

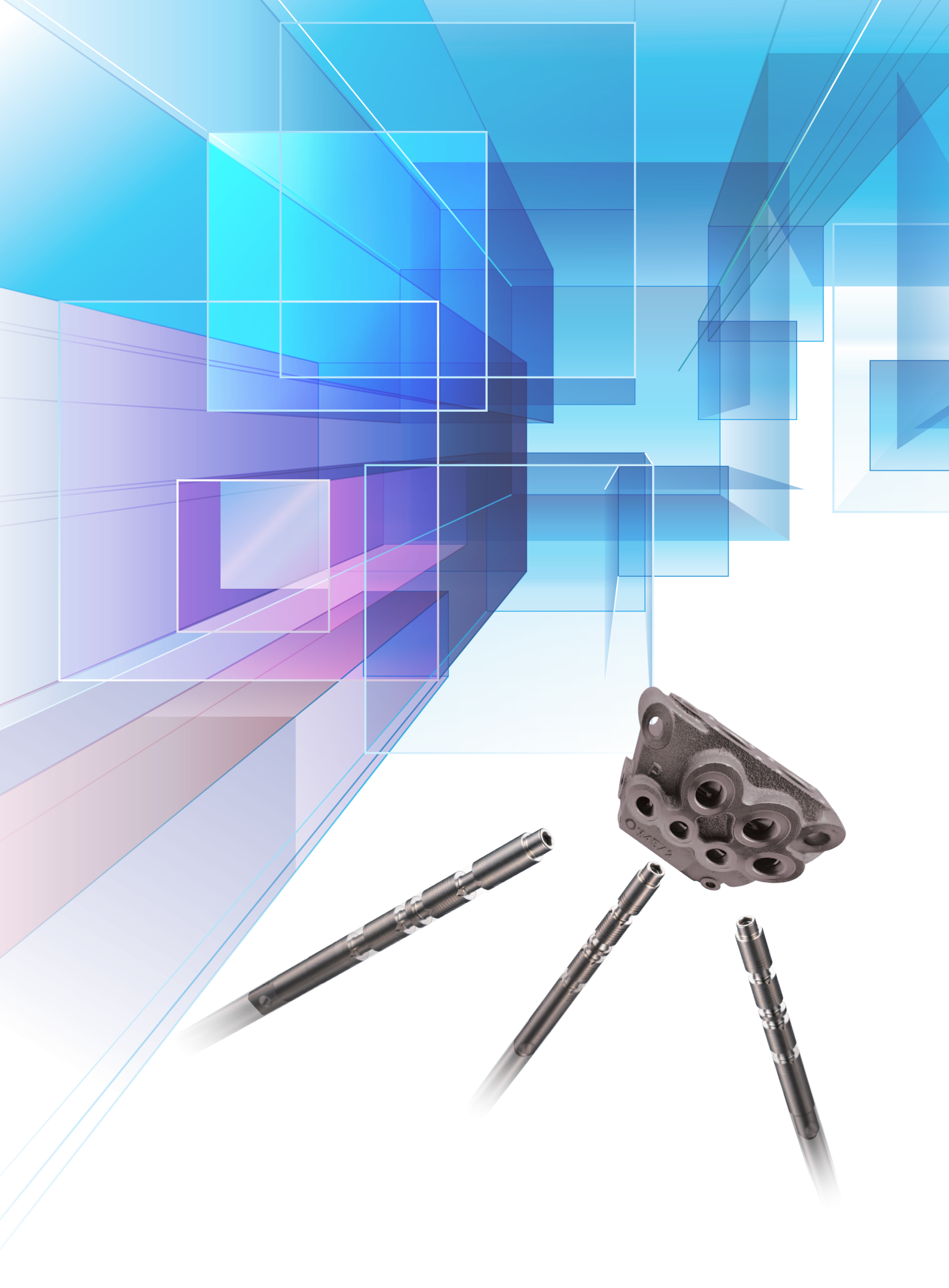
IPE

Group Limited

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

INTERIM REPORT 2013





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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

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

DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
United Overseas Bank Limited

