



Interim Report 2012



IPE Group Limited

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





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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. Lau Siu Chung
Mr. Yuen Chi Ho
Mr. Wong Kwok Keung (resigned on 5 July 2012)

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

REMUNERATION COMMITTEE

Dr. Cheng Ngok (*Chairman*)
Mr. Chui Siu On
Mr. Lai Man Kit
Mr. Choi Hon Ting, Derek
Mr. Wu Karl Kwok

NOMINATION COMMITTEE

Mr. Chui Siu On (*Chairman*)
Dr. Cheng Ngok
Mr. Choi Hon Ting, Derek
Mr. Wu Karl Kwok
Mr. Nguyen, Van Tu Peter

LEGAL ADVISERS TO THE COMPANY

Michael Li & Co

AUDITORS

Ernst & Young
Certified Public Accountants

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

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

WEBSITE

<http://www.ipegroup.com>

STOCK CODE

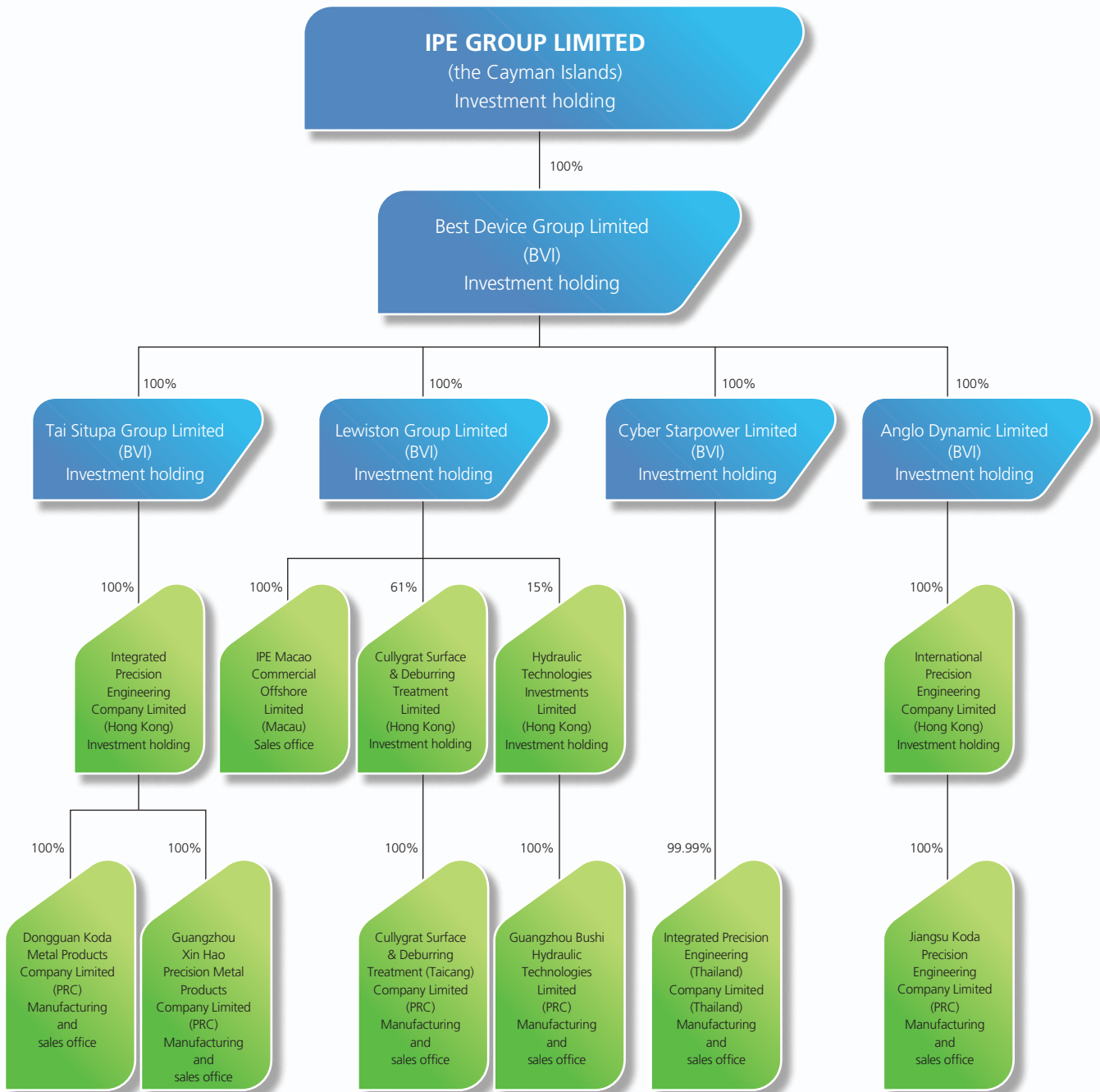
929

LISTING VENUE

Main Board of The Stock Exchange of Hong Kong Limited

Group Structure

Principal subsidiaries and the joint venture of the Company as at 30 June 2012



Corporate Milestone

1990

Established IPE (Singapore) in Singapore

1997

Established IPE (Thailand) in Thailand

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

2004

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

1994

Established IPE (Hong Kong) in Hong Kong

Established Dongguan Koda in Mainland China

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

2005

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

2006

Guangzhou Xin Hao was accredited with TS16949 certification — automotive certification

2008

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

IPE (Thailand) was accredited TS16949 certification — automotive certification

2010

Guangzhou Xin Hao was accredited AS9100 certification — aerospace certification

Guangzhou Xin Hao was accredited Superior Supplier of Eaton Hydraulics Systems (Jining) Company Limited

Guangzhou Xin Hao was accredited Excellence Supplier of Delphi Shanghai Dynamic Propulsion Systems Company Limited

2012

Jiangsu Koda started construction of Phase 1 of the development of our Changshu site which will provide 42,000m² of production area

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

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 Company Limited

2011

Guangzhou Xin Hao was accredited Excellent Award of Borgwarner Automotive Components (Ningbo) Company Limited

Jiangsu Koda was accredited ISO 9001: 2008 certification

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.

