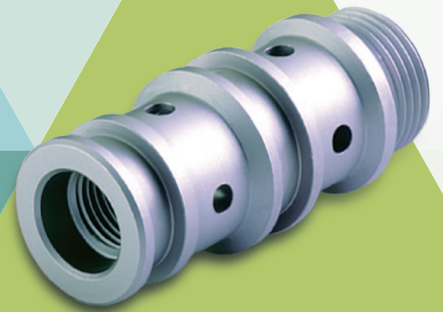


IPE Group Limited

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



2014 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chui Siu On (*Chairman and Managing Director*)
Mr. Ho Yu Hoi
Mr. Li Chi Hang
Mr. Lau Siu Chung
Mr. Yuen Chi Ho
Ms. Chiu Tak Chun

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. 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
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation 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

CORPORATE PROFILE

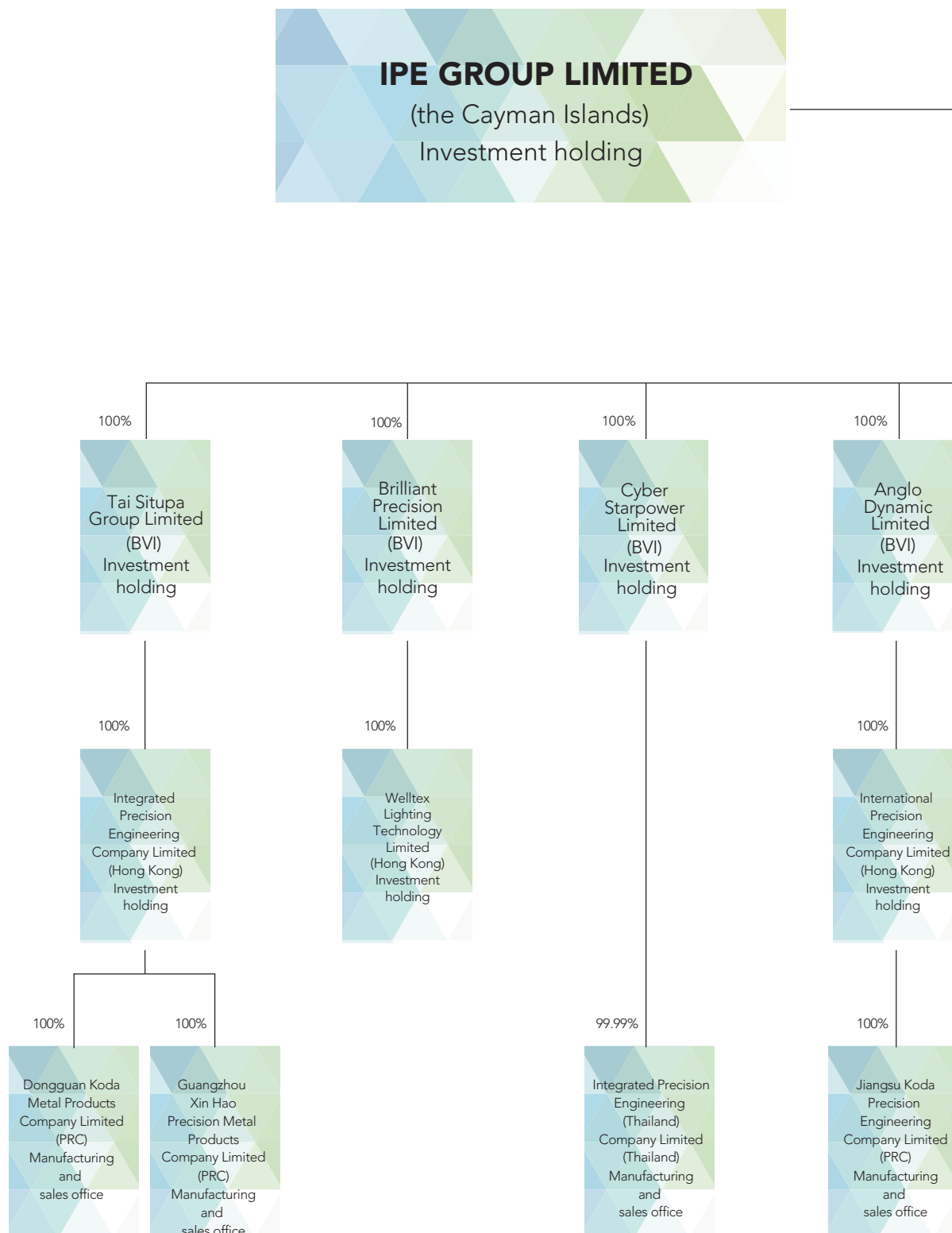
IPE Group Limited (the "Company" or "IPE Group") was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2002. The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture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

