Repayment of bank loans and other borrowings		128,242 (176,989)	255,000		
Capital element of finance lease rental payments		(8,629)	(198,024) (15,826)		
Dividends paid		(0,029)	(16,991)		
Dividends paid		<del>-</del>	(10,991)		
Net cash (outflow)/inflow from financing activities		(42,095)	11,914		
NET (DECREASE)/INCREASE IN CASH AND					
CASH EQUIVALENTS		(84,506)	34,802		
Cash and cash equivalents at beginning of period		136,468	233,950		
Effect of foreign exchange rate changes, net		606	4,427		
CASH AND CASH EQUIVALENTS AT					
END OF PERIOD		52,568	273,179		
ANALYSIS OF BALANCES OF CASH AND					
CASH EQUIVALENTS					
Cash and bank balances		49,525	81,521		
Non-pledged time deposits with original maturity					
of less than three months when acquired		5,001	191,713		
		54,526	273,234		
Bank overdrafts	16	(1,958)	(55)		
		52,568	273,179		

Six months ended 30 June 2009

### 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 July 2002 under the Companies Law. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 November 2004.

The principal place of business is located at 11th Floor, Block E1, Hoi Bun Industrial Building, No. 6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The principal activities of the Group during the period were the manufacture and sale of precision metal components for hard disk drives ("HDD"), hydraulic equipment, automotive parts and components for other applications.

In the opinion of the directors, the holding company and the ultimate holding company of the Group is Tottenhill Limited, which was incorporated in the British Virgin Islands.

### 2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 June 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of a subsidiary during prior year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combination to the fair value of the identifiable assets acquired, at the date of acquisition. The cost of the acquisition is measured at the fair value of the assets given, plus costs directly attributable to the acquisition.

Minority interests represent the interests of an outside shareholder not held by the Group in the results and net assets of a subsidiary of the Company.

Six months ended 30 June 2009

### 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2009.

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments) Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 20081

HKFRSs (Amendments) Improvements to HKFRSs issued in 2009<sup>2</sup>
HKAS 27 (Revised) Consolidated and Separate Financial Statements<sup>1</sup>

HKAS 39 (Amendment) Eligible Hedged Items<sup>1</sup>

HKFRS 1 (Revised) First-time Adoption of HKFRSs<sup>1</sup>

HKFRS 2 (Amendment) Group Cash-settled Share-based Payment Transactions<sup>4</sup>

HKFRS 3 (Revised) Business Combinations<sup>1</sup>

HK(IFRIC) – Int 17 Distribution of Non-cash Assets to Owners¹
HK(IFRIC) – Int 18 Transfer of Assets from Customers³

#### Notes:

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2009
- Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
- Effective for transfers on or after 1 July 2009
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2010

The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and financial position of the Group.

Six months ended 30 June 2009

### 4. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating businesses are structured and managed separately according to the geographical locations of the customers. Each of the Group's geographical segments represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments.

The Group is currently organized into 6 operating segments: (1) Thailand; (2) Malaysia; (3) Mainland China, Macau and Hong Kong; (4) North America; (5) Europe; and (6) Other countries.

The segment results for the six months ended 30 June 2009 are as follows:

			Six		d 30 June 2009			
	Thailand HK\$'000	Malaysia HK\$'000	Mainland China, Macau and Hong Kong HK\$'000	(Unaud North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue: Sales to external customers Intersegment sales Other revenue	82,320 16,569 4,898	53,166 - -	62,349 10 13,572	24,152 - -	18,031 - -	11,059 - -	- (16,579) -	251,077 - 18,470
Total revenue	103,787	53,166	75,931	24,152	18,031	11,059	(16,579)	269,547
Segment results	2,268	(6,918)	(9,310)	(3,143)	(2,346)	1,440	668	(20,221)
Interest income Interest expense								140 (7,782)
Loss before tax Tax								(27,863)
Loss for the period								(24,740)
Attributable to: Equity holders of the company Minority interests								(24,519)
								(24,740)

Six months ended 30 June 2009

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2008 are as follows:

	Six months ended 30 June 2008 (Unaudited) Mainland							
		Malaysia HK\$'000	China, Macau and Hong Kong HK\$'000	North America HK\$'000			Eliminations HK\$'000	
Segment revenue: Sales to external customers Intersegment sales Other revenue	165,436 40,847 869	112,891 - -	79,385 10 1,524	39,828 - -	55,488 - -	17,463 - -	(40,857) 	470,491 - 2,393
Total revenue	207,152	112,891	80,919	39,828	55,488	17,463	(40,857)	472,884
Segment results	19,836	18,812	24,232	9,247	6,637	2,910	(11,005)	70,669
Interest income Interest expense								1,010 (10,296)
Profit before tax Tax								61,383
Profit for the period								56,627
Attributable to: Equity holders of the company Minority interests								57,053 (426)
								56,627

Six months ended 30 June 2009

### 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June		
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	
Revenue Sale of goods and materials	251,077	470,491	
Other income Bank interest income Others	140 364 504	1,010 1,855 	
Gains Foreign exchange gains, net Fair value gains: Derivative financial instruments – transactions not qualifying	14,145		
as hedges Interest rate swap Fair value gains on investment property Gain on disposal of items of property, plant and equipment	161 3,800 	- - 538	
	18,106	538	
	18,610	3,403	

### 6. FINANCE COSTS

	Six months en	Six months ended 30 June		
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000		
Interest on bank loans and overdrafts wholly repayable				
within five years	7,576	9,397		
Interest on finance leases	163	898		
Financial arrangement fees	528	537		
Other interest expense	43			
	8,310	10,832		

Six months ended 30 June 2009

### 7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June		
	2009	2008	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Cost of inventories sold	247,076	345,249	
Depreciation	74,348	62,575	
Recognition of prepaid land lease payments	450	452	
Equity-settled share option expense	763	280	
Auditors' remuneration	1,094	840	
Impairment of trade receivables	1,528	_	
Fair value (gains)/losses, net:	,		
Derivative financial instruments – transactions not qualifying			
as hedges			
Interest rate swap	(161)	187	
Forward currency contracts	_	69	
	(161)	256	
Loss on disposal of items of property, plant and equipment	202	146	
Loss on disposal of items of property, plant and equipment	202	140	

### 8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (16.5% for the six months ended 30 June 2008) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June 2009 (Unaudited) (Unau		
Group:	HK\$'000	HK\$'000	
Current – Elsewhere			
Charge for the period	362	4,895	
Deferred tax	(3,485)	4,895 (139)	
Total tax (credit)/charge for the period	(3,123)	4,756	

Six months ended 30 June 2009

### **8.** TAX (Continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Six months er 2009 (Unaudited) HK\$'000	nded 30 June 2008 (Unaudited) HK\$'000
(Loss)/Profit before tax	(27,863)	61,383
Tax at the applicable tax rates Lower tax rate for local authorities Expenses not deductible for tax Income not subject to tax Tax losses not recognised Adjustment in respect of current tax of previous year	(5,308) - 2,929 (1,686) 942 -	8,678 (848) 6,376 (9,881) 435 (4)
Tax (credit)/charge at the Group's effective rate of 11.2% (2008: 7.7%)	(3,123)	4,756

According to the income tax law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises, Dongguan Koda Metal Products Company Limited ("Dongguan Koda") and Guangzhou Xing Hao Precision Metal Products Company Limited ("Xing Hao"), two wholly-owned subsidiaries of the Company established in the Dongguan Coastal Economic Open Zone and Zengcheng Xiancun Lantian Economic Open Zone, respectively, were subject to corporate income tax at a rate of 24%, and were exempt from PRC corporate income tax for the first two profitable years of their operations, and thereafter, were eligible for a 50% relief from PRC corporate income tax for the following three years.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which became effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to Enterprises with Foreign Investment from 1 January 2008 increases to 25% after cessation of existing tax favourable policies. The implementation of the New CIT Law directly affects the Group's effective tax rate prospectively from 2008.