Financial Highlights

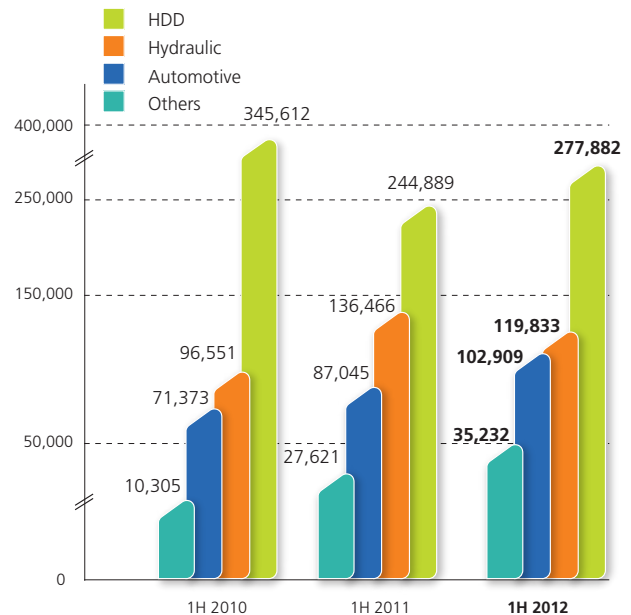
REVENUE

(HK\$'000)

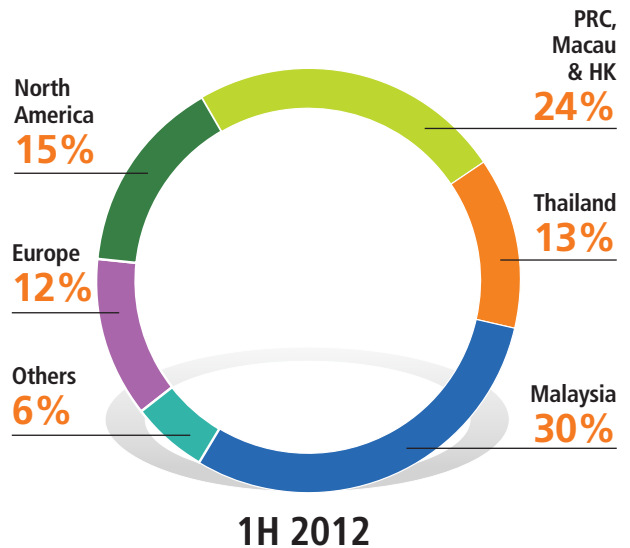
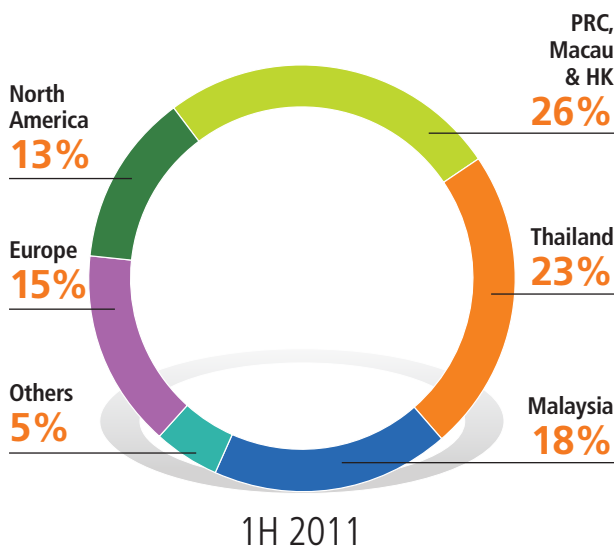


BUSINESS SEGMENTS

(HK\$'000)



