



IPE

Group Limited 2011 Interim Report

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 929)





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CORPORATE INFORMATION



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 Keung

Mr. Lau Siu Chung

Mr. Yuen Chi Ho

Independent Non-executive Directors

Dr. Cheng Ngok

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

Mr. Nguyen, Van Tu Peter

AUTHORISED REPRESENTATIVES

Mr. Chui Siu On

Mr. Tam Yiu Chung

COMPANY SECRETARY

Mr. Tam Yiu Chung

AUDIT COMMITTEE

Dr. Cheng Ngok (*Chairman*)

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

Bangkok Bank Public Company Limited

CITIC Bank International 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

STOCK CODE

929

LISTING VENUE

Main Board of The Stock Exchange of Hong Kong Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Block E1

Hoi Bun Industrial Building

No. 6 Wing Yip Street

Kwun Tong, Kowloon

Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Shangwei Shahe Community

Yue Hu Cun

Zengcheng, Guangzhou

Guangdong Province

The PRC

Post code: 511335

PRINCIPAL PLACE OF BUSINESS IN THAILAND

99/1 Mu Phaholyothin Road, Sanubtueb

Wangnoi, Ayutthaya 13170

Thailand

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

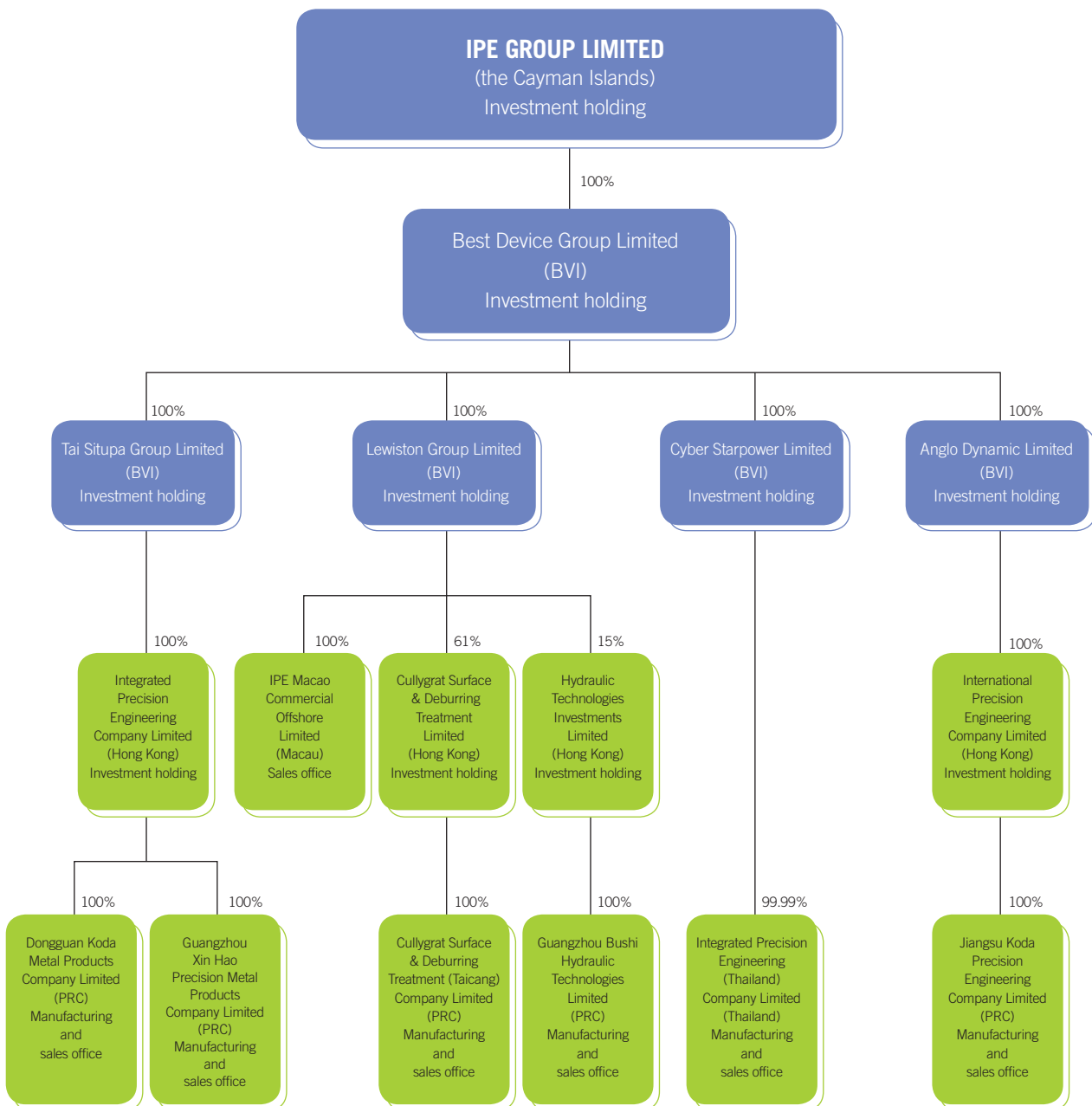
WEBSITE

<http://www.ipegroup.com>

G ROUP STRUCTURE

GROUP STRUCTURE

Principal subsidiaries and the joint venture of the Company as at 30 June 2011



CORPORATE MILESTONE



CORPORATE MILESTONE

2011

Jiangsu Koda was accredited ISO 9001:2008 certification

2010

Guangzhou Xin Hao was accredited AS9100 certification — aerospace certification

Guangzhou Xin Hao was accredited Superior Supplier of Eaton Hydraulics Systems (Jining) Co. Ltd.

Guangzhou Xin Hao was accredited Excellence Supplier of Delphi Shanghai Dynamic Propulsion Systems Co. Ltd.

2009

Guangzhou Xin Hao was accredited High and New Technology Enterprise

Guangzhou Xin Hao was accredited ISO 14001:2004 certification

Guangzhou Xin Hao was accredited Best Technology Development Supplier of Continental Automotive Wuhu Co. Ltd.

2008

IPE (Hong Kong) was accredited Preferred Supplier of the Bosch Group

IPE (Thailand) was accredited TS16949 certification — automotive certification

2007

IPE (Thailand) was accredited ISO 14001:2004 certification

Participated in the Sino-Italian joint venture, Hydraulic Technologies Investments Limited and its wholly owned subsidiary, Guangzhou Bushi Hydraulic Technologies Limited, which is engaged in the assembly of hydraulic valves and devices in China. IPE Group owns a 15% interest in this joint venture

2006

Guangzhou Xin Hao was accredited with TS16949 certification — automotive certification

CORPORATE MILESTONE

2005

Qualified by Bosch, Delphi, Siemens VDO and TRW as an qualified automotive components vendor

2004

Listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 November 2004

2002

IPE (Thailand)'s production facility was accredited ISO 9001 certification

Dongguan Koda's production factory was accredited ISO 9001:2000 and QS 9000 certifications

Established Guangzhou Xin Hao in Mainland China

1997

Established IPE (Thailand) in Thailand

IPE (Singapore) was awarded the "Top 50 outstanding enterprise" by the Singapore Government

1994

Established IPE (Hong Kong) in Hong Kong

Established Dongguan Koda in Mainland China

1990

Established IPE (Singapore) in Singapore

CORPORATE PROFILE



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 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.