WEBSITE

<http://www.ipegroup.com>

STOCK CODE

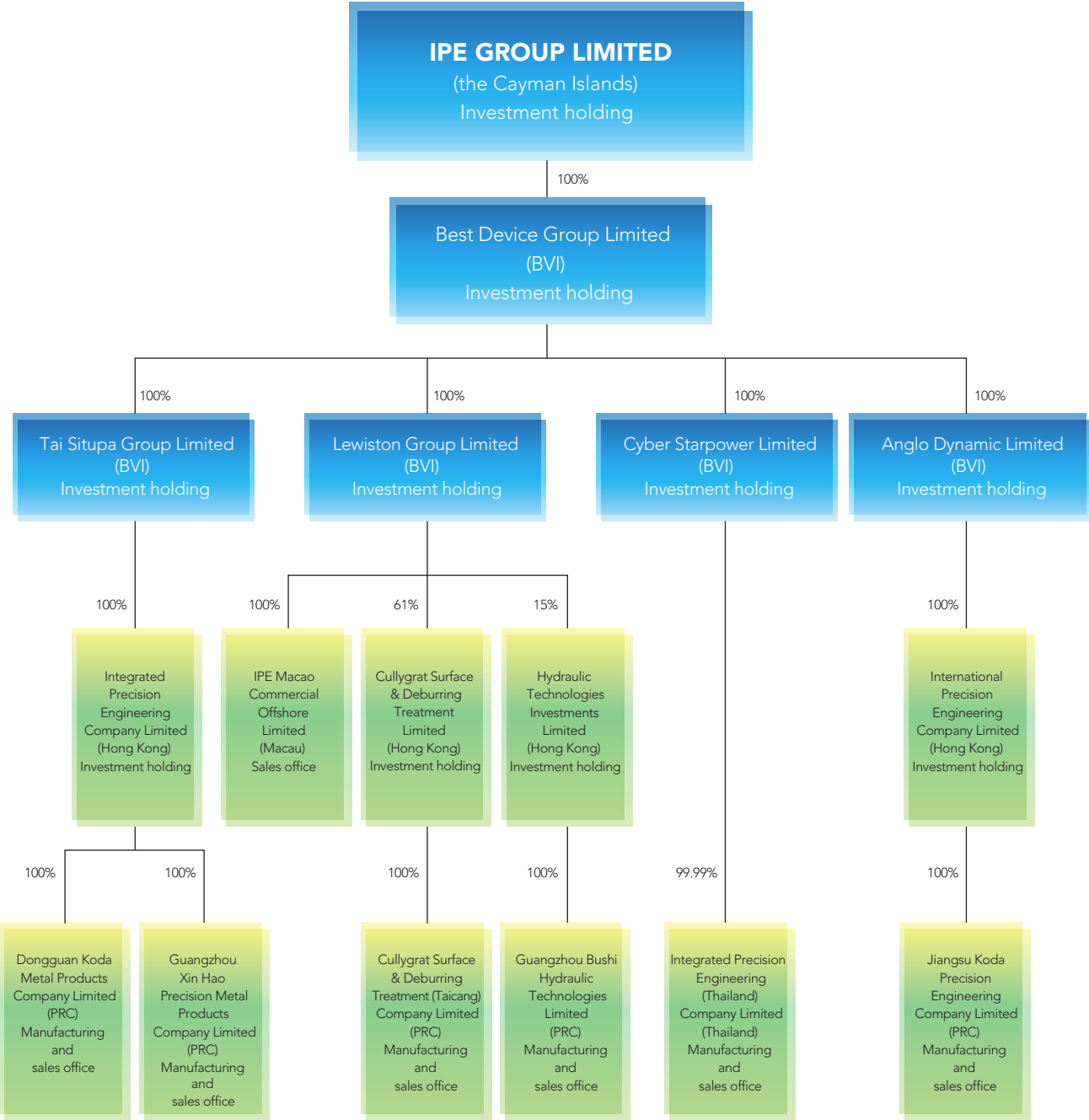
929

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 2013



CORPORATE MILESTONE

2012

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

IPE (Hong Kong) was accredited Special Supplier Award Asia of Continental Automotive Asia

2011

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

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) Company Limited

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

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

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

CORPORATE MILESTONE



2006

Guangzhou Xin Hao was accredited TS16949 certification — automotive certification



2005

Qualified by Bosch, Delphi, Siemens VDO and TRW as a 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

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.

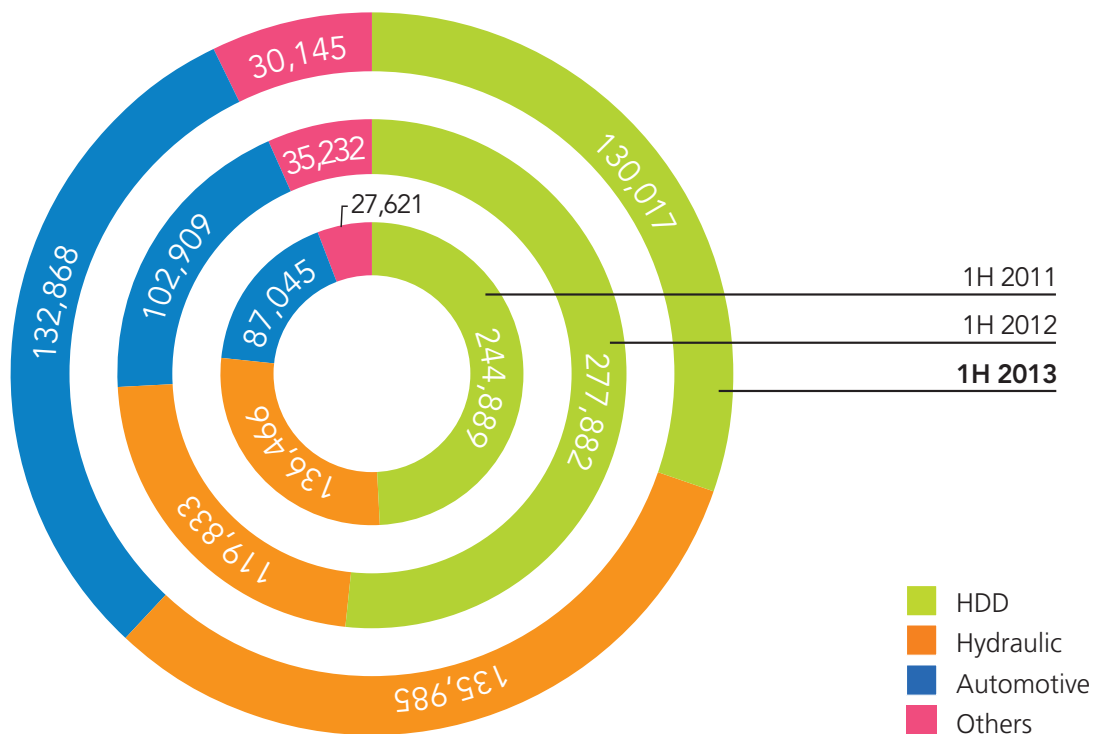
The Group started its high precision components business in 1990 in Singapore and now produces high precision metal components and assembled parts used in hard disk drives (“HDD”), hydraulic equipment, automotive parts, electronic and other devices.

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 is able to provide solutions to our global partners.