GEOGRAPHICAL COMBINATION



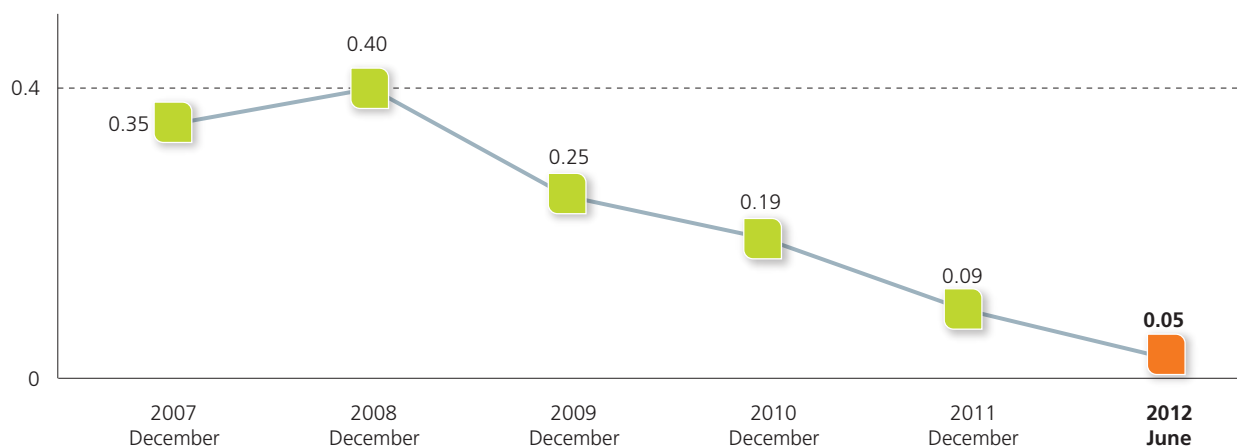
Financial Highlights

RATIO ANALYSIS

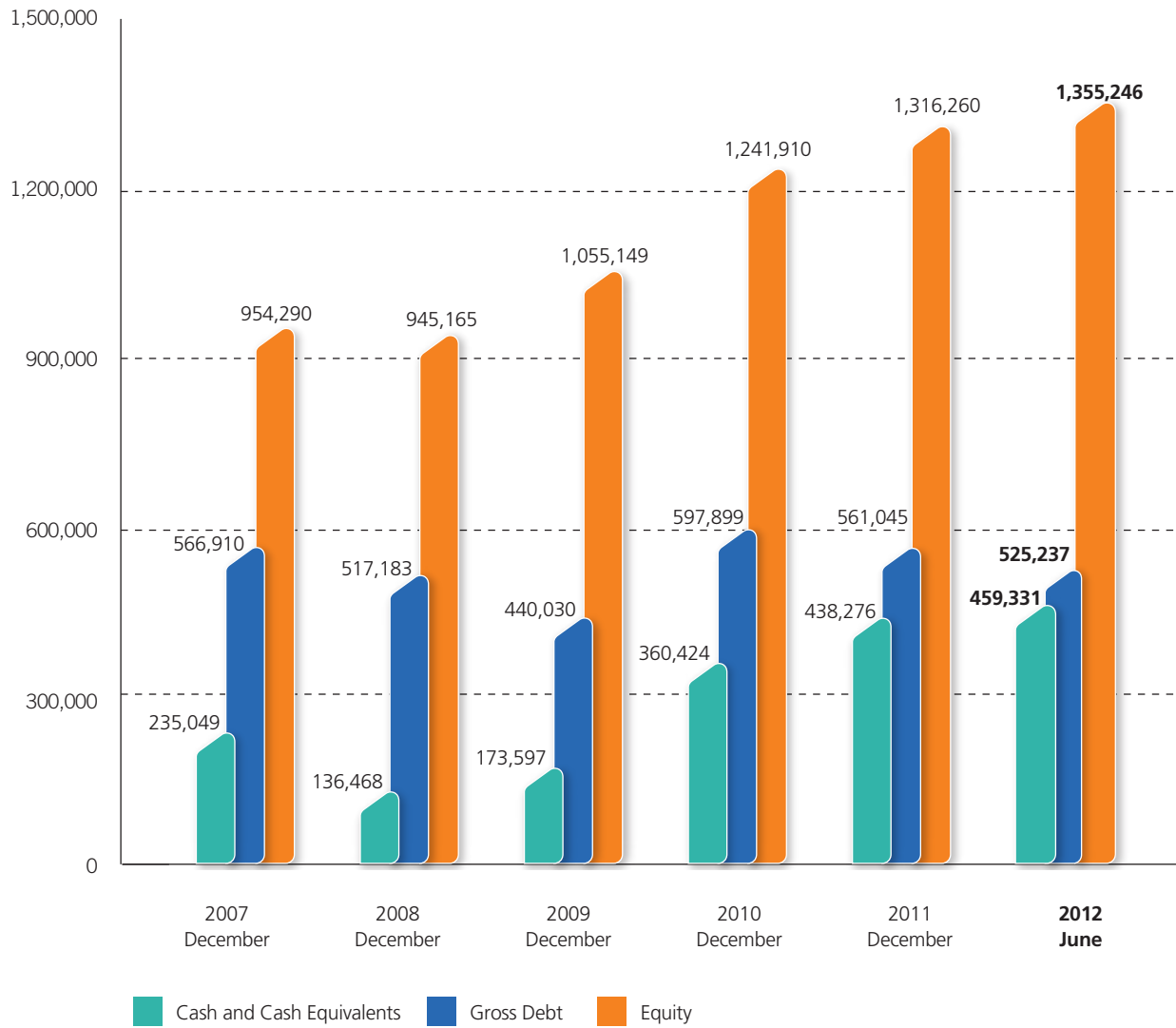
	30 June		Year ended 31 December			
	2012	2011	2010	2009	2008	2007
KEY STATISTICS:						
Current ratio	1.52	1.31	1.23	1.26*	1.05*	1.29*
Gearing ratio (net borrowings/ shareholders' equity)	0.05	0.09	0.19	0.25	0.40	0.35
Dividend payout ratio	20.0%	29.7%	29.9%	—	27.9%	29.8%
Gross profit margin	21.5%	20.0%	25.9%	15.6%	23.8%	25.6%
Net profit margin	8.6%	5.1%	12.6%	1.8%	7.0%	13.3%
Average days of debtor turnover	85 days	87 days	81 days	104 days	85 days	92 days
Average days of inventory turnover	114 days	102 days	86 days	137 days	127 days	122 days
PER SHARE DATA:						
Net asset value per share (HK\$)	1.46	1.42	1.34	1.15	1.35	1.33
Cash per share	HK4.9 cents	HK4.7 cents	HK3.9 cents	HK1.9 cents	HK2.0 cents	HK3.3 cents

* Restated

NET DEBT TO EQUITY RATIO



EQUITY, GROSS DEBT AND CASH AND CASH EQUIVALENTS (HK\$'000)



Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2012, the Group recorded total revenues of HK\$535.9 million, up 8.0% from the same period of last year, and net profit for the period of HK\$46.2 million, an increase of 30.5% from the same period of last year. Gross profit margin and net profit margin were 21.5% and 8.6%, representing an increase of 2.7 percentage points and 1.5 percentage points respectively as compared to the same period of last year.

Last year, two natural disasters — the tsunami in Japan in March and the severe flooding in Thailand in October — disrupted the supply chain of the hard disk drive (“HDD”) industry. The supply chain was gradually normalized in the first half of 2012 resulting in increased sales in our HDD components business segment. The Group’s sales of HDD components amounted to HK\$277.9 million for the six months ended 30 June 2012, representing an increase of 13.5% and 20.2% as compared to the first half and second half of 2011 respectively. These increases reflect adjustments in the supply chain as the global personal computer (“PC”) market is hardly growing. The PC market continues to be affected by the strong growth in demand for tablets which cannibalizes consumer demand for PCs and by the weak economic environment globally which affects not only consumer sentiment but also business sentiment and hence business demand for PCs.