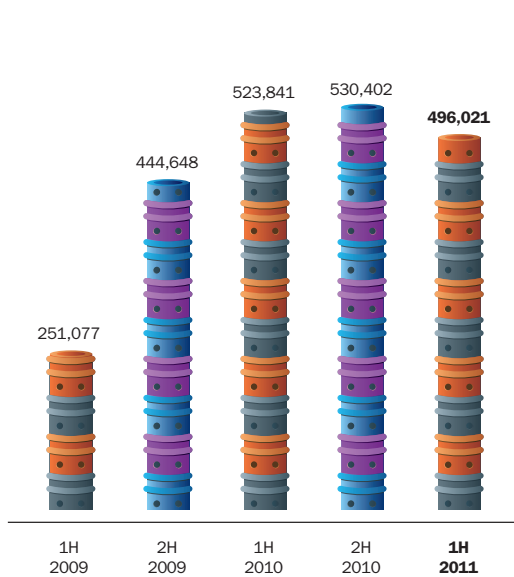
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INANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

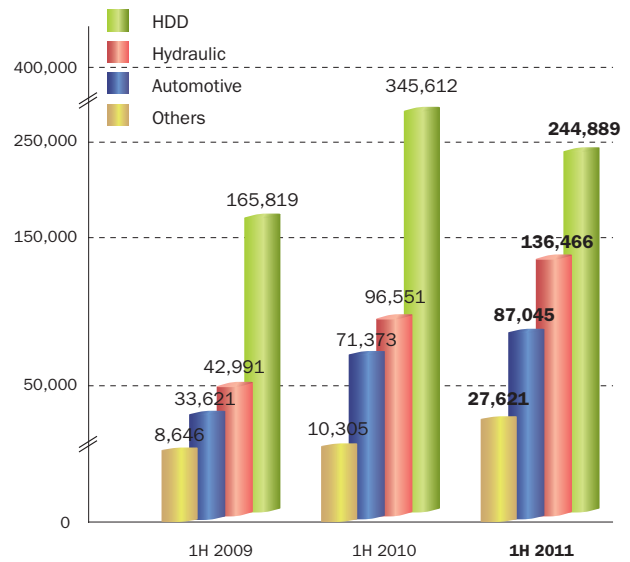
REVENUE

(HK\$'000)

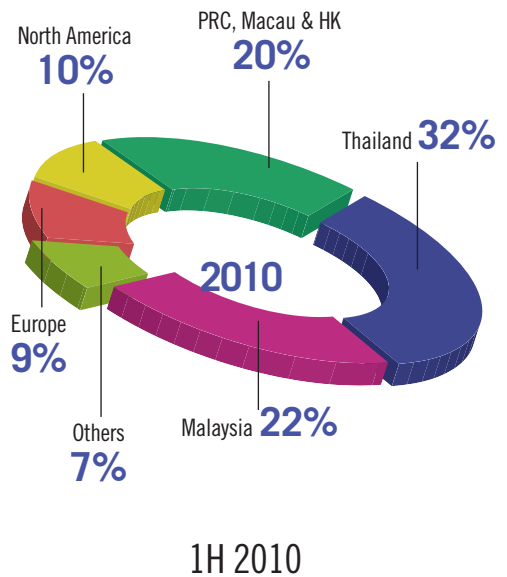
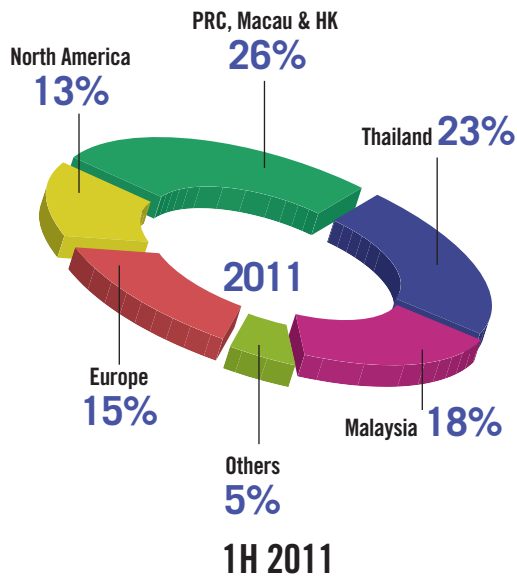


BUSINESS SEGMENTS

(HK\$'000)



GEOGRAPHICAL COMBINATION



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INANCIAL HIGHLIGHTS



RATIO ANALYSIS

	30 June	Year ended 31 December				
	2011	2010	2009	2008	2007	2006
KEY STATISTICS:						
Current ratio	1.22	1.23	1.26*	1.05*	1.29*	1.36*
Gearing ratio (net borrowings/ shareholders' equity)	0.14	0.19	0.25	0.40	0.35	0.31
Dividend payout ratio	26.7%	29.9%	—	27.9%	29.8%	30.7%
Gross profit margin	18.8%	25.9%	15.6%	23.8%	25.6%	29.3%
Net profit margin	7.1%	12.6%	1.8%	7.0%	13.3%	14.6%
Average days of debtor turnover	90 days	80 days	104 days	85 days	92 days	92 days
Average days of inventory turnover	94 days	86 days	137 days	127 days	122 days	143 days
PER SHARE DATA:						
Net asset value per share (HK\$)	1.38	1.34	1.15	1.35	1.33	1.12
Cash per share	HK4.3 cents	HK3.9 cents	HK1.9 cents	HK2.0 cents	HK3.3 cents	HK1.9 cents

* Restated

NET DEBT TO EQUITY RATIO

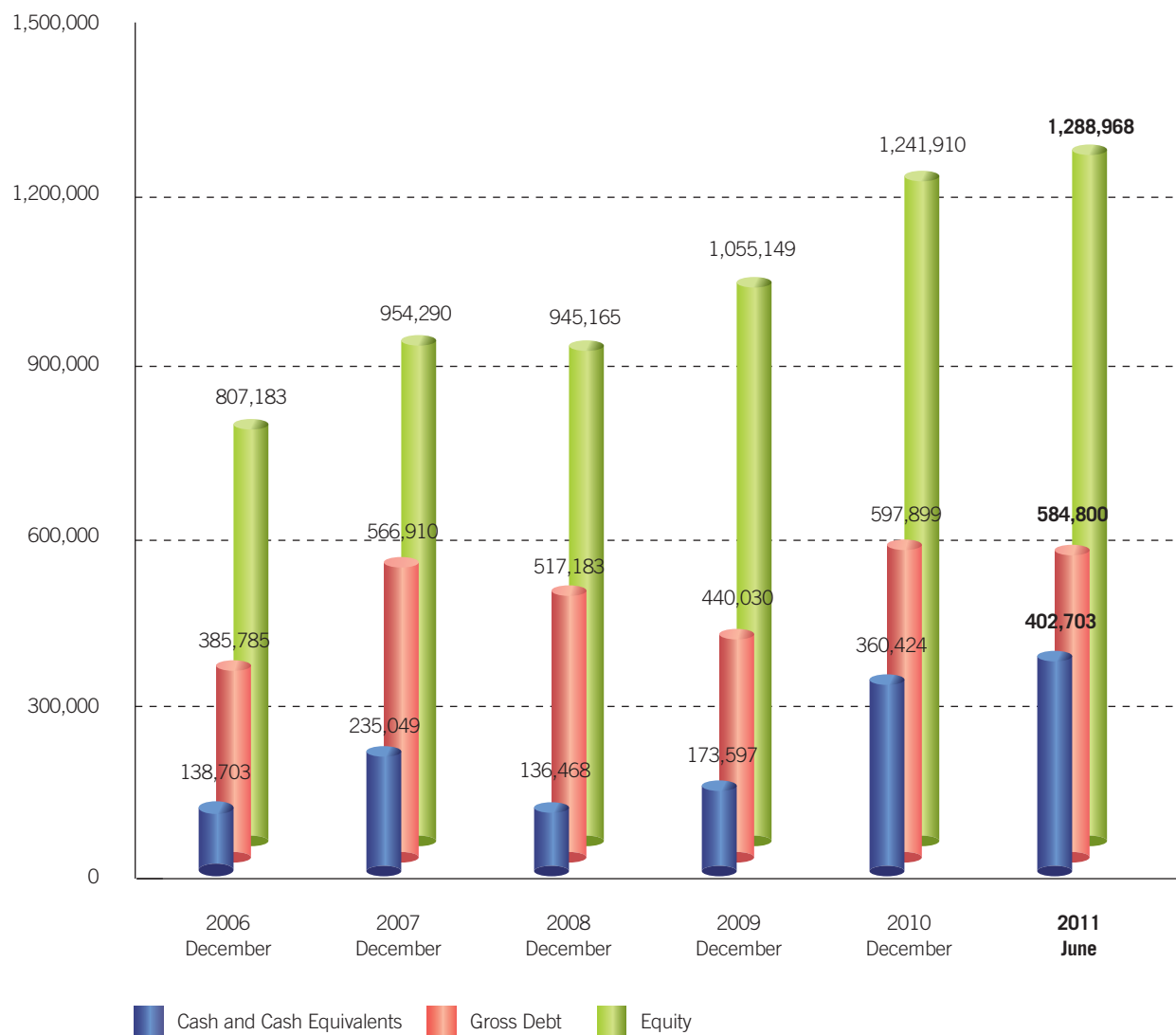


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INANCIAL HIGHLIGHTS

EQUITY, GROSS DEBT AND CASH AND CASH EQUIVALENTS

(HK\$'000)



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ANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