GROUP STRUCTURE

Principal subsidiaries and the joint venture of the Company as at 30 June 2014





CORPORATE MILESTONE

2014

Jiangsu Koda completed construction of Phase 1 of the development of our Changshu site which will provide 40,000m² of production area

2011

Established Jiangsu Koda in Jiangsu Province, The PRC, purchased 166,631m² of land in Changshu

2010

Guangzhou Xin Hao was accredited AS9100 certification — aerospace certification

2007

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

2006

Guangzhou Xin Hao was accredited TS16949 certification — automotive certification

2004

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

2002

Established Guangzhou Xin Hao in Guangdong Province, The PRC

1997

Established IPE (Thailand) in Thailand

1994

Established IPE (Hong Kong) in Hong Kong
Established Dongguan Koda in Guangdong Province, The PRC

1990

Established IPE (Singapore) in Singapore

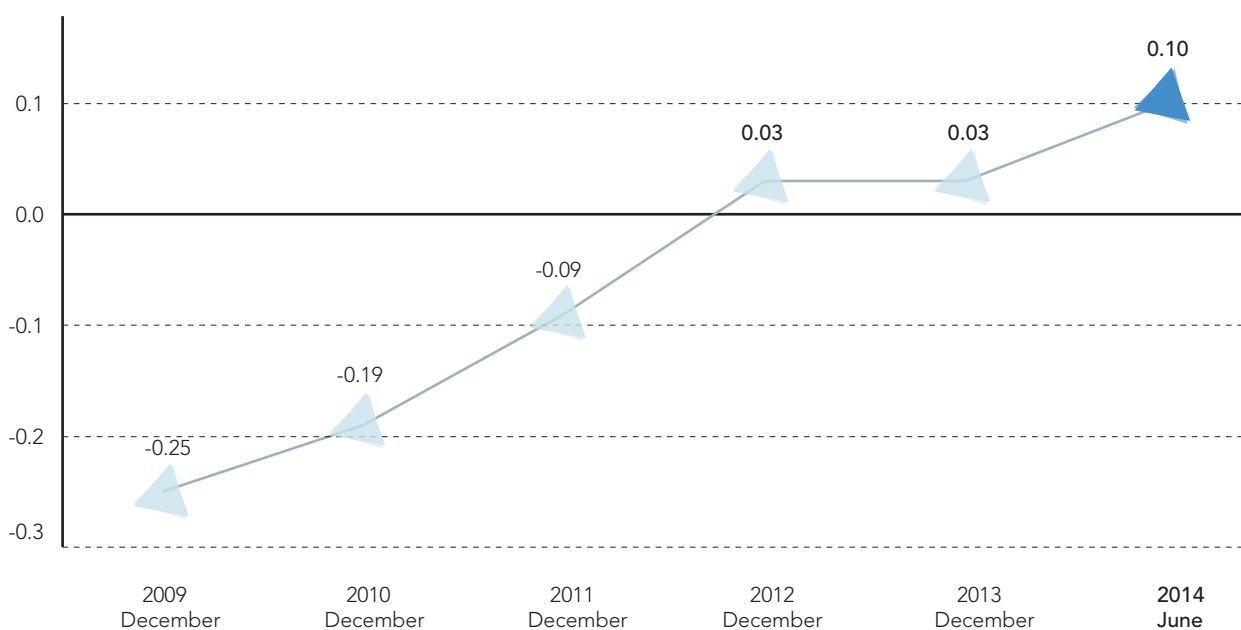
FINANCIAL HIGHLIGHTS

RATIO ANALYSIS

	30 June 2014	2013	Year ended 31 December			
			2012	2011	2010	2009
KEY STATISTICS:						
Current ratio	2.12	2.41	1.80	1.31	1.23	1.26*
Net cash/(debt) to equity ratio	0.10	0.03	0.03	(0.09)	(0.19)	(0.25)
Dividend payout ratio	29.3%	–	29.1%	29.7%	29.9%	–
Gross profit margin	26.3%	18.7%	21.7%	20.0%	25.9%	15.6%
Net profit margin	8.3%	0.3%	7.2%	5.1%	12.6%	1.8%
Average days of debtor turnover	95 days	91 days	80 days	87 days	81 days	104 days
Average days of inventory turnover	103 days	119 days	122 days	102 days	86 days	137 days
PER SHARE DATA:						
Net asset value per share (HK\$)	1.57	1.58	1.51	1.42	1.34	1.15
Cash per share (HK\$)	0.91	0.83	0.54	0.47	0.39	0.19