Our two other main business segments, hydraulic equipment components and automotive components, do not directly cater to the consumer sector but these two segments were also affected by the weak economic environment globally. Furthermore, the unfolding Euro crisis was clearly a negative factor affecting our sales to Europe. The uncertain global economic picture, with even the hitherto strong China economy showing signs of a marked slowdown in growth, not only reduced demand for our hydraulic equipment components but also prompted some hydraulic customers to postpone shipment of orders. Our Group’s sales of hydraulic equipment components amounted to HK\$119.8 million for the six months ended 30 June 2012, representing a decrease of 12.2% as compared to the same period of last year.

Our automotive components business segment continued to grow which we consider a very satisfactory performance in light of the prevailing weak economic conditions in Europe and the US. During the six months ended 30 June 2012, the Group’s sale of automotive components amounted to HK\$102.9 million, representing an increase of HK\$15.9 million or 18.2% as compared to the first half of 2011.

FINANCIAL REVIEW

Sales

The Group's turnover by business segments during the interim period under review, with comparative figures for first half of 2011, was as follows:

	1H 2012		1H 2011		% Change
	HK\$'000	%	HK\$'000	%	
HDD components	277,882	51.8%	244,889	49.4%	13.5%
Hydraulic equipment components	119,833	22.4%	136,466	27.5%	(12.2%)
Automotive components	102,909	19.2%	87,045	17.5%	18.2%
Others	35,232	6.6%	27,621	5.6%	27.6%
	535,856	100.0%	496,021	100.0%	8.0%

Due to the severe flooding in Thailand, production at our Group's plant in Thailand had to be halted in October 2011. The Group resumed production in Thailand in December 2011. The Group recorded a sales of HDD components of HK\$277.9 million for the six months ended 30 June 2012, representing an increase of 13.5% and 20.2% as compared to the first half and second half of 2011 respectively.

Due to the adverse impact of the financial crisis in Europe and weak economic conditions generally, the Group sales of hydraulic equipment components amounted to HK\$119.8 million during the interim period under review, a decrease of 12.2% as compared to the last corresponding period.

Benefiting from the increasing trend of outsourcing by the European auto-component companies, the Group sales of automotive components recorded a growth of 18.2% to HK\$102.9 million for the six months ended 30 June 2012 when compared to the corresponding period in 2011, again setting a new half-yearly record.

Gross profit

The gross profit margin of the Group was 21.5% during the period under review, representing an increase of 2.7 percentage points as compared to the last corresponding period.

Due to the improvement in turnover and the effect of operating leverage, the gross profit margin had improved when compared to the first half and the second half of last year. However, the increase in wages in the PRC and Thailand attenuated the growth rate of the gross profit margins.

Other income and gains

Other income and gains amounted to HK\$12.6 million for the six months ended 30 June 2012, which is similar to HK\$12.1 million recorded in the corresponding period of last year. The amount mainly comprised foreign exchange gains, bank interest income and fair value gains of interest rate swap and forward currency contracts in the amount of HK\$2.9 million, HK\$5.2 million, and HK\$1.8 million, respectively.

Management Discussion and Analysis

Selling and distribution costs

During the period under review, selling and distribution costs totaled HK\$13.4 million, amounting to 2.5% of turnover, representing an increase of 0.3 percentage point as compared to 2.2% of turnover in the corresponding period of 2011.

Administrative expenses

During the period under review, the Group's general and administrative expenses increased 3.3% from HK\$46.7 million to HK\$48.2 million as compared to the corresponding period of 2011. The increase was mainly attributable to general increases in various office expenses.

Finance costs

Finance costs increased by 5.0% or HK\$0.4 million to HK\$8.6 million for the period under review as compared to the corresponding period in 2011. The increase was mainly due to higher interest rates. The Group's average interest rate increased from 2.8% to 3.2%.

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 2012 amounted to HK\$46.3 million, representing an increase of 32.4% as compared to the profit attributable to owners of the Company of HK\$35.0 million for the six months ended 30 June 2011.

DETAILS OF CHARGES ON THE GROUP'S ASSETS

As at 30 June 2012, the Group had total borrowings of HK\$525.2 million (31 December 2011: HK\$561.0 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 2012.

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 2012, cash per share was HK\$0.49 (31 December 2011: HK\$0.47) and net asset value per share was HK\$1.46 (31 December 2011: HK\$1.42), based on the 928,342,790 ordinary shares in issue (31 December 2011: 926,635,290).

During the period under review, the Group recorded a net cash inflow from operating activities of HK\$90.8 million (2011: HK\$101.2 million). With the purchase of property, plant and equipment and the decrease in non-pledged time deposits of amount HK\$78.1 million, the Group recorded a net cash inflow from investing activities of HK\$51.6 million (2011: net cash outflow of HK\$33.5 million).

Total bank borrowings as at 30 June 2012 decreased to HK\$525.2 million (31 December 2011: HK\$561.0 million) and net borrowings (total borrowings less cash and bank balances) as at 30 June 2012 dropped by 46.3% to HK\$65.9 million (31 December 2011: HK\$122.8 million) and thus the gearing ratio (defined as net borrowings divided by shareholders' equity) as at 30 June 2012 dropped to 4.9% when compared to 9.3% as at 31 December 2011.

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.

HUMAN RESOURCES

As at 30 June 2012, the Group had 4,457 employees, an increase of 2.0% when compared to 4,370 employees as at 31 December 2011.

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 attend 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

At present our business volume is satisfactory, but given the weak global economic outlook and the possibility of a global recession and even the threat of another global financial crisis being triggered by developments in Europe, we cannot be complacent about our short-term business outlook. We are battening down the hatches to better face stormy economic weather. Anticipating weaker demand, we are cutting cost and, where possible, streamlining staff resources. We are also trying to pass on some of the cost increases we have had to shoulder such as arising from minimum wage increases. Over the last few years, cost increases and the strength of the Renminbi have pressurised our profit margins to such a degree that some of the components we manufacture are no longer profitable and we intend to discontinue such production after giving our customers appropriate advance notice.