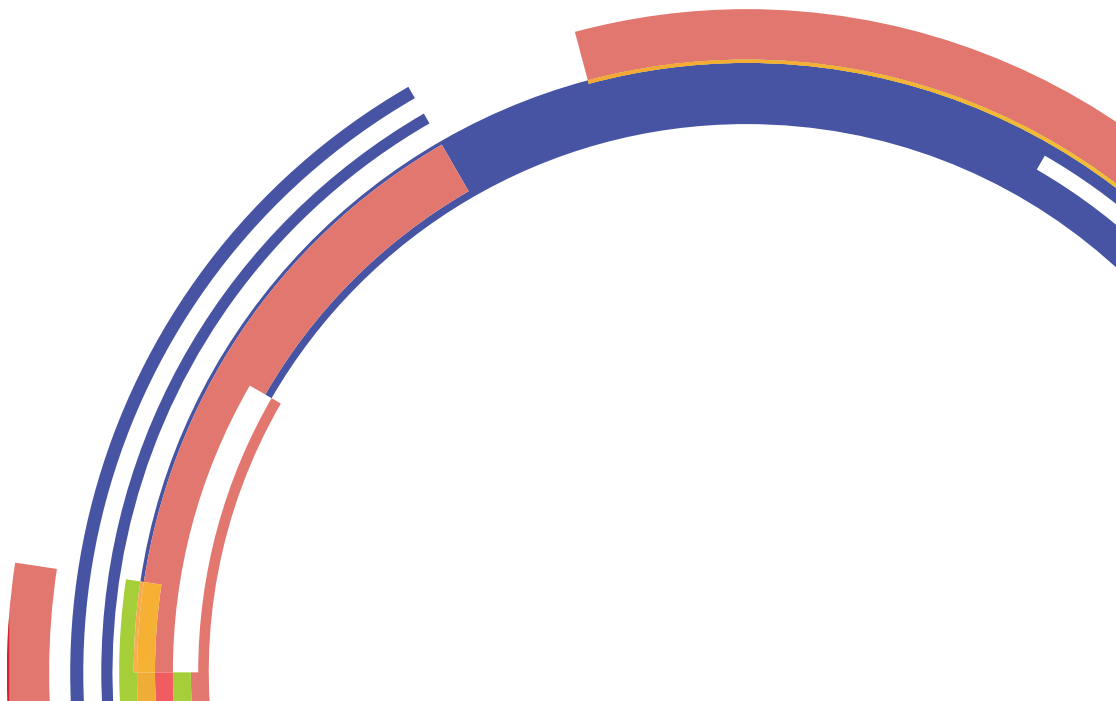
BUSINESS REVIEW

For the six months ended 30 June 2011, the Group recorded a revenue of HK\$496.0 million, down 5.3% from revenue in the same period of last year, and a net profit for the period of HK\$35.4 million, down 46.5% from net profit in the same period of last year. Gross profit margin and net profit margin were 18.8% and 7.1%, representing a decrease of 6.9 percentage points and 5.5 percentage points respectively as compared to the same period of last year.

After achieving a new record of revenue and of net profit in 2010, the Group was full of confidence for 2011. We were expecting the global economic recovery to be sustained with positive implications for the growth of our business. Instead there was a slowdown in the global economic recovery. At the same time we were buffeted by rising labour and raw material costs. In addition our business was adversely impacted by supply chain disruptions caused by the tsunami in Japan in March. Our Group's sales of hard disk drives (HDD) components were particularly susceptible because of uncertainties about the impact of the burgeoning success of tablets on HDD demand. Our Group's sales of HDD components amounted to HK\$244.9 million for the six months ended 30 June 2011, representing a decrease of HK\$100.7 million or 29.1% as compared to the first half of 2010.

The sharp decline in our Group's sales of HDD components was offset by record half year sales of hydraulic equipment components and automotive components. Thus, our overall revenue for the six months ended 30 June 2011 only recorded a slight decrease of 5.3% from the first half of last year. As a result, the business mix has changed from 66.0%, 18.4%, 13.6% of HDD components, hydraulic equipment components and automotive components, respectively in the six months ended 30 June 2010 to 49.4%, 27.5% and 17.5% in this current period.

The sharp drop in HDD components sales meant that operating leverage worked against us. This effect was very pronounced in our Thailand operations. In our China operations, we were able to use some of our under-utilized HDD capacity in the production of other non-HDD components, albeit at a cost of certain inefficiencies. In both countries, we were not able to resist the pressures on margins stemming from higher labour costs and we had higher depreciation expenses.

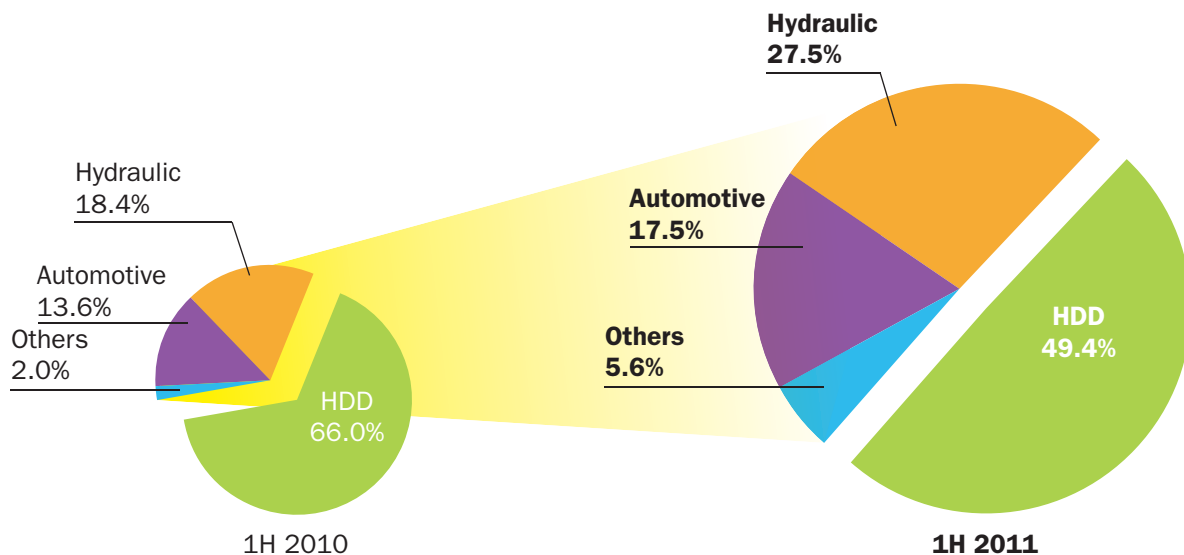


FINANCIAL REVIEW

Sales

The Group's turnover by business segments during the interim period under review, with comparative figures for first half of 2010, is as follows:

	1H 2011 HK\$'000	%	1H 2010 HK\$'000	%	% Change
HDD components	244,889	49.4%	345,612	66.0%	(29.1%)
Hydraulic equipment components	136,466	27.5%	96,551	18.4%	41.3%
Automotive components	87,045	17.5%	71,373	13.6%	22.0%
Others	27,621	5.6%	10,305	2.0%	168.0%
	496,021	100.0%	523,841	100.0%	(5.3%)



The Group sales of HDD components recorded HK\$244.9 million for the six months ended 30 June 2011, a decrease of 29.1% as compared to the last corresponding period.

Sales of hydraulic equipment components contributed HK\$136.5 million during the interim period under review, an increase of 41.3% as compared to the last corresponding period, setting a half-yearly record.

Sales of automotive components recorded a growth of 22.0% to HK\$87.0 million for the six months ended 30 June 2011 when compared to the corresponding period in 2010, also setting a new half-yearly record.



Gross profit

The gross profit margin of the Group was 18.8% during the period under review, representing a decrease of 6.9 percentage points as compared to the last corresponding period.

During the period under review, the substantial increase in wages in the PRC and Thailand, and the appreciation of Renminbi and Thai Baht caused the direct labour cost to increase by nearly 20%. In addition, depreciation also increased by nearly 10% as new machineries purchased in the fourth quarter of 2010 came into service, and the appreciation of the Renminbi and Thai Baht also caused the depreciation charge to increase. Higher wage cost and higher depreciation expenses were the main factors for the drop in profit margins.

Other income and gains

Other income and gains amounted to HK\$12.1 million for the six months ended 30 June 2011, mainly comprising foreign exchange gains, fair value gains on investment property, interest income and fair value gains of interest rate swap of the amount of HK\$2.3 million, HK\$1.7 million, HK\$1.4 million and HK\$1.3 million, respectively.