* Restated

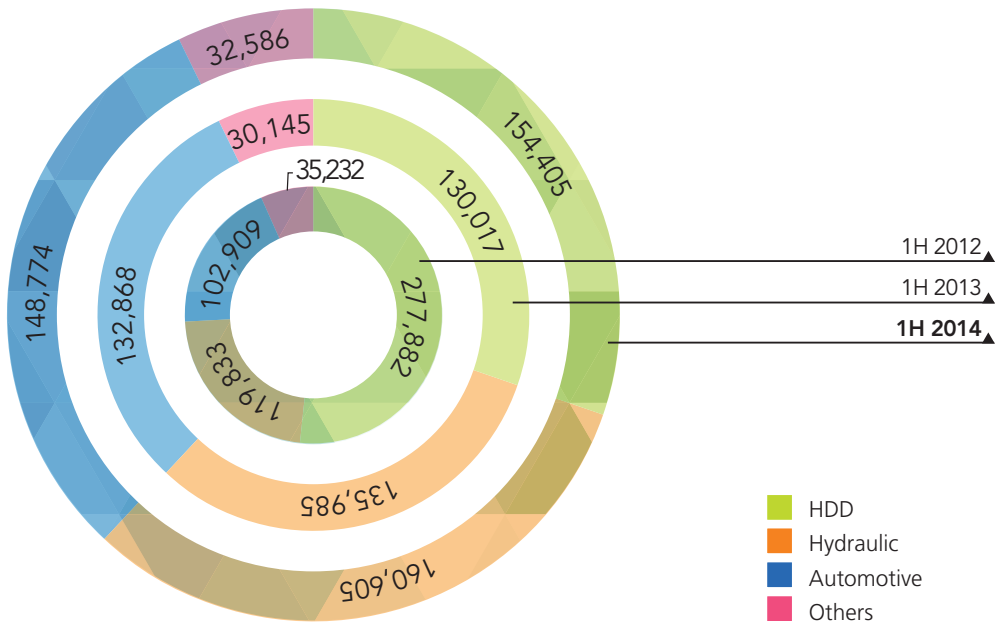
NET CASH/(DEBT) TO EQUITY RATIO



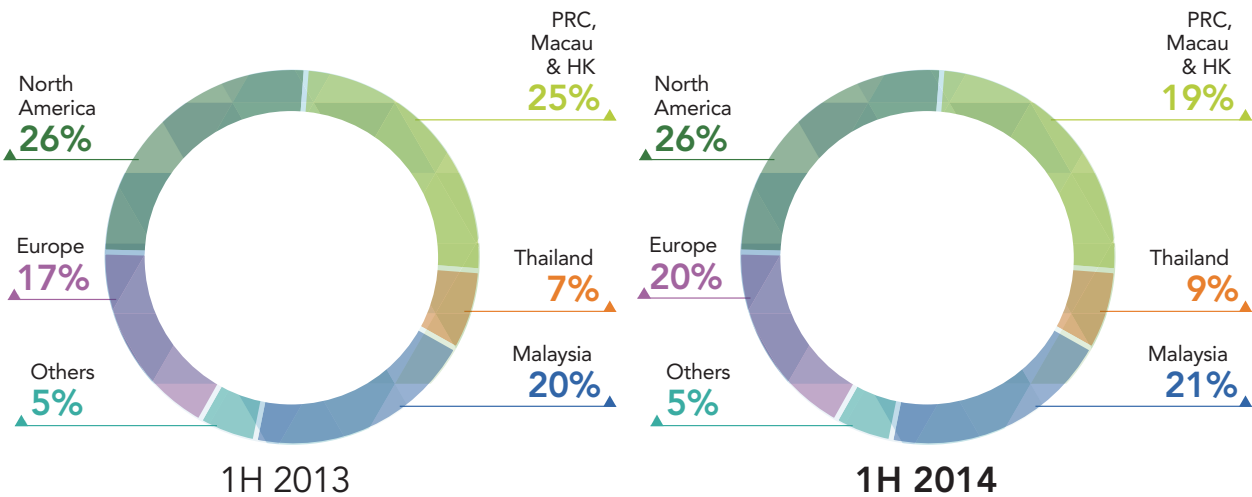
FINANCIAL HIGHLIGHTS

BUSINESS SEGMENTS

(HK\$'000)