Amidst the dark economic clouds we do see a silver lining. The challenging operating environment is forcing businesses to be as cost competitive as possible and we therefore believe that European and US hydraulic equipment components and automotive components companies will seek to outsource more. In addition, the uncertain short term outlook makes it more difficult for financially weak competitors to stay in the market (customers prefer financially strong suppliers) and more difficult for potential competitors to enter the market given the long accreditation process for newcomers. Thus in the longer term we remain positive about the prospects of our business in these two segments and in July, we started construction of Phase 1 of the development of our Changshu site. Completion of Phase 1 is scheduled for July 2013 when it will provide some 42,000 square metres of production area.

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	4&5	535,856	496,021
Cost of sales		(420,660)	(402,534)
Gross profit		115,196	93,487
Other income and gains	5	12,610	12,144
Selling and distribution costs		(13,421)	(10,670)
Administrative expenses		(48,186)	(46,664)
Other expenses		(1,471)	(2,528)
Finance costs	6	(8,565)	(8,160)
PROFIT BEFORE TAX	7	56,163	37,609
Income tax expense	8	(9,975)	(2,211)
PROFIT FOR THE PERIOD		46,188	35,398
Attributable to:			
Owners of the Company		46,317	34,981
Non-controlling interests		(129)	417
		46,188	35,398
EARNINGS PER SHARE	9		
Basic		HK5.0 cents	HK3.8 cents
Diluted		HK4.9 cents	HK3.5 cents
INTERIM DIVIDEND PER SHARE	10	HK1.0 cent	HK1.0 cent

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit for the period	46,188	35,398
Other comprehensive income:		
Exchange differences on translation of foreign operations	(6,191)	26,543
Total comprehensive income for the period	39,997	61,941
Attributable to:		
Owners of the Company	40,141	61,487
Non-controlling interests	(144)	454
	39,997	61,941

Condensed Consolidated Statement of Financial Position

		At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	935,287	994,325
Prepaid land lease payments		96,835	98,283
Loan to an unlisted equity investment		5,190	5,000
Available-for-sale investment		150	150
Deposit for purchase of items of property, plant and equipment		589	8,113
Deferred tax assets		620	736
Total non-current assets		1,038,671	1,106,607
CURRENT ASSETS			
Inventories	12	268,505	256,033
Trade receivables	13	270,397	230,542
Prepayments, deposits and other receivables		16,050	27,849
Cash and cash equivalents		459,331	438,276
Total current assets		1,014,283	952,700
CURRENT LIABILITIES			
Trade and bills payables	17	99,171	96,771
Other payables and accruals		48,434	55,182
Derivative financial instruments		—	384
Tax payable		16,543	20,958
Interest-bearing bank and other borrowings	15	501,756	552,566
Total current liabilities		665,904	725,861
NET CURRENT ASSETS		348,379	226,839
TOTAL ASSETS LESS CURRENT LIABILITIES		1,387,050	1,333,446

	Notes	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	23,481	8,479
Deferred tax liabilities		4,978	4,206
Other payables and accruals		1,151	866
Derivative financial instruments		2,194	3,635
Total non-current liabilities		31,804	17,186
Net assets		1,355,246	1,316,260
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	92,834	92,664
Reserves		1,251,348	1,216,111
Proposed dividend		9,283	5,560
		1,353,465	1,314,335
Non-controlling interests		1,781	1,925
Total equity		1,355,246	1,316,260

Condensed Consolidated Statement of Changes in Equity

(Unaudited)	Attributable to owners of the Company													Total equity HK\$'000
	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Statutory					Exchange fluctuation reserve HK\$'000	Warrant reserve HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Non-controlling interests HK\$'000	
				surplus reserve HK\$'000	public welfare fund HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Total HK\$'000						
At 1 January 2012	92,664	392,938	(1,116)	17,222	287	3,108	23,006	219,157	1,200	560,309	5,560	1,314,335	1,925	1,316,260
Profit for the period	—	—	—	—	—	—	—	—	—	46,317	—	46,317	(129)	46,188
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(6,176)	—	—	—	(6,176)	(15)	(6,191)
Total comprehensive income for the period	—	—	—	—	—	—	—	(6,176)	—	46,317	—	40,141	(144)	39,997
Issue of shares	460	2,035	—	—	—	—	(864)	—	—	—	—	1,631	—	1,631
Repurchase of shares	(290)	(1,462)	—	—	—	290	—	—	—	(290)	—	(1,752)	—	(1,752)
Equity-settled share option arrangements	—	—	—	—	—	—	4,670	—	—	—	—	4,670	—	4,670
2011 final dividend declared	—	—	—	—	—	—	—	—	—	—	(5,560)	(5,560)	—	(5,560)
Proposed 2012 interim dividend	—	—	—	—	—	—	—	—	—	—	(9,283)	9,283	—	—
At 30 June 2012	92,834	393,511*	(1,116)*	17,222*	287*	3,398*	26,812*	212,981*	1,200*	597,053*	9,283	1,353,465	1,781	1,355,246
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
2010 final dividend paid	—	—	—	—	—	—	—	—	—	(44)	(21,379)	(21,423)	—	(21,423)
Issue of warrants	—	—	—	—	—	—	—	—	1,200	—	—	1,200	—	1,200
Issue of shares	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
Proposed 2011 interim dividend	—	—	—	—	—	—	—	—	—	(9,324)	9,324	—	—	—
At 30 June 2011	93,197	395,655*	(1,116)*	13,325*	287*	3,685*	15,396*	201,832*	1,200*	554,359*	9,324	1,287,144	1,824	1,288,968

* These reserve accounts comprise the consolidated reserves of HK\$1,251,348,000 (30 June 2011: HK\$1,184,623,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash flows from operating activities	90,832	101,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(27,259)	(39,968)
Proceeds from disposal of items of property, plant and equipment	745	6,464
Decrease in non-pledged time deposits with original maturity of over three months and within one year when acquired	78,147	—
Net cash flows from/(used in) investing activities	51,633	(33,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of warrants	—	1,200
Repurchase of shares	(1,752)	—
Share issue expenses	—	(8)
Share options exercised	1,631	1,020
New bank loans and other borrowings	359,303	301,113
Repayment of bank loans and other borrowings	(382,834)	(301,809)
Capital element of finance lease rental payments	(12,401)	(12,382)
Dividends paid	(5,560)	(21,423)
Net cash flows used in financing activities	(41,613)	(32,289)