Selling and distribution costs

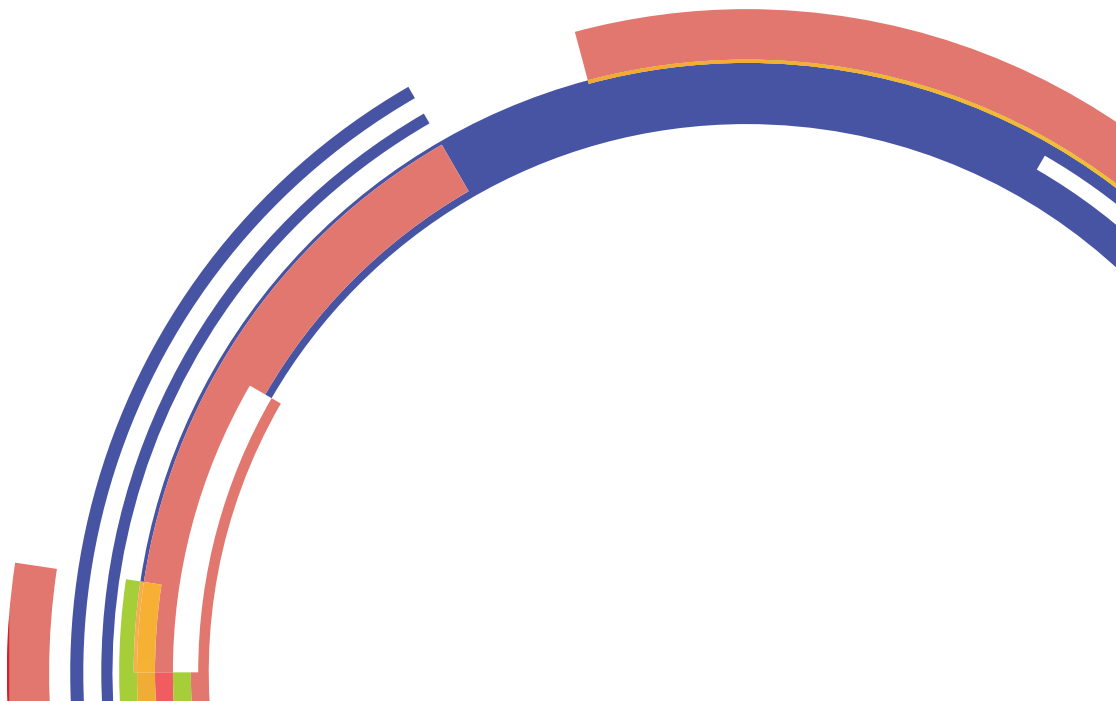
During the period under review, selling and distribution costs totaled HK\$10.7 million, amounting to 2.2% of turnover. Compared with 2.4% of turnover in the corresponding period of 2010 or 2.9% in the corresponding period of 2009, the continuing reduced percentage indicates that the cost savings measures implemented by the Group were successful.

Administrative expenses

During the period under review, the Group's general and administrative expenses increased 5.6% from HK\$44.2 million to HK\$46.7 million as compared to the corresponding period of 2010. The increase was mainly attributable to general increase in various office expenses and the increased tax rate on PRC's Educational Fee Tax and Urban Construction and Maintenance Tax.

Finance costs

Finance costs increased by 18.5% or HK\$1.3 million to HK\$8.2 million for the period under review as compared to the corresponding period in 2010. The increase is mainly due to the increased cost of borrowing. However, the Group's gearing ratio continued to improve, decreasing from 19.1% as at 31 December 2010 to 14.1% as at 30 June 2011.



Profit attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company for the six months ended 30 June 2011 amounted to HK\$35.4 million as compared to the net profit of HK\$66.1 million for the six months ended 30 June 2010.

DETAILS OF CHARGES ON THE GROUP'S ASSETS

As at 30 June 2011, the Group had total borrowings of HK\$584.8 million (31 December 2010: HK\$594.7 million) secured by corporate guarantee made by the Company. The Group had no charges on any of its assets for its banking facilities as at 30 June 2011.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by its bankers.

As at 30 June 2011, cash per share was HK\$0.43 (31 December 2010: HK\$0.39) and net asset value per share was HK\$1.38 (31 December 2010: HK\$1.34), based on the 931,970,290 ordinary shares in issue (31 December 2010: 929,088,751).

During the period under review, the Group recorded a net cash inflow from operating activities of HK\$101.2 million (2010: HK\$154.6 million). With the purchase of property, plant and equipment, the Group recorded a net cash outflow used in investing activities of HK\$33.5 million (2010: HK\$67.4 million).

Total bank borrowings as at 30 June 2011 slightly decreased to HK\$584.8 million (31 December 2010: HK\$597.9 million) and net borrowings (total borrowings less cash and bank balances) as at 30 June 2011 dropped by 23.3% to HK\$182.1 million (31 December 2010: HK\$237.5 million) and thus the gearing ratio (defined as net borrowings divided by shareholders' equity) as at 30 June 2011 dropped to 14.1% when compared to 19.1% as at 31 December 2010.

CURRENCY EXPOSURE AND MANAGEMENT

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 machineries and production expenses, are denominated in Japanese Yen, Renminbi, Thai Baht and Hong Kong dollars, fluctuations in exchange rates can materially affect the Group; in particular, an appreciation in value of Japanese Yen and Renminbi will adversely affect the Group's profitability. Accordingly, the Group has entered into forward exchange contracts to reduce potential exposure to currency fluctuations.

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ANAGEMENT DISCUSSION AND ANALYSIS



HUMAN RESOURCES

As at 30 June 2011, the Group had 4,947 employees, an increase of 6.3% when compared to 4,656 employees as at 31 December 2010.

The Group has a share option scheme in place for selected participants as incentive and reward for their contribution to the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect.

The Group encourages employees to seek training to strengthen their work skills and for personal development. The Group also provides workshops for staff at different levels to enhance their knowledge of work safety and to build team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

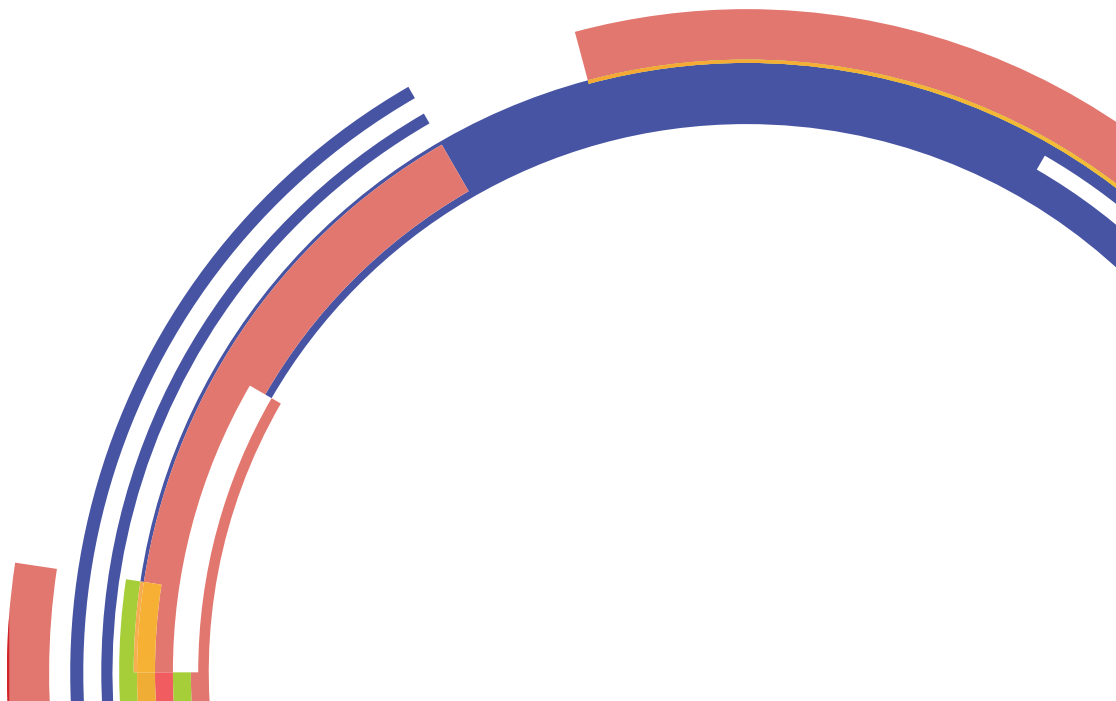
PROSPECTS

The slowing global economic recovery could slow even further or, to judge from the escalating volatility in global financial markets, the global economy could slip back into recession, in which case we would be adversely affected.

Barring a global recession, we expect demand of our hydraulic equipment components and automotive components businesses will be sustained. We have succeeded in establishing a secure foothold in these two markets. Despite strong sales growth since we entered these two markets, our business volumes are still very small when compared to the size of these two markets. Our ability to penetrate further into these two markets is more constrained by capacity than by demand. Because of the sharp drop in HDD component sales, we have reconfigured capacity at our Zengcheng facility shifting some capacity away from HDD components in favour of hydraulic components. This reconfiguration will also improve the productivity of this facility.