Pursuant to the New CIT Law, Dongguan Koda was subject to a tax rate of 25% for the period ended 30 June 2009 (25% for the six months ended 30 June 2008). Xing Hao began its first profitable year in the year ended 31 December 2004 and it was subject to a tax rate of 25% during the period ended 30 June 2009 (12.5% for the six months ended 30 June 2008).

Integrated Precision Engineering (Thailand) Company Limited ("IPE Thailand"), a company incorporated in Thailand, is subject to income tax in Thailand at a rate of 30% (30% for the six months ended 30 June 2008). IPE Thailand has three production factories, Factory I and Factory II (Phase 1) and Factory II (Phase 2). Factory II (Phase 2) is currently enjoying an exemption from income tax granted by the Board of Investment, a government authority in Thailand, for a period of eight years from 1 July 2005 to 30 June 2013 for income generated therefrom. Factory II (Phase 2) is also entitled to tax exemption for one additional year after the aforementioned tax holiday if certain conditions are met.

Under Decree-Law no.58/99/M, companies in Macau incorporated under that Law (referred to as the "58/99/M Companies") are exempted from Macau complementary tax (Macau income tax) as long as they do not sell their products to a Macau resident company. IPE Macao Commercial Offshore Limited, a subsidiary of the Group in Macau, is qualified as a 58/99/M Company.

Six months ended 30 June 2009

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

A diluted (loss) per share for the six months ended 30 June 2009 has not been disclosed as the share options outstanding during the period have an anti-diutive effect on the basic (loss) per share for the period.

The calculation of diluted earnings per share is based on the profit for the six months ended 30 June 2008 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation was the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted (loss)/earnings per share are based on:

	Six months e 2009 (Unaudited) HK\$'000	ended 30 June 2008 (Unaudited) HK\$'000
(Loss)/Earnings (Loss)/Profit attributable to ordinary equity holders of the Company used in the basic (loss)/earnings per share calculation	(24,519)	57,053
		of shares usands)
Shares Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation Effect of dilution – weighted average number of ordinary shares: Share options	703,628	709,543
	703,628	712,988

### 10. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: HK2.4 cents per ordinary shares).

	Six months end	ded 30 June	
	2009		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
	ПКФ 000	ПКФ 000	
Interim dividend – Nil (2008: HK2.4 cents per ordinary share)		16,824	

Six months ended 30 June 2009

### 11. PROPERTY, PLANT AND EQUIPMENT

Unaudited		Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Con- struction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At 1 January 2009	297,734	6,394	1,106,639	33,608	20,011	156,128	1,620,514
Additions	47	_	7,314	117	-	3,823	11,301
Transfer in/(out)	11	_	7,452	450	6	(7,919)	-
Disposals	-	-	(10,917)	(148)	-	-	(11,065)
Exchange realignment	2,487	7	9,787	272	106	961	13,620
At 30 June 2009	300,279	6,401	1,120,275	34,299	20,123	152,993	1,634,370
Accumulated depreciation:							
At 1 January 2009	(57,344)	(4,498)	(409,045)	(15,252)	(11,570)	_	(497,709)
Depreciation provided	(0.,0)	( ', ' /	(100,010)	(**,=*=)	(, )		( , ,
during the period	(8,962)	(296)	(60,458)	(3,277)	(1,355)	_	(74,348)
Disposals	_	_	8,544	146	_	_	8,690
Exchange realignment	(486)	(1)	(4,031)	(126)	(47)		(4,691)
At 30 June 2009	(66,792)	(4,795)	(464,990)	(18,509)	(12,972)		(568,058)
At 30 June 2009:							
Cost	300,279	6,401	1,120,275	34,299	20,123	152,993	1,634,370
Accumulated depreciation	(66,792)	(4,795)	(464,990)	(18,509)	(12,972)		(568,058)
Net carrying amount	233,487	1,606	655,285	15,790	7,151	152,993	1,066,312
At 31 December 2008:							
Cost	297,734	6,394	1,106,639	33,608	20,011	156,128	1,620,514
Accumulated depreciation	(57,344)	(4,498)	(409,045)	(15,252)	(11,570)	-	(497,709)
Net carrying amount	240,390	1,896	697,594	18,356	8,441	156,128	1,122,805