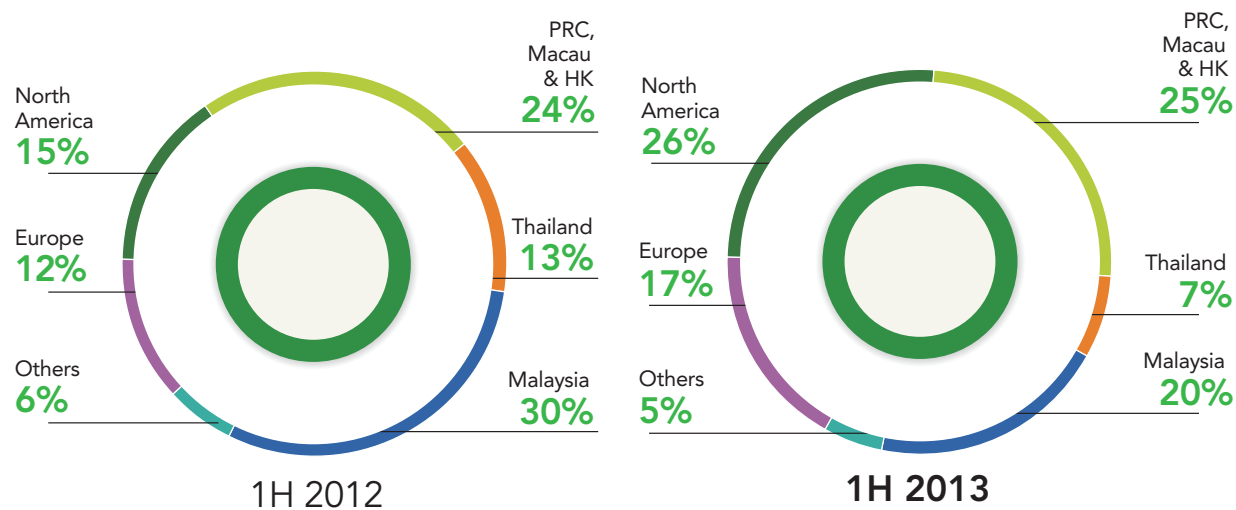
FINANCIAL HIGHLIGHTS

BUSINESS SEGMENTS

(HK\$'000)



GEOGRAPHICAL COMBINATION



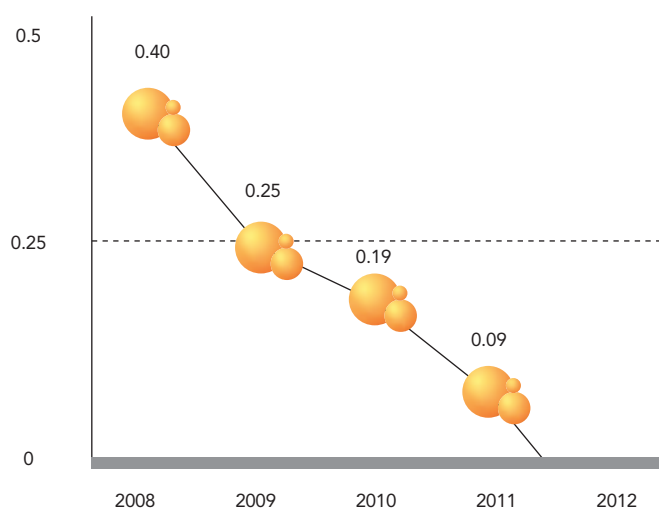
FINANCIAL HIGHLIGHTS

RATIO ANALYSIS

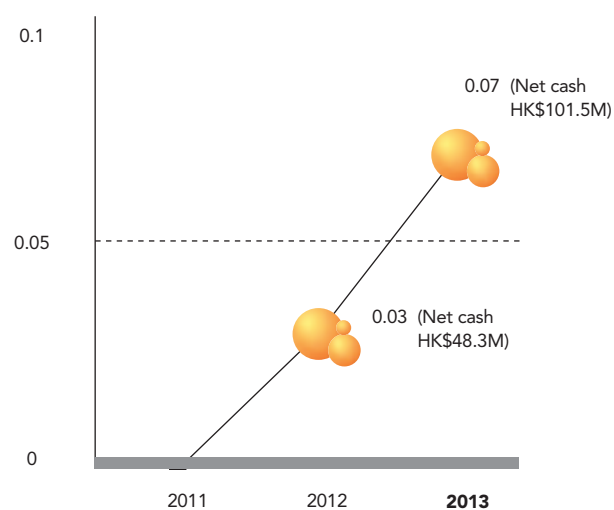
	30 June 2013	2012	Year ended 31 December			
			2011	2010	2009	2008
KEY STATISTICS:						
Current ratio	2.31	1.80	1.31	1.23	1.26*	1.05*
Gearing ratio (net borrowings/ shareholders' equity)	N/A	N/A	0.09	0.19	0.25	0.40
Dividend payout ratio	–	29.1%	29.7%	29.9%	–	27.9%
Gross profit margin	18.6%	21.7%	20.0%	25.9%	15.6%	23.8%
Net (loss)/profit margin	(0.5%)	7.2%	5.1%	12.6%	1.8%	7.0%
Average days of debtor turnover	89 days	80 days	87 days	81 days	104 days	85 days
Average days of inventory turnover	127 days	122 days	102 days	86 days	137 days	127 days
PER SHARE DATA:						
Net asset value per share (HK\$)	1.53	1.51	1.42	1.34	1.15	1.35
Cash per share	HK7.6 cents	HK5.4 cents	HK4.7 cents	HK3.9 cents	HK1.9 cents	HK2.0 cents