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,852	35,421
Cash and cash equivalents at beginning of period	233,884	360,424
Effect of foreign exchange rate changes, net	(1,805)	6,858
CASH AND CASH EQUIVALENTS AT END OF PERIOD	332,931	402,703
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	319,505	389,754
Non-pledged time deposits with original maturity of less than three months when acquired	13,581	12,949
Non-pledged time deposits with original maturity of over three months and within one year when acquired	126,245	—
Cash and cash equivalents as stated in the consolidated statement of financial position	459,331	402,703
Bank overdrafts	(155)	—
Non-pledged time deposits with original maturity of over three months and within one year when acquired	(126,245)	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	332,931	402,703

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

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 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 (the "Listing Rules"). They have been prepared under the historical cost convention, except for 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 2011.

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 2012.

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.

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

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2012
(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	69,669	160,855	130,318	80,653	63,517	30,844	535,856
Inter-segment sales	27,567	—	—	—	—	—	27,567
Other revenue	348	—	7,090	—	—	—	7,438
	97,584	160,855	137,408	80,653	63,517	30,844	570,861
Reconciliation:							
Elimination at inter-segment sales							(27,567)
Revenue							543,294
Segment results	6,969	19,388	15,707	9,721	7,656	3,718	63,159
Reconciliation:							
Elimination at inter-segment results							(3,603)
Interest income							5,172
Finance costs							(8,565)
Profit before tax							56,163
Income tax expense							(9,975)
Profit for the period							46,188

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
Inter-segment 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 inter-segment 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 inter-segment 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 2012

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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	535,856	496,021
Other income		
Bank interest income	5,172	1,403
Others	2,207	3,926
	7,379	5,329
Gains		
Foreign exchange gains, net	2,906	2,334
Fair value gains:		
Derivative financial instruments — transactions not qualified as hedges:		
Interest rate swap	384	1,335
Forward currency contracts	1,441	—
Fair value gain on investment property	—	1,700
Gain on disposal of items of property, plant and equipment	500	1,446
	5,231	6,815
	12,610	12,144

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	7,475	6,763
Interest on finance leases	742	805
Financial arrangement fees	348	592
	8,565	8,160

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cost of inventories sold	420,660	402,534
Depreciation	81,972	82,941
Recognition of prepaid land lease payments	1,111	1,097
Equity-settled share option expenses	4,670	4,328
Auditors' remuneration	1,265	1,080
Foreign exchange gains, net	(2,906)	(2,334)
Fair value gains:		
Derivative financial instruments — transactions not qualified as hedges:		
Interest rate swap	(384)	(1,335)
Forward currency contracts	(1,441)	—
Gain on disposal of items of property, plant and equipment	(500)	(1,446)

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

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 2011) 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Group:		
Current (charge for the period) — Hong Kong	1,000	—
Current (charge for the period) — Elsewhere	8,087	1,538
	9,087	1,538
Deferred	888	673
Total tax charge for the period	9,975	2,211

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners 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 2012 is based on the profit attributable to owners 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 into ordinary shares.

9. EARNINGS PER SHARE (Continued)

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	46,317	34,981
	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	927,001	930,497
Effect of dilution — weighted average number of ordinary shares: Share options	14,443	59,138
	941,444	989,635

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interim dividend of HK1 cent per ordinary share (2011: HK1 cent)	9,283	9,324

At the Board meeting held on 21 August 2012, the Board declared an interim dividend of HK1 cent per ordinary share.

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Land and	Leasehold	Plant and	Furniture	Motor	Construction	Total
	buildings	improvements	machinery	and fixtures	vehicles	in progress	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At 1 January 2012	355,448	14,652	1,460,218	56,840	21,761	43,550	1,952,469
Additions	28	—	3,667	166	6	23,392	27,259
Transfer in/(out)	2,900	24	17,731	915	122	(21,692)	—
Disposals	(74)	—	(6,889)	(193)	(408)	(64)	(7,628)
Exchange realignment	(1,552)	(42)	(6,238)	(221)	(70)	(174)	(8,297)
At 30 June 2012	356,750	14,634	1,468,489	57,507	21,411	45,012	1,963,803
Accumulated depreciation:							
At 1 January 2012	(116,389)	(4,074)	(786,403)	(38,065)	(13,213)	—	(958,144)
Depreciation provided during the period	(8,451)	(738)	(67,498)	(3,855)	(1,430)	—	(81,972)
Disposals – accumulated depreciation	30	—	6,754	191	408	—	7,383
Exchange realignment	499	7	3,520	149	42	—	4,217
At 30 June 2012	(124,311)	(4,805)	(843,627)	(41,580)	(14,193)	—	(1,028,516)
At 30 June 2012							
Cost	356,750	14,634	1,468,489	57,507	21,411	45,012	1,963,803
Accumulated depreciation	(124,311)	(4,805)	(843,627)	(41,580)	(14,193)	—	(1,028,516)
Net carrying amount	232,439	9,829	624,862	15,927	7,218	45,012	935,287
At 31 December 2011							
Cost	355,448	14,652	1,460,218	56,840	21,761	43,550	1,952,469
Accumulated depreciation	(116,389)	(4,074)	(786,403)	(38,065)	(13,213)	—	(958,144)
Net carrying amount	239,059	10,578	673,815	18,775	8,548	43,550	994,325

12. INVENTORIES

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Raw materials	102,200	82,431
Consumables	48,956	52,240
Work in progress	74,270	65,625
Finished goods	67,847	80,505
	293,273	280,801
Less: Provision against inventory obsolescence	(24,768)	(24,768)
	268,505	256,033

13. 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 maintains 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.