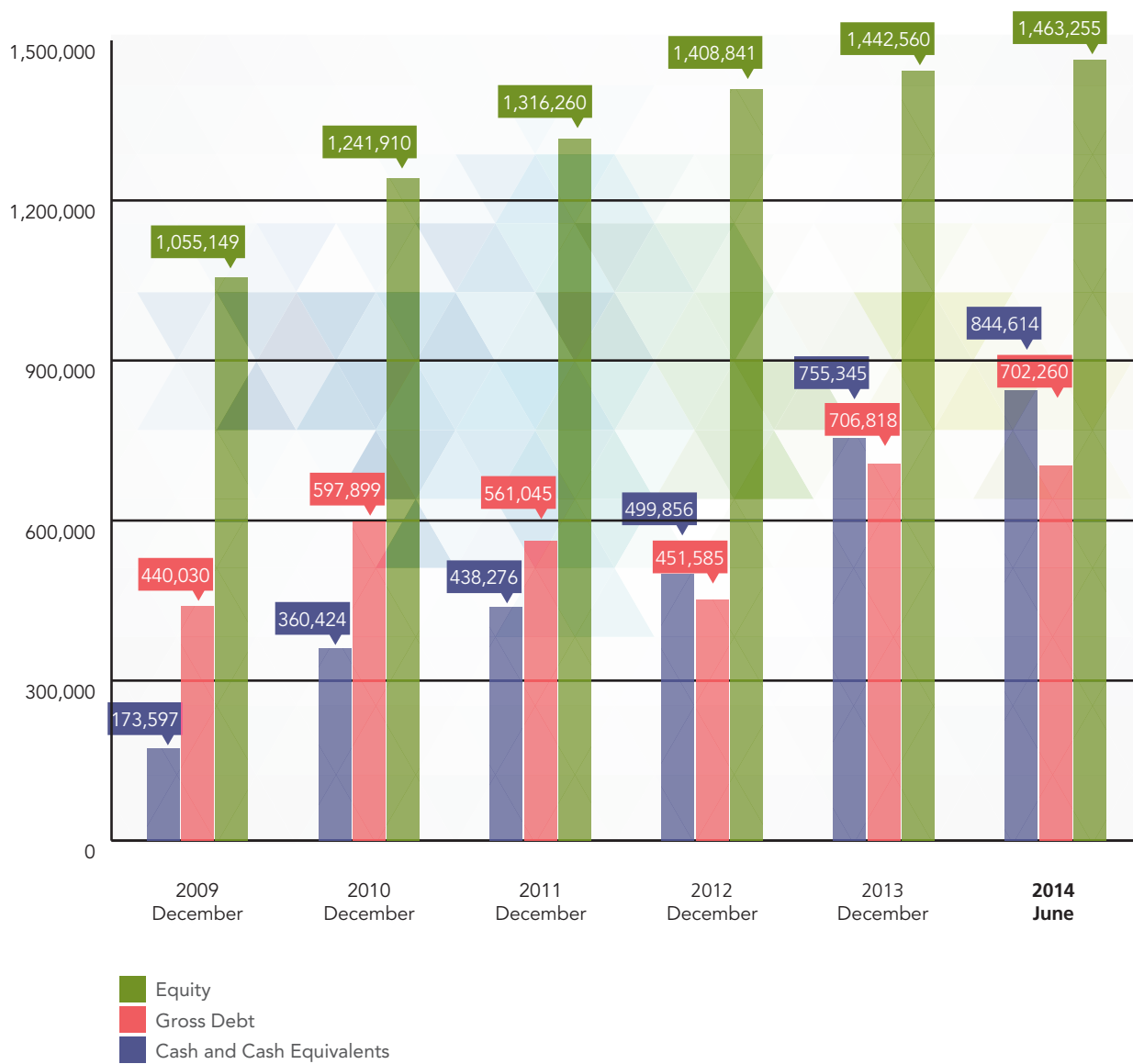


GEOGRAPHICAL COMBINATION



EQUITY, GROSS DEBT AND CASH AND CASH EQUIVALENTS

(HK\$'000)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2014, the Group recorded total revenue of HK\$496.4 million, up 15.7% from HK\$429.0 million in the same period of last year. The Group's net profit amounted to HK\$41.4 million for the period under review, compared to a net loss of HK\$2.2 million in the same period of last year. The gross profit margin was 26.3%, representing an increase of 7.7 percentage points as compared to the same period of last year, and is the highest gross profit margin recorded since the global financial crisis in 2008.

Our hard disk drives ("HDD") components business recorded the largest growth in sales of 18.8% in the first half of this year. In 2011, our HDD components business was hard hit by natural disasters. Then the personal computer ("PC") market entered in a period of contraction and the Group's HDD components division lost market share. In the first half of 2014, the PC market contraction of the last two years seems to be coming to an end. World PC shipments in the second quarter of 2014 declined by only 1.7% year on year according to one estimate; another industry consultant estimated world PC shipments actually expanded 0.1% in the second quarter of 2014. Given a flat PC shipments backdrop, sales growth of HDD components in first half of 2014 indicates there has been some recovery of lost market share.

Our other business segments also recorded solid growth in sales. Hydraulic equipment components sales grew 18.1% and automotive components sales recorded a 12.0% increase. Sales of our hydraulic equipment components set a new half-yearly record while sales of automotive components extended its long record of uninterrupted growth to yet another new high.

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

	1H 2014		1H 2013		% change
	HK\$'000	%	HK\$'000	%	
HDD components	154,405	31.1%	130,017	30.3%	18.8%
Hydraulic equipment components	160,605	32.4%	135,985	31.7%	18.1%
Automotive components	148,774	30.0%	132,868	31.0%	12.0%