Six months ended 30 June 2009

### 12. INVESTMENT PROPERTY

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Carrying amount at 1 January  Net gain/(loss) from a fair value adjustment (note 5)  Disposal of an investment property	17,000 3,800 ———————————————————————————————————	21,046 (3,000) (1,046)

The Group's investment property was revalued on 30 June 2009 by Centaline Surveyors Limited, independent professionally qualified valuers, at HK\$20,800,000 on an open market, existing use basis.

Particulars of the Group's investment property is as follows:

Location	Use	Tenure	Attributable interest of the Group
Unit B Golden Lake Villa No. 29 Silver Cape Road, Sai Kung New Territories, Hong Kong	Residence	Medium term lease	100%

### 13. INVENTORIES

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Raw materials Consumables Work in progress Finished goods	73,202 43,121 49,578 54,446	114,548 43,461 49,982 58,365
Less: Provision for inventory obsolescence	220,347 (7,136) 213,211	266,356 (7,136) 259,220

Six months ended 30 June 2009

### 14. TRADE RECEIVABLES

	At	
	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	188,034	169,263
	· ·	
Impairment	(3,500)	(3,938)
	184,534	165,325

The Group's trading terms with its customers are mainly on credit, except for new customers where payments in advance are normally required. The credit period generally ranges from 30 to 120 days, but longer credit terms will be granted to certain major customers with the approval of the directors. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$3,500,000 (2008: HK\$3,938,000) with a carrying amount of HK\$3,500,000 (2008: HK\$3,938,000). The individually impaired trade receivables relate to customers that were in dispute and only a portion of the receivables is expected to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	At 30 June 2009 (Unaudited) HK\$ <sup>3</sup> 000	At 31 December 2008 (Audited) HK\$'000
Within 1 month	68,755	31,409
1 to 2 months	56,743	49,888
2 to 3 months	36,450	59,569
3 to 4 months	18,608	20,889
4 to 12 months	7,473	6,420
Over 12 months	188,034	1,088

Six months ended 30 June 2009

### 14. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Neither past due nor impaired Less than 90 days past due 90 to 180 days past due Over 180 days past due	125,498 53,489 5,542 5	81,297 80,458 3,562
	184,534	165,325

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

### 15. SHARE CAPITAL

Shares	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Authorised: 1,200,000,000 (31 December 2008: 1,200,000,000) ordinary shares of HK\$0.1 each	120,000	120,000
Issued and fully paid: 732,795,000 (31 December 2008: 697,795,000) ordinary shares of HK\$0.1 each	73,280	69,780

Six months ended 30 June 2009

### 15. SHARE CAPITAL (Continued)

The movements in share capital for the period ended 30 June 2009 and year ended 31 December 2008 were as follows:

	Notes	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2008		718,425,000	71,843	348,132	419,975
Share options exercised	(a)	10,655,000	1,066	8,861	9,927
Repurchase of shares	(b)	(31,285,000)	(3,129)	(25,898)	(29,027)
At 31 December 2008 and 1 January 2009		697,795,000	69,780	331,095	400,875
Placement of new shares	(c)	35,000,000	3,500	11,781	15,281
Share issue expenses	(c)			(121)	(121)
At 30 June 2009		732,795,000	73,280	342,755	416,035

- (a) The subscription rights attaching to 10,655,000 share options were exercised in 2008 at the subscription price of HK\$0.78 per share, resulting in the issue of 10,655,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$8.31 million. The corresponding share option reserve for the share options exercised was also transferred to the share premium account accordingly.
- (b) The Company repurchased its own shares on the Stock Exchange during the year ended 31 December 2008. The shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares. The premium on the repurchase was charged against share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.
- (c) On 12 June 2009, the Company placed 35,000,000 new shares at the subscription price of HK\$0.4366 per share, resulting in a total cash consideration, before expenses, of HK\$15,281,000.