Encouragingly, with supply chains in Japan returning to normal, there has been a recovery in demand for HDD components. If this recovery is sustained, the second half year will be better than the first half in terms of sales and because of operating leverage, profitability will be much improved.

We are finalizing building plans for our Changshu facility and we expect construction work of the first phase to start in the fourth quarter. Reconfiguring HDD capacity at our Zengcheng eases capacity bottlenecks for the time being. The Changshu facility is designed to cater for the strong long term growth we expect in hydraulic and automotive components.





CONDENSED CONSOLIDATED INCOME STATEMENT

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Notes		
REVENUE	4&5	496,021	523,841
Cost of sales		(402,534)	(389,473)
Gross profit		93,487	134,368
Other income and gains	5	12,144	4,880
Selling and distribution costs		(10,670)	(12,406)
Administrative expenses		(46,664)	(44,205)
Other expenses		(2,528)	(5,768)
Finance costs	6	(8,160)	(6,886)
PROFIT BEFORE TAX	7	37,609	69,983
Income tax expense	8	(2,211)	(3,864)
PROFIT FOR THE PERIOD		35,398	66,119
Attributable to:			
Owners of the Company		34,981	66,047
Non-controlling interests		417	72
		35,398	66,119
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	9	HK3.8 cents	HK7.2 cents
Diluted		HK3.5 cents	HK7.0 cents
INTERIM DIVIDEND	10	HK1.0 cent	HK2.0 cents

C ONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the period	35,398	66,119
Other comprehensive income:		
Exchange differences on translation of foreign operations	26,543	14,427
Total comprehensive income for the period, net of tax	61,941	80,546
Attributable to:		
Owners of the Company	61,487	80,466
Non-controlling interests	454	80
	61,941	80,546

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,026,675	1,057,688
Prepaid land lease payments		97,855	96,824
Investment property	12	31,000	29,300
Loan to an unlisted equity investment		5,000	5,000
Available-for-sale investment		150	150
Deferred tax assets		764	731
Total non-current assets		1,161,444	1,189,693
CURRENT ASSETS			
Inventories	13	226,114	186,924
Trade receivables	14	247,573	240,331
Prepayments, deposits and other receivables		24,958	13,855
Cash and cash equivalents		402,703	360,424
Total current assets		901,348	801,534
CURRENT LIABILITIES			
Trade and bills payables	19	108,244	86,994
Other payables and accruals		68,799	44,266
Derivative financial instruments	18	1,273	—
Tax payable		4,913	12,759
Interest-bearing bank and other borrowings	16	556,925	509,610
Total current liabilities		740,154	653,629
NET CURRENT ASSETS		161,194	147,905
TOTAL ASSETS LESS CURRENT LIABILITIES		1,322,638	1,337,598

C ONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



	Notes	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	27,875	88,289
Deferred tax liabilities		5,226	4,513
Other payables and accruals		569	278
Derivative financial instruments	18	—	2,608
Total non-current liabilities		33,670	95,688
Net assets		1,288,968	1,241,910
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	93,197	92,909
Reserves		1,184,623	1,126,252
Proposed dividend		9,324	21,379
		1,287,144	1,240,540
Non-controlling interests		1,824	1,370
Total equity		1,288,968	1,241,910

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to ordinary equity holders of the Company													
	Issued share capital	Share premium account	Contributed surplus	Statutory			Share options reserve	Warrant reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Sub-total	Non-controlling interests	Total equity
				surplus reserve	public welfare fund	Capital redemption reserve								
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	92,909	394,398	(1,116)	13,325	287	3,685	11,601	—	175,326	528,746	21,379	1,240,540	1,370	1,241,910
Profit for the period	—	—	—	—	—	—	—	—	—	34,981	—	34,981	417	35,398
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	26,506	—	—	26,506	37	26,543
Total comprehensive income for the period	—	—	—	—	—	—	—	—	26,506	34,981	—	61,487	454	61,941
Final 2010 dividend paid	—	—	—	—	—	—	—	—	—	—	(21,423)	(21,423)	—	(21,423)
Issue of warrants	—	—	—	—	—	—	—	1,200	—	—	—	1,200	—	1,200
Exercise of share options	288	1,265	—	—	—	—	(533)	—	—	—	—	1,020	—	1,020
Share issue expenses	—	(8)	—	—	—	—	—	—	—	—	—	(8)	—	(8)
Equity-settled share option arrangements	—	—	—	—	—	—	4,328	—	—	—	—	4,328	—	4,328
Final 2010 dividend	—	—	—	—	—	—	—	—	—	(44)	44	—	—	—
Proposed interim 2011 dividend	—	—	—	—	—	—	—	—	—	(9,324)	9,324	—	—	—
At 30 June 2011	93,197	395,655*	(1,116)*	13,325*	287*	3,685*	15,396*	1,200*	201,832*	554,359*	9,324	1,287,144	1,824	1,288,968
At 1 January 2010	91,599	388,193	(1,116)	12,598	287	3,685	6,966	—	115,544	436,547	—	1,054,303	846	1,055,149
Profit for the period	—	—	—	—	—	—	—	—	—	66,047	—	66,047	72	66,119
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	14,419	—	—	14,419	8	14,427
Total comprehensive income for the period	—	—	—	—	—	—	—	—	14,419	66,047	—	80,466	80	80,546
Exercise of share options	215	864	—	—	—	—	(397)	—	—	—	—	682	—	682
Equity-settled share option arrangements	—	—	—	—	—	—	3,662	—	—	—	—	3,662	—	3,662
Proposed interim 2010 dividend	—	—	—	—	—	—	—	—	—	(18,363)	18,363	—	—	—
At 30 June 2010	91,814	389,057*	(1,116)*	12,598*	287*	3,685*	10,231*	—	129,963*	484,231*	18,363	1,139,113	926	1,140,039

* These reserve accounts comprise the consolidated reserves of HK\$1,184,623,000 (30 June 2010: HK\$1,028,936,000) in the condensed consolidated statement of financial position.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash flows from operating activities	101,214	154,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(39,968)	(70,131)
Proceeds from disposal of items of property, plant and equipment	6,464	2,743
Net cash flows used in investing activities	(33,504)	(67,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of warrants	1,200	—
Share issue expenses	(8)	—
Share options exercised	1,020	762
New bank loans and other borrowings	301,113	161,450
Repayment of bank loans and other borrowings	(301,809)	(231,474)
Capital element of finance lease rental payments	(12,382)	(7,369)
Dividends paid	(21,423)	—
Net cash flows used in financing activities	(32,289)	(76,631)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,421	10,546
Cash and cash equivalents at beginning of period	360,424	173,534
Effect of foreign exchange rate changes, net	6,858	2,115
CASH AND CASH EQUIVALENTS AT END OF PERIOD	402,703	186,195
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	389,754	165,409
Non-pledged time deposits with original maturity of less than three months when acquired	12,949	20,786
	402,703	186,195

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 (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.

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 2010.

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 2011.

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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the geographical locations of the customers and has six reportable operating segments as follows: (1) Thailand; (2) Malaysia; (3) Mainland China, Macau and Hong Kong; (4) North America; (5) Europe; and (6) Other countries.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2011
(Unaudited)

	Thailand HK\$'000	Malaysia HK\$'000	Mainland China, Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	Total HK\$'000
Segment revenue:							
Sales to external customers	113,967	87,683	127,515	64,287	75,383	27,186	496,021
Intersegment sales	37,228	—	—	—	—	—	37,228
Other revenue	390	—	10,351	—	—	—	10,741
	151,585	87,683	137,866	64,287	75,383	27,186	543,990
Reconciliation:							
Elimination at intersegment sales							(37,228)
Revenue							506,762
Segment results	5,046	10,089	14,673	7,397	8,674	3,128	49,007
Reconciliation:							
Elimination at intersegment results							(4,641)
Interest income							1,403
Finance costs							(8,160)
Profit before tax							37,609
Income tax expense							(2,211)
Profit for the period							35,398

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2010
(Unaudited)