* Restated

NET DEBT TO EQUITY RATIO



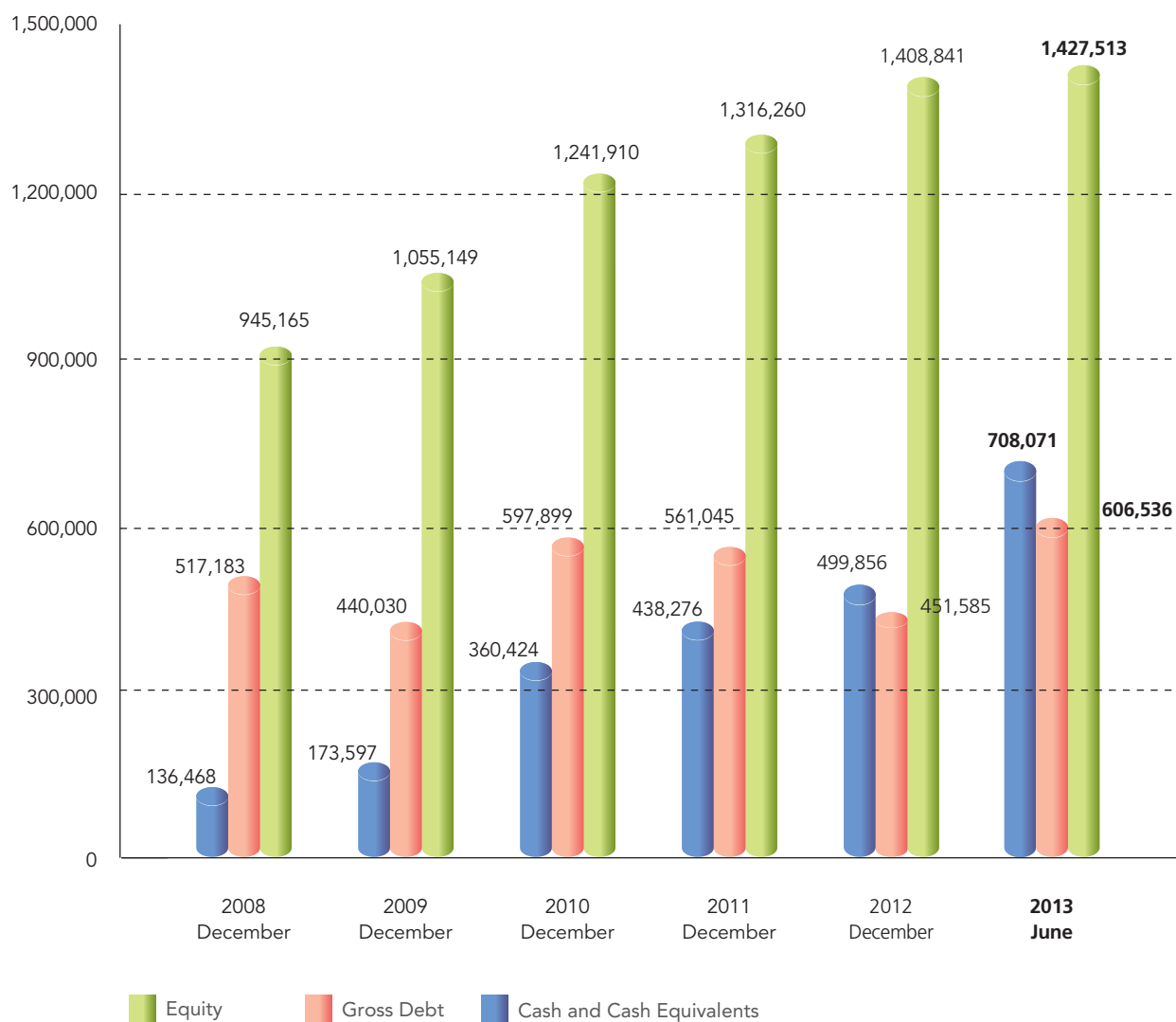
NET CASH TO EQUITY RATIO



FINANCIAL HIGHLIGHTS

EQUITY, GROSS DEBT AND CASH AND CASH EQUIVALENTS

(HK\$'000)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2013, the Group recorded total revenue of HK\$429.0 million, down 19.9% from total revenue of HK\$535.9 million in the same period of last year, and a net loss of HK\$2.2 million for the period under review, compared to a net profit of HK\$46.2 million in the same period of last year.

Sales of hydraulic equipment components and automotive components increased by 13.5% and 29.1%, respectively, during the period under review. The 19.9% decline in total revenue of the Group was mainly due to the significant decrease in sales of HDD components of 53.2% compared to the same period of last year. Sales of HDD components in the first half amounted to only HK\$130.0 million down from HK\$277.9 million in the first half of last year.

The operating environment of our HDD business continues to be difficult. The slide in the global personal computer ("PC") market, which is experiencing the longest duration of decline in the history of the PC market, shows no sign of abating, with a double digit decline in PC shipments in the second quarter. PC sales declined in all regions of the world compared to a year ago. The PC market continues to be affected by the popularity of tablets which are displacing the low-end machines used primarily for consumption of content in mature and developed markets. In emerging markets, inexpensive tablets have become the first computing device for many people, who at best are deferring the purchase of a PC.

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

	1H 2013		1H 2012		% change
	HK\$'000	%	HK\$'000	%	
HDD components	130,017	30.3%	277,882	51.8%	(53.2%)
Hydraulic equipment components	135,985	31.7%	119,833	22.4%	13.5%
Automotive components	132,868	31.0%	102,909	19.2%	29.1%
Others	30,145	7.0%	35,232	6.6%	(14.4%)
	429,015	100.0%	535,856	100.0%	(19.9%)

The operating environment for our HDD business was difficult, but the decline in sales of our HDD components for the six months ended 30 June 2013 was much worse than the industry average. As an upstream manufacturer of components in the HDD supply chain, we would be affected if the manufacturers downstream of us to whom we supply components lose market share for whatever reason. We believe we have lost market share not because of any problem in our production process but because one or more of our HDD component customers have lost market share. We hope this proves temporary as would be the case if one of them were experiencing problems in production.

In contrast to the disappointing weak performance of our HDD components business, sales of hydraulic equipment components increased 13.5% to HK\$136.0 million in the six months ended 30 June 2013 when compared to the corresponding period in 2012. The increase was partly due to restocking of depleted inventories for while economic conditions in the US were gradually improving, recovery in Europe was less visible and buyers have been and remain cautious in giving us orders.