Six months ended 30 June 2009

### 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

(Unaudited) HK\$'000 11,771 1,958 60,000 139,593 43,473 256,795	(%)  1.54-10.20  - 2.00-2.75 1.60-6.80 1.99-5.54	Maturity  2009  On demand  On demand  2009  2009	(Audited) HK\$'000 14,056 - 60,000 132,491 51,117 257,664
1,958 60,000 139,593 43,473 256,795	2.00-2.75 1.60-6.80 1.99-5.54	On demand On demand 2009 2009	60,000 132,491 51,117
60,000 139,593 43,473 256,795	1.60-6.80 1.99-5.54	On demand 2009 2009	132,491
139,593 43,473 256,795	1.60-6.80 1.99-5.54	2009	132,491
43,473 256,795	1.99-5.54	2009	51,117
256,795			
	1.54-10.20		257,664
10,043	1.54-10.20		
		2010-2011	77
194,927	1.60-6.80	2010-2011	259,442
204,970			259,519
461,765			517,183
	20 (Unaudite	009 ed)	At December 2008 (Audited) HK\$'000
	112,0 82,8	996 331	192,491 136,370 123,072 451,933
	55,2 6,1	244 150	65,173 49 28
	65,2	287	65,250
	461,7	765	517,183
	204,970	204,970 461,765  30 Ju 20 (Unaudite HK\$'0 82,8 396,4 55,2 6,1 3,8 65,2	204,970 461,765

Interest rates for all the Group's borrowings are floating. The carrying amounts of the Group's borrowings approximate to their fair values.

Six months ended 30 June 2009

### 17. FINANCE LEASE PAYABLES

The Group leases certain of its machineries for its high precision metal component business. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 30 June 2009, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 30 June 2009 (Unaudited) HK\$'000	Minimum lease payments 31 December 2008 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2009 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2008 (Audited) HK\$'000
Amounts payable: Within one year In the second year In the third to fifth years, inclusive	12,705 6,484 4,000	14,349 58 29	11,771 6,150 3,893	14,056 49 28
Total minimum finance lease payments  Future finance charges	(1,375)	(303)	21,814	14,133
Total net finance lease payables  Portion classified as current liabilities	21,814	14,133		
Non-current portion	10,043	77		

Six months ended 30 June 2009

### 18. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Derivative financial instruments – transactions not qualifying as hedges		
Non-Current Liabilities Interest rate swap*	6,396	6,557

The carrying amounts of the interest rate swap and forward currency contracts are the same as their fair values.

\* At 30 June 2009, the Group had an interest rate swap agreement with Standard Chartered Bank to manage its interest rate exposure in connection with the Group's long term banking facilities which did not meet the criteria for hedge accounting. A notional amount of HK\$125,000,000 (December 2008: HK\$125,000,000) with floating rate was swapped into fixed rate. The agreement lasts for four years and will expire in April 2012.

### 19. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Within 1 month 1 to 2 months 2 to 3 months 3 to 4 months 4 to 12 months Over 1 year	22,953 23,837 6,326 1,728 1,005 24	12,584 20,485 17,480 11,721 6,418 14

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days.

Six months ended 30 June 2009

### 20. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities of the Group not provided for in the financial statements were as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Guarantees given to an electricity company	1,081	1,033

### 21. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its office equipment under operating lease arrangements. Leases for office equipment are negotiated for terms ranging from one to three years. None of these leases include contingent rentals.

At 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At	
	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year In the second to fifth years, inclusive	965 118	1,424 521
	1,083	1,945

Six months ended 30 June 2009

### 22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following capital commitments at the balance sheet date:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Authorized, but not contracted for: Renovation of buildings		261
Contracted but not provided for: Plant and machinery Construction in progress	5,686 2,057	5,869 3,119
	7,743	8,988
	7,743	9,249

### 23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits Equity-settled share option expense Post-employment benefits	6,097 477 59	5,584 - 62
Total compensation paid to key management personnel	6,633	5,646

### 24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

### 25. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 22 September 2009.