	Thailand HK\$'000	Malaysia HK\$'000	Mainland China, Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	Total HK\$'000
Segment revenue:							
Sales to external customers	167,274	117,005	101,265	53,384	47,826	37,087	523,841
Intersegment sales	26,432	—	—	—	—	—	26,432
Other revenue	49	—	4,406	—	—	—	4,455
	193,755	117,005	105,671	53,384	47,826	37,087	554,728
Reconciliation:							
Elimination at intersegment sales							(26,432)
Revenue							528,296
Segment results	25,845	16,604	20,833	7,575	6,787	5,263	82,907
Reconciliation:							
Elimination at intersegment results							(6,463)
Interest income							425
Finance costs							(6,886)
Profit before tax							69,983
Income tax expense							(3,864)
Profit for the period							66,119

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	496,021	523,841
Other income		
Bank interest income	1,403	425
Others	3,926	1,692
	5,329	2,117
Gains		
Foreign exchange gains, net	2,334	—
Fair value gains:		
Derivative financial instruments — transactions not qualifying as hedges:		
Interest rate swap	1,335	1,563
Fair value gains on investment property (<i>note 12</i>)	1,700	1,000
Gain on disposal of items of property, plant and equipment	1,446	200
	6,815	2,763
	12,144	4,880

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	6,763	5,230
Interest on finance leases	805	690
Financial arrangement fees	592	515
Other interest expense	—	451
	8,160	6,886

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cost of inventories sold	402,534	389,473
Depreciation	82,941	74,518
Recognition of prepaid land lease payments	1,097	468
Equity-settled share option expenses	4,328	3,662
Auditors' remuneration	1,080	998
Foreign exchange differences, net	(2,334)	4,562
Fair value gains:		
Derivative financial instruments — transactions not qualifying as hedges:		
Interest rates swap	(1,335)	(1,563)
Gain on disposal of items of property, plant and equipment	(1,446)	(200)

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (16.5% for the six months ended 30 June 2010) 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.

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Group:		
Current — Elsewhere		
Charge for the period	1,538	2,649
	1,538	2,649
Deferred	673	1,215
Total tax charge for the period	2,211	3,864

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the 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.

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of 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 (i.e. share options and warrants) into ordinary shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The calculation of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	34,981	66,047
	Number of shares (in thousands)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	930,497	916,301
Effect of dilution — weighted average number of ordinary shares: Share options and warrants	59,138	26,737
	989,635	943,038

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interim dividend of HK1 cent per ordinary share (2010: HK2 cents)	9,324	18,363

At the Board meeting held on 23 August 2011, the Board declared an interim dividend of HK1 cent per ordinary share.

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Land and	Leasehold	Plant and	Furniture	Motor	Construction	Total
	buildings	improvements	machinery	and	Vehicles	in progress	
	HK\$'000	HK\$'000	HK\$'000	fixtures	HK\$'000	HK\$'000	HK\$'000
				HK\$'000			
Cost:							
At 1 January 2011	348,289	3,063	1,399,111	52,254	19,055	26,461	1,848,233
Additions	257	181	9,982	160	6	29,382	39,968
Transfer in/(out)	6,009	—	6,997	1,818	448	(15,272)	—
Disposals	—	—	(14,530)	(428)	(319)	—	(15,277)
Exchange realignment	5,018	27	20,344	865	235	240	26,729
At 30 June 2011	359,573	3,271	1,421,904	54,669	19,425	40,811	1,899,653
Accumulated depreciation:							
At 1 January 2011	(95,937)	(2,328)	(652,308)	(29,222)	(10,750)	—	(790,545)
Depreciation provided during the period	(9,448)	(315)	(67,268)	(4,506)	(1,404)	—	(82,941)
Disposals — accumulated depreciation	—	—	9,602	338	319	—	10,259
Exchange realignment	(1,373)	(18)	(7,772)	(455)	(133)	—	(9,751)
At 30 June 2011	(106,758)	(2,661)	(717,746)	(33,845)	(11,968)	—	(872,978)
At 30 June 2011							
Cost	359,573	3,271	1,421,904	54,669	19,425	40,811	1,899,653
Accumulated depreciation	(106,758)	(2,661)	(717,746)	(33,845)	(11,968)	—	(872,978)
Net carrying amount	252,815	610	704,158	20,824	7,457	40,811	1,026,675
At 31 December 2010							
Cost	348,289	3,063	1,399,111	52,254	19,055	26,461	1,848,233
Accumulated depreciation	(95,937)	(2,328)	(652,308)	(29,222)	(10,750)	—	(790,545)
Net carrying amount	252,352	735	746,803	23,032	8,305	26,461	1,057,688

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

12. INVESTMENT PROPERTY

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Carrying amount at 1 January	29,300	25,000
Additions	—	—
Net gain from a fair value adjustment (<i>note 5</i>)	1,700	4,300
	31,000	29,300

The Group's investment property is situated in Hong Kong and is held under a medium term lease.

The Group's investment property was revalued on 30 June 2011 by Centaline Surveyors Limited, an independent professionally qualified valuer, at HK\$31,000,000 on an open market, existing use basis.

13. INVENTORIES

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Raw materials	80,637	71,965
Consumables	49,894	44,004
Work in progress	74,220	52,879
Finished goods	41,580	38,293
	246,331	207,141
<i>Less: Provision against inventory obsolescence</i>	(20,217)	(20,217)
	226,114	186,924

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

14. TRADE RECEIVABLES

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 90 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.

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Trade receivables	247,900	240,658
Impairment	(327)	(327)
	247,573	240,331

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$327,000 (2010: HK\$327,000). 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 end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Within 1 month	85,583	89,319
1 to 2 months	83,111	84,994
2 to 3 months	56,261	46,882
3 to 4 months	14,406	15,535
4 to 12 months	8,212	3,601
	247,573	240,331

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

15. SHARE CAPITAL

Shares	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Authorised: 1,500,000,000 (31 December 2010: 1,500,000,000) ordinary shares of HK\$0.1 each	150,000	150,000
Issued and fully paid: 931,970,290 (31 December 2010: 929,088,751) ordinary shares of HK\$0.1 each	93,197	92,909

The movements in share capital for the six months ended 30 June 2011 and year ended 31 December 2010 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 2010		915,993,750	91,599	388,193	479,792
Share options exercised	(a)	13,095,001	1,310	6,306	7,616
Share issue expenses		—	—	(101)	(101)
At 31 December 2010 and 1 January 2011		929,088,751	92,909	394,398	487,307
Share options exercised	(b)	2,881,539	288	1,265	1,553
Share issue expenses		—	—	(8)	(8)
At 30 June 2011		931,970,290	93,197	395,655	488,852

(a) The subscription rights attaching to 12,354,616 and 740,385 share options were exercised in 2010 at the subscription prices of HK\$0.35 and HK\$1.13 per share, respectively, resulting in the issue of 13,095,001 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$5.2 million. An amount of approximately HK\$2.4 million was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) The subscription rights attaching to 2,881,539 share options were exercised in 2011 at the subscription price of HK\$0.35 per share, resulting in the issue of 2,881,539 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$1.02 million. The corresponding share option reserve for the share options exercised was also transferred to the share premium account accordingly.

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Current				
Finance lease payables (<i>note 17</i>)	3.75 – 10.02	2011	18,765	21,839
<i>Unsecured</i>				
Bank revolving loan	1.05 – 2.70	2011	108,460	75,800
Bank loans	1.10 – 6.12	2011	166,911	95,675
Other loans	1.48 – 6.25	2011	66,272	71,961
Long term bank loans repayable on demand	1.10 – 2.75	On demand	196,517	244,335
			556,925	509,610
Non-current				
Finance lease payables (<i>note 17</i>)	3.75 – 6.00	2012–2013	9,125	18,434
<i>Unsecured</i>				
Bank loans	1.91	2012–2014	18,750	69,855
			27,875	88,289
			584,800	597,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	471,888	415,810
In the second year	18,750	63,605
In the third to fifth years, inclusive	—	6,250
	490,638	485,665
Other borrowings repayable:		
Within one year	85,037	93,800
In the second year	9,125	16,205
In the third to fifth years, inclusive	—	2,229
	94,162	112,234
	584,800	597,899

Interest rates for all the Group's borrowings are floating.

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

17. FINANCE LEASE PAYABLES

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

At 30 June 2011, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 30 June 2011 (Unaudited) HK\$'000	Minimum lease payments 31 December 2010 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2011 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2010 (Audited) HK\$'000
Amounts payable:				
Within one year	19,769	23,362	18,765	21,839
In the second year	9,376	16,776	9,125	16,205
In the third to fifth years, inclusive	—	2,295	—	2,229
Total minimum finance lease payments	29,145	42,433	27,890	40,273
Future finance charges	(1,255)	(2,160)		
Total net finance lease payables	27,890	40,273		
Portion classified as current liabilities (note 16)	(18,765)	(21,839)		
Non-current portion (note 16)	9,125	18,434		

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

18. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Derivative financial instruments – transactions not qualifying as hedges		
Liabilities		
Interest rate swap*		
— current portion	1,273	—
— non-current portion	—	2,608

The carrying amounts of the interest rate swap is the same as its fair value.