Our automotive components business continued to grow at a satisfactory pace. In the period under review, this segment recorded a growth of 29.1% to HK\$132.9 million when compared to the first half of last year, again setting a new half-yearly record.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Due to the sharp drop in turnover of our HDD components, our gross profit margin for the six months ended 30 June 2013 fell to 18.6% from 21.5% for the corresponding period in 2012. The decrease of gross profit margin for the period reflected the depreciation charges of the idle HDD machinery and the continuing rise in minimum wages in the PRC.

Other income and gains, which amounted to HK\$5.2 million in the first half of 2013, decreased HK\$7.4 million when compared to the corresponding period in 2012. The difference was mainly due to the decrease in interest income amounting HK\$2.3 million, no foreign exchange gain, which corresponding period of last year amounted to HK\$2.9 million, and no fair value gains of derivative financial instrument in the first half of 2013 as compared to HK\$1.8 million in the corresponding period of 2012.

During the period under review, selling and distribution expenses amounted to HK\$13.2 million, accounting for 3.1% of turnover, compared with 2.5% of turnover in the corresponding period of 2012. The increase of 0.6 percentage point was mainly due to rising transportation costs and the impact of operating leverage due to the lower turnover.

During the period under review, the Group's administrative expenses increased 12.4% from HK\$48.2 million to HK\$54.2 million as compared to the corresponding period of 2012. The increase of HK\$6.0 million was mainly attributable to general increase in various office expenses.

Finance costs decreased by 18.6% or HK\$1.6 million to HK\$7.0 million for the period under review as compared to the corresponding period in 2012. The Group is in a net cash position (cash and bank balances less total borrowings) and decreased its borrowing in the first quarter of 2013.

For the six months ended 30 June 2013, the Group had a net loss of HK\$2.2 million compared to a net profit of HK\$46.2 million for the six months ended 30 June 2012.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2013, the Group had total borrowings of HK\$606.5 million (31 December 2012: HK\$451.6 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 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

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 2013, cash per share was HK\$0.76 (31 December 2012: HK\$0.54) and net asset value per share was HK\$1.53 (31 December 2012: HK\$1.51), based on the 931,527,790 ordinary shares in issue (31 December 2012: 931,087,790).

During the period under review, the Group recorded a net cash inflow from operating activities of HK\$111.6 million (2012: HK\$90.8 million). With the purchase of property, plant and equipment of HK\$57.4 million and the increase in non-pledged time deposit of HK\$15.1 million, the Group recorded a net cash outflow from investing activities of HK\$72.0 million (2012: net cash inflow of HK\$51.6 million).

The Group obtained a HK\$550 million syndicated loan in May 2013. The total bank borrowings as at 30 June 2013 increased to HK\$606.5 million (31 December 2012: HK\$451.6 million). The Group is in a net cash position of HK\$101.5 million as at 30 June 2013 (net cash of HK\$48.3 million as at 31 December 2012).

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 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 2013, the Group had 3,227 employees, an increase of 2.4% when compared to 3,151 employees as at 31 December 2012 and decrease of 27.6% or 1,230 employees when compared to 4,457 employees as at 30 June 2012.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In today's challenging business environment, we continue to focus on means of improving productivity and on profitable product lines, seeking to eliminate those that are loss making or only marginally profitable and to develop new product lines with good longer term profit potential.

Apart from our HDD business, both hydraulic equipment components and automotive components businesses are performing satisfactorily given the current economic environment. Despite the weak performance for HDD components in the first half of 2013, we look for some recovery in the demand for HDD components in the second half and expect continuing growth in the sales of hydraulic equipment components and automotive components. It is therefore likely that the Group will be able to record a profit for the year ending 31 December 2013, barring unforeseen circumstances.

The first phase of our Changshu factory is nearing completion and based on revised plans for bringing it into production, the manufacture of automotive components is expected to start at the end of this year or early next year. The financing of the capital equipment to be installed will be met from internal resources and bank facilities already in place.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June

	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	4&5	429,015	535,856
Cost of sales		(349,134)	(420,660)
Gross profit		79,881	115,196
Other income and gains	5	5,193	12,610
Selling and distribution expenses		(13,228)	(13,421)
Administrative expenses		(54,154)	(48,186)
Other expenses		(5,116)	(1,471)
Finance costs	6	(6,975)	(8,565)
PROFIT BEFORE TAX	7	5,601	56,163
Income tax expense	8	(7,757)	(9,975)
(LOSS)/PROFIT FOR THE PERIOD		(2,156)	46,188
Attributable to:			
Owners of the Company		(2,321)	46,317
Non-controlling interests		165	(129)
		(2,156)	46,188
(LOSS)/EARNINGS PER SHARE	9		
Basic		HK(0.2) cent	HK5.0 cents
Diluted		HK(0.2) cent	HK4.9 cents
INTERIM DIVIDEND PER SHARE	10	–	HK1.0 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
(Loss)/profit for the period	(2,156)	46,188
Other comprehensive income/(expenses):		
Exchange differences on translation of foreign operations	22,564	(6,191)
Total comprehensive income for the period	20,408	39,997
Attributable to:		
Owners of the Company	20,211	40,141
Non-controlling interests	197	(144)
	20,408	39,997