Others	32,586	6.5%	30,145	7.0%	8.1%
	496,370	100.0%	429,015	100.0%	15.7%

Less than four years ago, HDD components was our core dominant business accounting for over 60% of sales in the years up to 2010. Today it only accounts for 31.1% of the Group's sales, having been eclipsed by hydraulic equipment components which accounted for 32.4% of the Group's sales in the first half of 2014. Automotive components accounted for 30.0% of the Group's sales. We now have a balanced and diversified sales mix and are much less vulnerable to weakness in any one of our main businesses.

FINANCIAL REVIEW

Due to the increase in turnover and the effect of operating leverage, the gross profit margin improved and reached a level unprecedented since the global financial crisis in 2008. For the six months ended 30 June 2014, the gross profit margin of the Group was 26.3%, representing an increase of 7.7 percentage points as compared to 18.6% for the corresponding period in 2013.

Other income and gains, which amounted to HK\$13.2 million in the first half of 2014, increased HK\$8.0 million when compared to the corresponding period in 2013. The difference was mainly due to the increase in interest income amounting to HK\$8.4 million.

During the period under review, selling and distribution expenses amounted to HK\$14.8 million, accounting for 3.0% of the Group's turnover; such expenses were 3.1% of the Group's turnover in the corresponding period of 2013.

During the period under review, the Group's administrative expenses decreased by 2.4% from HK\$54.2 million to HK\$52.9 million as compared to the corresponding period of 2013. The decrease of HK\$1.3 million was mainly attributable to decrease in depreciation of office equipment and share option expenses and our efforts in costs control.

Finance costs increased by 68.5% or HK\$4.8 million to HK\$11.8 million for the period under review as compared to the corresponding period in 2013. The increase of HK\$4.8 million was mainly attributable to higher interest expenses which can be offset by the increase of interest income amounting to HK\$8.4 million as stated in "Other income and gains".