* At 30 June 2011, 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\$55,555,556 (December 2010: HK\$83,333,333) with floating rate was swapped for a fixed rate. The agreement lasts for four years and will expire in April 2012.

19. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Within 1 month	42,882	35,222
1 to 2 months	35,289	33,264
2 to 3 months	23,111	16,375
Over 3 months	6,962	2,133
	108,244	86,994

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

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Six months ended 30 June 2011

20. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Guarantees given to an electricity company	1,403	5,523

21. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Within one year	1,278	2,430
In the second to fifth years, inclusive	2,361	2,311
After five years	2,852	3,060
	6,491	7,801

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OTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2011

22. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Contracted but not provided for:		
Plant and machinery	6,623	1,399
Construction in progress	3,635	6,279
	10,258	7,678

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	6,597	7,728
Equity-settled share option expense	3,912	2,105
Post-employment benefits	60	60
Total compensation paid to key management personnel	10,569	9,893

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 23 August 2011.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests and short positions of the directors in the share capital and underlying shares of the Company (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interests	Notes	Number of ordinary shares in the Company	Percentage of the Company's issued share capital*
Mr. Chui Siu On	Through controlled corporation	1	226,784,475	24.33%
	Directly beneficially owned		7,556,250	0.81%
	Through spouse	2	125,000	0.01%
			234,465,725	25.15%
Mr. Ho Yu Hoi	Directly beneficially owned		31,838,740	3.42%
Mr. Lai Man Kit	Directly beneficially owned		26,774,500	2.87%
Mr. Li Chi Hang	Directly beneficially owned		25,088,535	2.69%
Mr. Yuen Chi Ho	Directly beneficially owned		2,009,616	0.22%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2011.

Notes:

- These shares were owned by Tottenhill Limited ("Tottenhill"), the entire issued capital of which was wholly owned by Mr. Chui Siu On. By virtue of his 100% shareholding in Tottenhill, Mr. Chui Siu On was deemed to be interested in the 226,784,475 shares of the Company owned by Tottenhill 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 interests 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 125,000 shares of the Company held by his wife pursuant to Part XV of the SFO.

0 OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(B) Long positions in the underlying shares of the Company – physically settled unlisted equity derivatives:

Name of director	Capacity and nature of interests	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital*
Mr. Chui Siu On	Directly beneficially owned	50,000,000	5.36%
Mr. Lau Siu Chung	Directly beneficially owned	10,288,462	1.10%
Mr. Wong Kwok Keung	Directly beneficially owned	9,288,462	1.00%
Mr. Yuen Chi Ho	Directly beneficially owned	7,009,615	0.75%
Dr. Cheng Ngok	Directly beneficially owned	1,328,846	0.14%
Mr. Choi Hon Ting, Derek	Directly beneficially owned	1,128,846	0.12%
Mr. Wu Karl Kwok	Directly beneficially owned	1,128,846	0.12%
Mr. Nguyen, Van Tu Peter	Directly beneficially owned	600,000	0.06%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2011.

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 2011, 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, as at 30 June 2011, none of the directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations 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.

O OTHER INFORMATION

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 table discloses movements in the Company’s share options outstanding during the six months ended 30 June 2011:

Name or category of participant	Number of share options						At 30 June 2011	Date of grant of share options ⁽¹⁾	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2011	Granted during the period	Exercised during the period ⁽⁴⁾	Expired/lapsed during the period	Forfeited/cancelled during the period	Reclassification during the period ⁽⁵⁾				
Directors										
Mr. Chui Siu On	—	18,000,000	—	—	—	—	18,000,000	19-06-11	01-09-11 to 31-08-18	1.8200
	—	18,000,000	—	—	—	—	18,000,000	19-06-11	01-09-12 to 31-08-18	1.8200
	—	14,000,000	—	—	—	—	14,000,000	19-06-11	01-09-13 to 31-08-18	1.8200
	—	50,000,000 ⁽²⁾	—	—	—	—	50,000,000			
Mr. Wong Kwok Keung	1,644,231	—	—	—	—	—	1,644,231	01-06-09	01-06-10 to 31-05-14	0.3545
	2,644,231	—	—	—	—	—	2,644,231	01-06-09	01-06-12 to 31-05-14	0.3545
	5,000,000	—	—	—	—	—	5,000,000	02-06-10	01-04-12 to 11-10-14	0.7200
	9,288,462	—	—	—	—	—	9,288,462			
Mr. Lau Siu Chung	2,644,231	—	—	—	—	—	2,644,231	01-06-09	01-06-10 to 31-05-14	0.3545
	2,644,231	—	—	—	—	—	2,644,231	01-06-09	01-06-12 to 31-05-14	0.3545
	5,000,000	—	—	—	—	—	5,000,000	02-06-10	01-04-12 to 11-10-14	0.7200
	10,288,462	—	—	—	—	—	10,288,462			
Mr. Yuen Chi Ho	2,009,615	—	—	—	—	—	2,009,615	01-06-09	01-06-12 to 31-05-14	0.3545
	5,000,000	—	—	—	—	—	5,000,000	02-06-10	01-04-12 to 11-10-14	0.7200
	7,009,615	—	—	—	—	—	7,009,615			
Dr. Cheng Ngok	528,846	—	—	—	—	—	528,846	01-06-09	01-06-10 to 31-05-14	0.3545
	800,000	—	—	—	—	—	800,000	02-06-10	01-04-12 to 11-10-14	0.7200
	1,328,846	—	—	—	—	—	1,328,846			
Mr. Wu Karl Kwok	528,846	—	—	—	—	—	528,846	01-06-09	01-06-10 to 31-05-14	0.3545
	600,000	—	—	—	—	—	600,000	02-06-10	01-04-12 to 11-10-14	0.7200
	1,128,846	—	—	—	—	—	1,128,846			
Mr. Choi Hon Ting, Derek	528,846	—	—	—	—	—	528,846	01-06-09	01-06-10 to 31-05-14	0.3545
	600,000	—	—	—	—	—	600,000	02-06-10	01-04-12 to 11-10-14	0.7200
	1,128,846	—	—	—	—	—	1,128,846			
Mr. Nguyen, Van Tu Peter	—	600,000 ⁽³⁾	—	—	—	—	600,000	28-04-11	28-04-11 to 11-10-14	1.5600
	30,173,077	50,600,000	—	—	—	—	80,773,077			

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options						At 30 June 2011	Date of grant of share options ⁽¹⁾	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2011	Granted during the period	Exercised during the period ⁽⁴⁾	Expired/lapsed during the period	Forfeited/cancelled during the period	Reclassification during the period ⁽⁵⁾				
Members of senior management & other employees of the Group										
In aggregate	3,173,077	—	—	—	—	—	3,173,077	13-09-06	01-01-08 to 31-12-12	1.2764
	2,115,384	—	—	—	—	—	2,115,384	28-09-07	01-01-08 to 31-12-12	1.1345
	3,173,077	—	—	—	—	—	3,173,077	28-09-07	01-01-09 to 31-12-12	1.1345
	9,037,309	—	(2,583,751)	—	—	—	6,453,558	01-06-09	01-06-10 to 31-05-14	0.3545
	2,073,077	—	(297,788)	—	(769)	—	1,774,520	01-06-09	01-06-11 to 31-05-14	0.3545
	6,409,615	—	—	—	(52,885)	—	6,356,730	01-06-09	01-06-12 to 31-05-14	0.3545
	2,073,076	—	—	—	(52,884)	—	2,020,192	01-06-09	01-06-13 to 31-05-14	0.3545
	22,500,000	—	—	—	—	900,000	23,400,000	02-06-10	01-04-12 to 11-10-14	0.7200
	7,500,000	—	—	—	—	900,000	8,400,000	02-06-10	01-04-13 to 11-10-14	0.7200
	10,000,000	—	—	—	—	1,200,000	11,200,000	02-06-10	01-04-14 to 11-10-14	0.7200
	68,054,615	—	(2,881,539)	—	(106,538)	3,000,000	68,066,538			
Suppliers of services										
In aggregate	7,105,769	—	—	—	—	—	7,105,769	01-06-09	01-06-10 to 31-05-14	0.3545
	5,900,000	—	—	—	—	(900,000)	5,000,000	02-06-10	01-04-12 to 11-10-14	0.7200
	900,000	—	—	—	—	(900,000)	—	02-06-10	01-04-13 to 11-10-14	0.7200
	1,200,000	—	—	—	—	(1,200,000)	—	02-06-10	01-04-14 to 11-10-14	0.7200
	15,105,769	—	—	—	—	(3,000,000)	12,105,769			
	113,333,461	50,600,000	(2,881,539)	—	(106,538)	—	160,945,384			

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

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The grant of 50,000,000 share options to Mr. Chui Siu On, which exceeded the individual limit, was approved by the independent shareholders at the Company's extraordinary general meeting held on 4 July 2011 pursuant to the Listing Rules. The closing prices of the Company's shares immediately before the date of grant of the share options was HK\$0.93 per share. The fair value of the share options granted on 19 June 2011 was determined at the date of grant using the binomial option pricing model was approximately HK\$7.8 million.
- (3) The closing prices of the Company's shares immediately before the date of grant of the share options was HK\$1.54 per share. The fair value of the share options granted on 28 April 2011 was determined at the date of grant using the binomial option pricing model was approximately HK\$0.2 million.
- (4) The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$1.37 per share.
- (5) A supplier of services has been employed by the Group during the period.