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	884,102	893,899
Prepaid land lease payments		98,065	97,661
Loan to an unlisted equity investment		4,314	5,443
Available-for-sale investment		150	150
Deposit for purchase of items of property, plant and equipment		1,666	4,256
Deferred tax assets		479	532
Total non-current assets		988,776	1,001,941
CURRENT ASSETS			
Inventories	12	230,879	255,901
Trade receivables	13	222,454	195,534
Prepayments, deposits and other receivables		24,353	17,290
Derivative financial instruments		276	615
Cash and cash equivalents		708,071	499,856
Total current assets		1,186,033	969,196
CURRENT LIABILITIES			
Trade and bills payables	17	77,686	55,420
Other payables and accruals		41,121	30,334
Tax payable		14,292	17,828
Interest-bearing bank and other borrowings	15	379,942	434,644
Total current liabilities		513,041	538,226
NET CURRENT ASSETS		672,992	430,970
TOTAL ASSETS LESS CURRENT LIABILITIES		1,661,768	1,432,911

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	226,594	16,941
Deferred tax liabilities		6,170	5,453
Other payables and accruals		1,491	1,676
Total non-current liabilities		234,255	24,070
Net assets		1,427,513	1,408,841
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	93,153	93,109
Reserves		1,332,294	1,302,686
Proposed dividend		–	11,177
		1,425,447	1,406,972
Non-controlling interests		2,066	1,869
Total equity		1,427,513	1,408,841

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to owners of the Company													Non-controlling interests	Total equity
	Issued share capital	Share premium account	Contributed surplus	Statutory				Share options reserve	Exchange fluctuation reserve	Warrant reserve	Retained profits	Proposed dividends	Total		
				surplus reserve	public welfare fund	Capital redemption reserve	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 2013	93,109	394,709	(1,116)	20,153	287	3,422	25,794	248,040	-	611,397	11,177	1,406,972	1,869	1,408,841	
Loss for the period	-	-	-	-	-	-	-	-	-	(2,321)	-	(2,321)	165	(2,156)	
Other comprehensive income for the period:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	22,532	-	-	-	22,532	32	22,564	
Total comprehensive income/ (expense) for the period	-	-	-	-	-	-	-	22,532	-	(2,321)	-	20,211	197	20,408	
Issue of shares	44	194	-	-	-	-	(83)	-	-	-	-	155	-	155	
Equity-settled share option arrangements	-	-	-	-	-	-	9,286	-	-	-	-	9,286	-	9,286	
2012 final dividend declared	-	-	-	-	-	-	-	-	-	-	(11,177)	(11,177)	-	(11,177)	
At 30 June 2013	93,153	394,903*	(1,116)*	20,153*	287*	3,422*	34,997*	270,572*	-	609,076*	-	1,425,447	2,066	1,427,513	
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 expenses for the period:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(6,176)	-	-	-	(6,176)	(15)	(6,191)	
Total comprehensive income/ (expenses) 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	

* These reserve accounts comprise the consolidated reserves of HK\$1,332,294,000 (30 June 2012: HK\$1,251,348,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash flows from operating activities	111,612	90,832
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(57,426)	(27,259)
Proceeds from disposal of items of property, plant and equipment	519	745
(Increase)/decrease in non-pledged time deposits with original maturity of over three months and within one year when acquired	(15,106)	78,147
Net cash flows (used in)/from investing activities	(72,013)	51,633
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	–	(1,752)
Share options exercised	155	1,631
New bank loans and other borrowings	531,591	359,303
Repayment of bank loans and other borrowings	(367,999)	(382,834)
Capital element of finance lease rental payments	(8,641)	(12,401)
Dividends paid	(11,177)	(5,560)
Net cash flows from/(used in) financing activities	143,929	(41,613)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	183,528	100,852
Cash and cash equivalents at beginning of period	354,824	233,884
Effect of foreign exchange rate changes, net	9,581	(1,805)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	547,933	332,931
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	303,288	319,505
Non-pledged time deposits with original maturity of less than three months when acquired	244,645	13,581
Non-pledged time deposits with original maturity of over three months and within one year when acquired	160,138	126,245
Cash and cash equivalents as stated in the consolidated statement of financial position	708,071	459,331
Bank overdrafts	–	(155)
Non-pledged time deposits with original maturity of over three months and within one year when acquired	(160,138)	(126,245)
Cash and cash equivalents as stated in the consolidated statement of cash flows	547,933	332,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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 applied in the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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 2013.

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. The adjusted profit before tax 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 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2013
(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	28,305	86,641	107,181	110,111	73,504	23,273	429,015
Inter-segment sales	4,379	-	-	-	-	-	4,379
Other revenue	312	-	1,982	-	-	-	2,294
	32,996	86,641	109,163	110,111	73,504	23,273	435,688
Reconciliation:							
Elimination at inter-segment sales							(4,379)
Revenue							431,309
Segment results	(1,397)	3,454	4,273	2,295	2,931	212	11,768
Reconciliation:							
Elimination at inter-segment results							(2,091)
Interest income							2,899
Finance costs							(6,975)
Profit before tax							5,601
Income tax expense							(7,757)
Loss for the period							(2,156)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	429,015	535,856
Other income		
Bank interest income	2,899	5,172
Others	2,094	2,207
	4,993	7,379
Gains		
Foreign exchange gains, net	–	2,906
Fair value gains:		
Derivative financial instruments — transactions not qualified as hedges:		
Interest rate swap	–	384
Forward currency contracts	–	1,441
Gain on disposal of items of property, plant and equipment	200	500
	200	5,231
	5,193	12,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	5,467	7,475
Interest on finance leases	599	742
Financial arrangement fees	909	348
	6,975	8,565

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Cost of inventories sold	349,134	420,660
Depreciation	80,868	81,972
Recognition of prepaid land lease payments	1,141	1,111
Equity-settled share option expenses	9,286	4,670
Auditors' remuneration	1,251	1,265
Foreign exchange differences, net	2,789	(2,906)
Fair value losses/(gains), net:		
Derivative financial instruments — transactions not qualified as hedges:		
Interest rate swap	—	(384)
Forward currency contracts	338	(1,441)
Gain on disposal of items of property, plant and equipment	(200)	(500)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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 2012) 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Group:		
Current (charge for the period) — Hong Kong	—	1,000
Current (charge for the period) — Elsewhere	6,986	8,087
	6,986	9,087
Deferred	771	888
Total tax charge for the period	7,757	9,975