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 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Within 1 month	87,942	83,507
1 to 2 months	92,770	69,363
2 to 3 months	59,948	45,625
3 to 4 months	18,147	13,474
4 to 12 months	11,590	18,573
	270,397	230,542

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

14. SHARE CAPITAL

Shares	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Authorised: 1,500,000,000 (31 December 2011: 1,500,000,000) ordinary shares of HK\$0.1 each	150,000	150,000
Issued and fully paid: 928,342,790 (31 December 2011: 926,635,290) ordinary shares of HK\$0.1 each	92,834	92,664

The movements in share capital for the six months ended 30 June 2012 and year ended 31 December 2011 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 2011		929,088,751	92,909	394,398	487,307
Share options exercised	(a)	3,316,539	332	1,458	1,790
Repurchase of shares	(b)	(5,770,000)	(577)	(2,901)	(3,478)
		926,635,290	92,664	392,955	485,619
Share issue expenses		—	—	(17)	(17)
At 31 December 2011 and 1 January 2012		926,635,290	92,664	392,938	485,602
Share options exercised	(c)	4,602,500	460	2,035	2,495
Repurchase of shares	(d)	(2,895,000)	(290)	(1,462)	(1,752)
At 30 June 2012		928,342,790	92,834	393,511	486,345

14. SHARE CAPITAL (Continued)

A summary of the transactions with reference to the above movements in the Company's issued capital is as follows:

- (a) The subscription rights attaching to 3,316,539 share options were exercised in 2011 at the subscription prices of HK\$0.35 per share, resulting in the issue of 3,316,539 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$1.2 million. An amount of approximately HK\$614,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (b) The Company repurchased its own shares on the Stock Exchange during the year ended 31 December 2011. 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) The subscription rights attaching to 4,602,500 share options were exercised during the six months ended 30 June 2012 at the subscription prices of HK\$0.35 per share, resulting in the issue of 4,602,500 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$1.6 million. An amount of approximately HK\$864,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (d) The Company repurchased its own shares on the Stock Exchange during the six months ended 30 June 2012. 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.

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Current				
Finance lease payables (note 16)	3.75 – 8.91	2013	21,822	16,205
<i>Unsecured</i>				
Bank overdrafts	4.95	2012	155	—
Bank revolving loans	2.56 – 3.05	2012	83,200	104,001
Bank term loans	2.00	2013	18,750	63,606
Other bank loans	1.62 – 2.45	2012	95,974	72,013
Long term bank loans repayable on demand	2.81 – 4.00	On demand	281,855	296,741
			501,756	552,566
Non-current				
Finance lease payables (note 16)	4.00	2015	23,481	2,229
<i>Unsecured</i>				
Bank term loans			—	6,250
			23,481	8,479
			525,237	561,045

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

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Analysed into:		
Bank overdrafts, revolving loans, terms loans and long term bank loans repayable:		
Within one year or on demand	383,960	464,348
In the second year	—	6,250
	383,960	470,598
Other bank loans repayable:		
Within one year	95,974	72,013
Other borrowings repayable:		
Within one year	21,822	16,205
In the second year	13,214	2,229
In the third to fifth years, inclusive	10,267	—
	45,303	18,434
	525,237	561,045

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

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

16. 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 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 30 June 2012 (Unaudited) HK\$'000	Minimum lease payments 31 December 2011 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2012 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2011 (Audited) HK\$'000
Amounts payable:				
Within one year	23,289	16,777	21,822	16,205
In the second year	13,913	2,295	13,214	2,229
In the third to fifth years, inclusive	10,439	—	10,267	—
Total minimum finance lease payments	47,641	19,072	45,303	18,434
Future finance charges	(2,338)	(638)		
Total net finance lease payables	45,303	18,434		
Portion classified as current liabilities (note 15)	(21,822)	(16,205)		
Non-current portion (note 15)	23,481	2,229		

17. 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 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Within 1 month	36,523	46,610
1 to 2 months	36,858	29,867
2 to 3 months	19,318	13,446
Over 3 months	6,472	6,848
	99,171	96,771

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

18. CONTINGENT LIABILITIES

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

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Guarantees given to an electricity company	1,284	1,413

19. 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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Within one year	2,176	3,092
In the second to fifth years, inclusive	2,407	2,393
After five years	2,302	3,177
	6,885	8,662

Notes to the Condensed Consolidated Financial Statements

Six months ended 30 June 2012

20. COMMITMENTS

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

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Contracted but not provided for:		
Plant and machinery	1,542	10,922
Construction in progress	4,312	6,580
	5,854	17,502

21. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	7,382	6,597
Equity-settled share option expense	3,011	3,912
Post-employment benefits	87	60
Total compensation paid to key management personnel	10,480	10,569

22. POST BALANCE SHEET EVENT

On 9 July 2012, the Building Contract was entered into by the Group with the Contractor for the construction of three production plants and the related infrastructure at Changshu Economic Development Zone at a consideration of HK\$75.4 million (RMB61.8 million). On the same day, the Supervision Contract was also entered into by the Group with the Supervisor to help the Group monitor the construction works under the Building Contract at a consideration of about HK\$0.6 million (RMB0.5 million).

23. COMPARATIVE FIGURES

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

24. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 21 August 2012.

Other Information

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

As at 30 June 2012, 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 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	24.43%
	Directly beneficially owned		7,556,250	0.81%
	Through spouse	2	125,000	0.01%
			234,465,725	25.25%
Mr. Ho Yu Hoi	Directly beneficially owned		31,838,740	3.43%
Mr. Lai Man Kit	Directly beneficially owned		26,774,500	2.88%
Mr. Li Chi Hang	Directly beneficially owned		25,088,535	2.70%
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 2012.

Notes:

- These shares were owned by Tottenhill Limited ("Tottenhill"), the entire issued capital of which was 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.

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 capital*
Mr. Chui Siu On	Directly beneficially owned	50,000,000	5.39%
Mr. Lau Siu Chung	Directly beneficially owned	10,288,462	1.11%
Mr. Yuen Chi Ho	Directly beneficially owned	7,009,615	0.76%
Mr. Wong Kwok Keung	Directly beneficially owned	5,003,462**	0.54%
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	1,600,000	0.17%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2012.