O THER INFORMATION



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

As at 30 June 2011, the following parties (not being directors or chief executive of the Company) with interests of more than 5% in the shares or underlying 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:

(A) Long positions in the ordinary shares of the Company:

Name of substantial shareholders	Notes	Capacity and nature of interests	Number of ordinary shares in the Company	Percentage of the Company's issued share capital*
Tottenhill	(a)	Directly beneficially owned	226,784,475	24.33%
Ms. Leung Wing Yi	(b)	Directly beneficially owned Through spouse	125,000	0.01%
			234,340,725	25.14%
			234,465,725	25.15%
DJE Investment S.A.	(c)	Investment manager	72,250,000	7.75%
Mr. Jiang Qi Hang	(d)	Through controlled corporation	50,817,773	5.45%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2011.

Notes:

- (a) The interests of Tottenhill were also disclosed as the interests of Mr. Chui Siu On in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".
- (b) These shares were disclosed as the interests of Mr. Chui Siu On, the husband of Ms. Leung Wing Yi, in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above. 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 100% controlled by Dr. Jens Ehrhardt Kapital AG which in turn was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt. Accordingly, Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt were deemed to be interested in the 72,250,000 shares pursuant to Part XV of the SFO.
- (d) These shares as to 20,567,773 shares were held by China Angel Fund (which Mr. Jiang Qi Hang controlled 36% of its shareholdings); and as to 30,250,000 shares were held by China Angel Investment Management Limited (which Mr. Jiang Qi Hang controlled 100% of its shareholdings). Accordingly, Mr. Jiang Qi Hang was deemed to be interested in the total of 50,817,773 shares pursuant to Part XV of the SFO.



0 OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(B) Long positions in the underlying shares of the Company – physically settled unlisted equity derivatives:

Name of substantial shareholder	Capacity and nature of interests	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital*
Ms. Leung Wing Yi	Through spouse	50,000,000	5.36%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2011.

Note: These underlying shares were disclosed as the interests of Mr. Chui Siu On, the husband of Ms. Leung Wing Yi, in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above. Ms. Leung Wing Yi was deemed to be interested in these underlying shares held by her husband pursuant to Part XV of the SFO.

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

Save as disclosed above, as at 30 June 2011, no person, other than the directors of the Company, whose interests are set out in the above section "Directors' and chief executive's 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 recommends the payment of an interim dividend of HK\$0.01 per share for the six months ended 30 June 2011 (2010: HK\$0.02). The interim dividend will be paid in cash on or around Friday, 23 September 2011 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 16 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 14 September 2011 to Friday, 16 September 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2011, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 September 2011.

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

During the six months ended 30 June 2011, neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

On 13 April 2011, the Company entered into warrant subscription agreements with six individual and corporate investors whereby the Company agreed to issue and the subscribers agreed to subscribe for 60,000,000 warrants at a warrant issue price of HK\$0.02 per warrant. The warrants entitle the subscribers to subscribe for 60,000,000 new shares of the Company at an initial subscription price of HK\$1.6 per new shares (subject to adjustment for subdivision and consolidation of shares) for a period of 18 months commencing from the date of issue of the warrants.

It is expected that all the proceeds from the warrant subscription, being HK\$1.2 million will be applied by the Company as general working capital.

No warrant was exercised during the six months ended 30 June 2011.

O OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee of the Company, comprising 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 2011.

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 code provision A.2.1. Mr. Chui Siu On currently assumes the roles of both Chairman and 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 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 2011.

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 2011.

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.

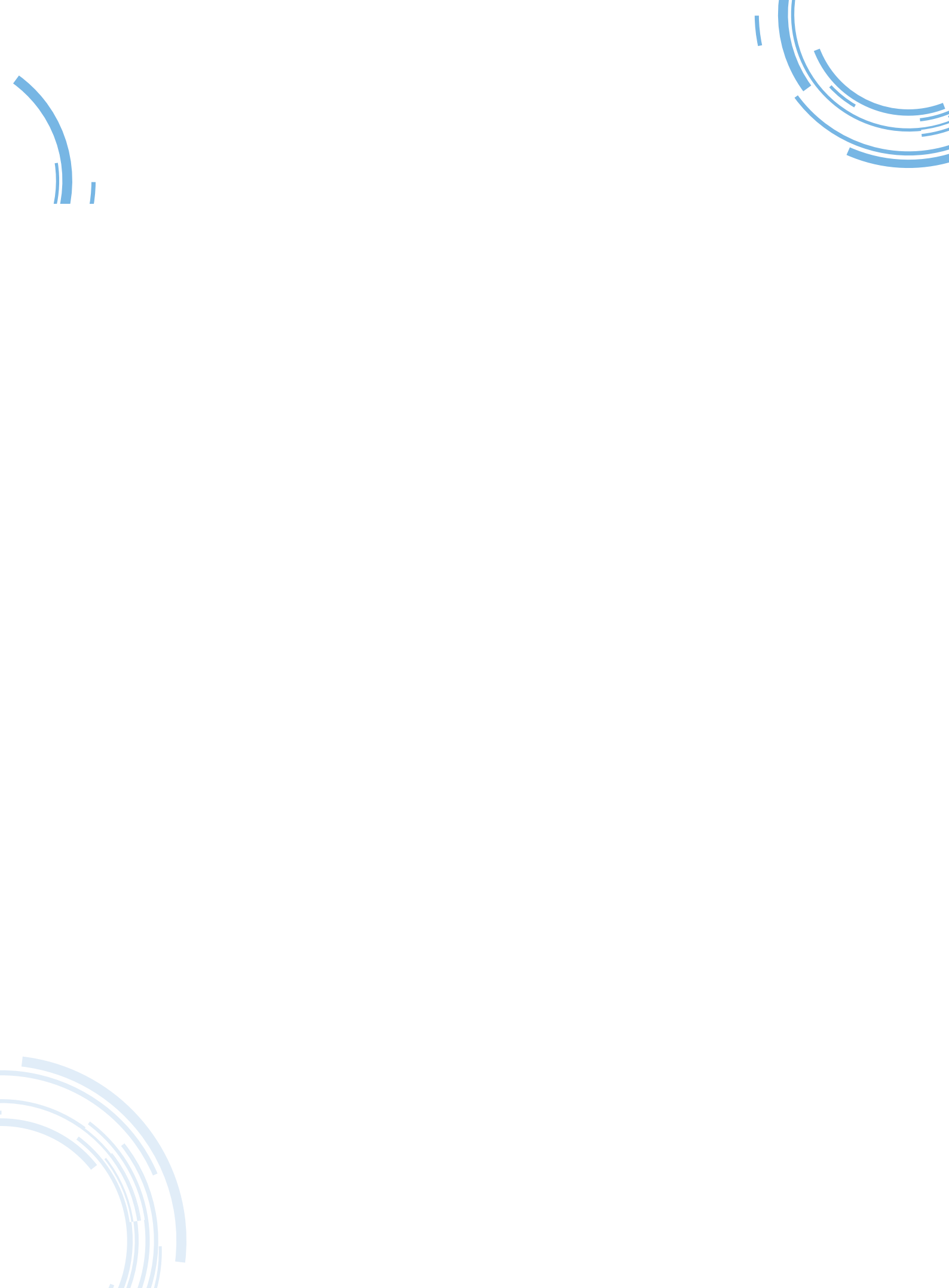
On behalf of the Board

Chui Siu On

Chairman and Managing Director

Hong Kong

23 August 2011





IPE Group Limited

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 929)

2011 Interim Report

<http://www.ipegroup.com>