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/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 loss per share for the six months ended 30 June 2013 is based on the loss 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 loss 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

9. (LOSS)/EARNINGS PER SHARE (Continued)

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company used in the basic (loss)/earnings per share calculation	(2,321)	46,317
	Number of shares (in thousands)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	931,346	927,001
Effect of dilution — weighted average number of ordinary shares:		
Share options	12,531	14,443
	943,877	941,444

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interim dividend — Nil (2012: HK1 cent per ordinary share)	—	9,283

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: HK1 cent per ordinary share).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:							
At 1 January 2013	386,342	14,891	1,494,740	59,046	21,149	39,361	2,015,529
Additions	1,134	–	2,224	40	790	55,828	60,016
Transfer in/(out)	4,164	–	5,481	680	–	(10,325)	–
Disposals	(163)	–	(14,943)	(38)	(636)	–	(15,780)
Exchange realignment	4,160	208	16,732	754	223	1,006	23,083
At 30 June 2013	395,637	15,099	1,504,234	60,482	21,526	85,870	2,082,848
Accumulated depreciation:							
At 1 January 2013	(135,629)	(5,671)	(919,850)	(45,142)	(15,338)	–	(1,121,630)
Depreciation provided during the period	(9,208)	(622)	(66,714)	(3,135)	(1,189)	–	(80,868)
Disposals – accumulated depreciation	38	–	14,749	38	636	–	15,461
Exchange realignment	(1,488)	(67)	(9,416)	(577)	(161)	–	(11,709)
At 30 June 2013	(146,287)	(6,360)	(981,231)	(48,816)	(16,052)	–	(1,198,746)
At 30 June 2013	395,637	15,099	1,504,234	60,482	21,526	85,870	2,082,848
Cost	395,637	15,099	1,504,234	60,482	21,526	85,870	2,082,848
Accumulated depreciation	(146,287)	(6,360)	(981,231)	(48,816)	(16,052)	–	(1,198,746)
Net carrying amount	249,350	8,739	523,003	11,666	5,474	85,870	884,102
At 31 December 2012							
Cost	386,342	14,891	1,494,740	59,046	21,149	39,361	2,015,529
Accumulated depreciation	(135,629)	(5,671)	(919,850)	(45,142)	(15,338)	–	(1,121,630)
Net carrying amount	250,713	9,220	574,890	13,904	5,811	39,361	893,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

12. INVENTORIES

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Raw materials	74,160	85,044
Consumables	51,034	45,545
Work in progress	59,981	58,441
Finished goods	70,954	92,121
	256,129	281,151
Less: Provision against inventory obsolescence	(25,250)	(25,250)
	230,879	255,901

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 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Within 1 month	68,956	60,498
1 to 2 months	72,819	62,147
2 to 3 months	44,450	36,459
3 to 4 months	25,475	17,702
4 to 12 months	10,754	18,728
	222,454	195,534

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

14. SHARE CAPITAL

Shares	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Authorised: 1,500,000,000 (31 December 2012: 1,500,000,000) ordinary shares of HK\$0.1 each	150,000	150,000
Issued and fully paid: 931,527,790 (31 December 2012: 931,087,790) ordinary shares of HK\$0.1 each	93,153	93,109

The movements in share capital for the six months ended 30 June 2013 and year ended 31 December 2012 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 2012		926,635,290	92,664	392,938	485,602
Share options exercised	(a)	7,592,500	759	3,359	4,118
Repurchase of shares	(b)	(3,140,000)	(314)	(1,568)	(1,882)
		931,087,790	93,109	394,729	487,838
Share issue expenses		–	–	(20)	(20)
At 31 December 2012 and 1 January 2013		931,087,790	93,109	394,709	487,818
Share options exercised	(c)	440,000	44	194	238
At 30 June 2013		931,527,790	93,153	394,903	488,056

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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 7,592,500 share options were exercised in 2012 at the subscription price of HK\$0.35 per share, resulting in the issue of 7,592,500 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$2.7 million. An amount of approximately HK\$1,427,000 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 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.
- (c) The subscription rights attaching to 440,000 share options were exercised during the six months ended 30 June 2013 at the subscription price of HK\$0.35 per share, resulting in the issue of 440,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$155,000. An amount of approximately HK\$83,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Current				
Finance lease payables (note 16)	3.75 – 8.91	2014	13,215	15,182
<i>Unsecured</i>				
Bank revolving loans	1.96 – 2.46	2013	106,200	116,200
Bank term loans	–	–	–	6,250
Other bank loans	1.57 – 2.38	2013	71,965	69,253
Long term bank loans repayable on demand	2.46 – 3.71	On demand	188,562	227,759
			379,942	434,644
Non-current				
Finance lease payables (note 16)	3.75 – 4.00	2015	10,267	16,941
<i>Unsecured</i>				
Bank term loans	2.86	2016	216,327	–
			226,594	16,941
			606,536	451,585

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Analysed into:		
Bank overdrafts, revolving loans, terms loans and long term bank loans repayable:		
Within one year or on demand	294,762	350,209
In the second year	88,517	–
In the third to fifth years, inclusive	127,810	–
	511,089	350,209
Other bank loans repayable:		
Within one year	71,965	69,253
Other borrowings repayable:		
Within one year	13,215	15,182
In the second year	10,267	13,481
In the third to fifth years, inclusive	–	3,460
	23,482	32,123
	606,536	451,585

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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 two years.