** The outstanding share options granted to Mr. Wong Kwok Keung, who resigned as an executive director of the Company on 5 July 2012, were cancelled on 5 August 2012 pursuant to the share option scheme of the Company.

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 2012, 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 2012, 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.

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 2012:

Name or category of participant	Number of share options					At 30 June 2012	Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ HK\$ per share
	At 1 January 2012	Granted during the period ⁽¹⁾	Exercised during the period ⁽⁴⁾	Expired/lapsed during the period	Forfeited/cancelled during the period				
Directors									
Mr. Chui Siu On ⁽⁵⁾	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	—	—	—	—	50,000,000			
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			
Mr. Wong Kwok Keung ⁽⁶⁾	1,644,231	—	(1,644,231)	—	—	—	01-06-09	01-06-10 to 31-05-14	0.3545
	2,644,231	—	(2,640,769)	—	—	3,462	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	—	(4,285,000)	—	—	5,003,462			
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	—	—	—	—	600,000	28-04-11	28-04-11 to 11-10-14	1.5600
	—	1,000,000	—	—	—	1,000,000	23-04-12	01-05-12 to 31-08-16	0.6400
	600,000	1,000,000	—	—	—	1,600,000			
	80,773,077	1,000,000	(4,285,000)	—	—	77,488,077			

Other Information

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options					At 30 June 2012	Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ HK\$ per share
	At 1 January 2012	Granted during the period ⁽¹⁾	Exercised during the period ⁽⁴⁾	Expired/lapsed during the period	Forfeited/cancelled during the period				
Members of senior management & other employee 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
	6,215,577	—	(9,135)	—	—	6,206,442	01-06-09	01-06-10 to 31-05-14	0.3545
	1,577,116	—	(178,365)	—	—	1,398,751	01-06-09	01-06-11 to 31-05-14	0.3545
	6,261,538	—	—	—	(68,750)	6,192,788	01-06-09	01-06-12 to 31-05-14	0.3545
	1,925,000	—	—	—	(68,750)	1,856,250	01-06-09	01-06-13 to 31-05-14	0.3545
	23,400,000	—	—	—	—	23,400,000	02-06-10	01-04-12 to 11-10-14	0.7200
	8,400,000	—	—	—	—	8,400,000	02-06-10	01-04-13 to 11-10-14	0.7200
	11,200,000	—	—	—	—	11,200,000	02-06-10	01-04-14 to 11-10-14	0.7200
	—	20,000,000	—	—	—	20,000,000	23-04-12	01-09-14 to 31-08-16	0.6400
	67,440,769	20,000,000	(187,500)	—	(137,500)	87,115,769			
Suppliers of services									
In aggregate	7,105,769	—	(130,000)	—	—	6,975,769	01-06-09	01-06-10 to 31-05-14	0.3545
	5,000,000	—	—	—	—	5,000,000	02-06-10	01-04-12 to 11-10-14	0.7200
	12,105,769	—	(130,000)	—	—	11,975,769			
	160,319,615	21,000,000	(4,602,500)	—	(137,500)	176,579,615			

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

- (1) The closing price of the Company's shares immediately before the date of grant of the share options was HK\$0.65. The fair value of the share options granted on 23 April 2012 was determined at the date of grant using the binomial option pricing model was approximately HK\$5.3 million.
- (2) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (3) 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.
- (4) The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$0.61 per share.
- (5) 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.
- (6) Mr. Wong Kwok Keung resigned as an executive director of the Company on 5 July 2012 and accordingly, the outstanding share options granted to him were cancelled on 5 August 2012 pursuant to the Scheme.

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

As at 30 June 2012, the following parties (not being directors or chief executive of the Company) with interests of more than 5% in the shares and 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 shareholder	Notes	Capacity and nature of interests	Number of ordinary shares in the Company	Percentage of the Company's issued share capital*
Tottenham	(a)	Directly beneficially owned	226,784,475	24.43%
Ms. Leung Wing Yi	(b)	Directly beneficially owned	125,000	0.01%
		Through spouse	234,340,725	25.24%
			234,465,725	25.25%
DJE Investment S.A.	(c)	Investment manager	72,250,000	7.78%
Mr. Jiang Qi Hang	(d)	Through controlled corporation	50,817,773	5.47%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2012.

Notes:

- (a) The interests of Tottenham 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.

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	5.39%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2012.

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" above.

Save as disclosed above, as at 30 June 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

The Company repurchased a total of 2,895,000 shares on the Stock Exchange during the six months ended 30 June 2012. Such shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares.

Details of the repurchases are summarized as follows:

Month of repurchases	Total number of shares repurchased	Repurchase price per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
April 2012	35,000	0.61	0.61	22
May 2012	1,205,000	0.61	0.57	721
June 2012	1,655,000	0.62	0.59	1,009
	<u>2,895,000</u>			<u>1,752</u>

Except as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.01 per share for the six months ended 30 June 2012 (2011: HK\$0.01 per share). The interim dividend will be paid in cash on Monday, 24 September 2012 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Monday, 17 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 13 September 2012 to Monday, 17 September 2012 (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 2012, 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 Wednesday, 12 September 2012.

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 during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules, save for the following deviations:

Code Provision A.2.1

The code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, Mr. Chui Siu On assumes the roles of both Chairman and Chief Executive Officer of the Company. As one of the founders of the Group, Mr. Chui 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. The structure is therefore beneficial to the Group.

Code Provision E.1.2

The code provision E.1.2 stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Mr. Chui Siu On, the Chairman of the Company, was unable to attend the Company's annual general meeting held on 15 May 2012 due to other engagement. In view of his absence, Mr. Chui had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

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 2012.

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 2012.

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") for governing the securities transactions 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 2012.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

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.

By order of the Board

Chui Siu On

Chairman

Hong Kong, 21 August 2012



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IPE Group Limited

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

Interim Report 2012