At 30 June 2013, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 30 June 2013 (Unaudited) HK\$'000	Minimum lease payments 31 December 2012 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2013 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2012 (Audited) HK\$'000
Amounts payable:				
Within one year	13,916	16,208	13,215	15,182
In the second year	10,440	13,913	10,267	13,481
In the third to fifth years, inclusive	–	3,483	–	3,460
Total minimum finance lease payments	24,356	33,604	23,482	32,123
Future finance charges	(874)	(1,481)		
Total net finance lease payables	23,482	32,123		
Portion classified as current liabilities (note 15)	(13,215)	(15,182)		
Non-current portion (note 15)	10,267	16,941		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

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 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Within 1 month	23,645	21,992
1 to 2 months	26,638	19,061
2 to 3 months	17,971	9,710
Over 3 months	9,432	4,657
	77,686	55,420

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 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Guarantees given to an electricity company	1,315	1,333
Guarantees given to an energy reduction program	70	71
	1,385	1,404

19. COMMITMENTS

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

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Contracted but not provided for:		
Plant and machinery	5,126	5,630
Buildings	37,211	74,233
	42,337	79,863

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2013

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	6,519	7,382
Equity-settled share option expense	1,185	3,011
Post-employment benefits	113	87
Total compensation paid to key management personnel	7,817	10,480

21. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 27 August 2013.

OTHER INFORMATION

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

As at 30 June 2013, 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 the 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	24.35%
	Directly beneficially owned		7,556,250	0.81%
	Through spouse	2	125,000	0.01%
			234,465,725	25.17%
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 2013.

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.

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	57,000,000	6.12%
Mr. Lau Siu Chung	Directly beneficially owned	10,288,462	1.10%
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	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 2013.

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

In addition to the above, as at 30 June 2013, 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 2013, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company operates a share option 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 2013:

Name or category of participant	Number of share options					At 30 June 2013	Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ HK\$ per share
	At 1 January 2013	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
	-	7,000,000	-	-	-	7,000,000	15-01-13	01-04-14 to 31-12-17	0.7100
	50,000,000	7,000,000	-	-	-	57,000,000			
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			
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
	1,600,000	-	-	-	-	1,600,000			
	72,484,615	7,000,000	-	-	-	79,484,615			

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options					At 30 June 2013	Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ HK\$ per share
	At 1 January 2013	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 employees of the Group									
In aggregate	5,822,883	-	(7,788)	-	-	5,815,095	01-06-09	01-06-10 to 31-05-14	0.3545
	1,109,328	-	(124,712)	-	-	984,616	01-06-09	01-06-11 to 31-05-14	0.3545
	3,965,095	-	(307,500)	-	-	3,657,595	01-06-09	01-06-12 to 31-05-14	0.3545
	1,565,386	-	-	-	-	1,565,386	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
	-	83,000,000	-	-	-	83,000,000	15-01-13	01-04-14 to 31-12-17	0.7100
	75,462,692	83,000,000	(440,000)	-	-	158,022,692			
Suppliers of services									
In aggregate	6,875,769	-	-	-	-	6,875,769	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
	11,875,769	-	-	-	-	11,875,769			
	159,823,076	90,000,000	(440,000)	-	-	249,383,076			

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\$0.69. The fair value of the share options granted on 15 January 2013 was determined at the date of grant using the binomial option pricing model was approximately HK\$19.2 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\$0.70 per share.

OTHER INFORMATION

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

As at 30 June 2013, 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	24.35%
Ms. Leung Wing Yi	(b)	Directly beneficially owned	125,000	0.01%
		Through spouse	234,340,725	25.16%
			234,465,725	25.17%
DJE Investment S.A.	(c)	Investment manager	72,250,000	7.76%
Mr. Jiang Qi Hang	(d)	Through controlled corporation	50,817,773	5.46%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2013.

Notes:

- (a) The interests of Tottenham were also disclosed as the interests of Mr. Chui Siu On in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- (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.

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	57,000,000	6.12%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2013.

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 headed "Share option scheme" above.

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section headed "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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: HK\$0.01 per share).

OTHER INFORMATION

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 Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period under review, save for the following deviation:

Code Provision A.2.1

The code provision A.2.1 stipulates that the roles of chairman and chief executive 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.

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 and external auditor the accounting principles and practices adopted by the Group and discussed internal control and financial reporting processes including the review of the Company's interim report for the six months ended 30 June 2013.

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 2013.

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 possess inside information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company throughout the six months ended 30 June 2013.

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.

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

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

- Mr. Nguyen, Van Tu Peter has been appointed as an independent non-executive director of Integrated Waste Solutions Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 923) in June 2013.

GENERAL DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As detailed in the Company's announcement dated 27 May 2013, pursuant to the term and revolving loan facility agreement (the "Facility Agreement"), a term loan facility of HK\$330,000,000 (the "Facility A Loan") and a revolving loan facility of HK\$220,000,000 (the "Facility B Loan", together with the Facility A Loan, the "Loan Facility") is made available to the Group for the general working capital of the Group and corporate funding purposes. The Facility A Loan is repayable in seven equal quarterly instalments commencing eighteen months from the date of the Facility Agreement. Each Facility B Loan is repayable on the last day of its interest payment date, being one, two or three months as may be selected by the Company provided that it shall be repaid in full on the third anniversary of the date of the Facility Agreement (or, subject to agreement between the parties thereto, a further period of up to one year).

As common with other syndicated loan facilities, the Facility Agreement imposes a specific performance obligation on Mr. Chui Siu On ("Mr. Chui") who is the Chairman of the Board, an executive Director and a substantial shareholder of the Company. It will be an event of default under the Facility Agreement if: (a) Mr. Chui holds, directly or indirectly, less than 20% of all the issued share capital of, and voting rights in, the Company; (b) Mr. Chui ceases to be the largest and substantial shareholder of the Company (within the meaning of the Listing Rules); or (c) Mr. Chui is not actively involved in, or maintain control in the management and business of the Company, in which event all or any part of the commitments under the Loan Facility may be cancelled and all amounts outstanding under the Loan Facility may immediately become due and payable.

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, 27 August 2013



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IPE Group Limited

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