For the six months ended 30 June 2014, the Group had a net profit of HK\$41.4 million compared to a net loss of HK\$2.2 million for the six months ended 30 June 2013.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2014, the Group had total borrowings of HK\$702.3 million (31 December 2013: HK\$706.8 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 2014.

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 2014, cash per share was HK\$0.91 (31 December 2013: HK\$0.83) and net asset value per share was HK\$1.57 (31 December 2013: HK\$1.58), based on the 933,208,366 ordinary shares in issue (31 December 2013: 910,823,943).

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group recorded a net cash inflow from operating activities of HK\$124.9 million (2013: HK\$111.6 million). With the purchase of property, plant and equipment of HK\$57.1 million and the decrease in non-pledged time deposits of HK\$151.5 million, the Group recorded a net cash inflow from investing activities of HK\$130.2 million (2013: net cash outflow of HK\$72.0 million).

The total bank borrowings as at 30 June 2014 are HK\$702.3 million (31 December 2013: HK\$706.8 million). The Group is in a net cash position of HK\$142.4 million as at 30 June 2014 (31 December 2013: HK\$48.5 million).

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 2014, the Group had 2,970 employees, a slight increase of 0.5% when compared to 2,956 employees as at 31 December 2013 and decrease of 8.0% or 257 employees when compared to 3,227 employees as at 30 June 2013.

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


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

PROSPECTS

Despite the partial recovery in HDD components sales in the first half of 2014, we remain cautious about the outlook for this part of our business. PC sales in mature markets have rebounded from weak demand last year due in part to some replacement activity, but mature markets have little potential for increased market penetration. PC demand in emerging markets has continued to fall and low cost tablets continue to take spending from new PC units.

While the prospect for HDD components sales growth is not encouraging, we expect sales in the second half of 2014 will at least be maintained at the level recorded in the first half of 2014. Longer term, we would also be cautious.

The market for heavy hydraulic machinery is inherently cyclical and the uncertain global economic environment makes us take a cautious view too about the near term prospect for our hydraulic equipments business but we remain very positive about its longer term prospects.



The highest growth visibility remains in our automotive components business and this was one of the main reasons for our decision to build a new facility at Changshu. Although we have put in place bank financing for our new Changshu factory, because of the generally challenging operating environment of the last two years we have been delaying the development of our Changshu factory. The opening of a new facility represents a quantum jump in capacity, rather than an incremental increase. If not operated at above break even capacity utilization, there would be start up losses and we want to minimize such possible losses. We now expect to start production at Changshu early next year with the manufacture of automotive components.

Although we are cautious about the near term outlook for HDD components and hydraulic equipment components, the second half results are likely to be as satisfactory as the first half results and it could be even better if the growth in sales of automotive components continues. A very much better year of profitability in 2014 is a gratifying way of marking the 10th anniversary of the listing of the Group on the main board of The Stock Exchange of Hong Kong Limited on 1 November 2004.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June

	Notes	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	4&5	496,370	429,015
Cost of sales		(365,977)	(349,134)
Gross profit		130,393	79,881
Other income and gains	5	13,176	5,193
Selling and distribution expenses		(14,807)	(13,228)
Administrative expenses		(52,864)	(54,154)
Other expenses		(7,963)	(5,116)
Finance costs	6	(11,756)	(6,975)
PROFIT BEFORE TAX	7	56,179	5,601
Income tax expense	8	(14,774)	(7,757)
PROFIT/(LOSS) FOR THE PERIOD		41,405	(2,156)
Attributable to:			
Owners of the Company		41,045	(2,321)
Non-controlling interests		360	165
		41,405	(2,156)
EARNINGS/(LOSS) PER SHARE	9		
Basic		HK4.5 cents	HK(0.2) cent
Diluted		HK4.5 cents	HK(0.2) cent
INTERIM DIVIDEND PER SHARE	10	HK1.3 cents	Nil

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit/(loss) for the period	41,405	(2,156)
Other comprehensive (expenses)/income:		
Exchange differences on translation of foreign operations	(36,952)	22,564
Total comprehensive income for the period	4,453	20,408
Attributable to:		
Owners of the Company	4,154	20,211
Non-controlling interests	299	197
	4,453	20,408

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	811,464	854,702
Prepaid land lease payments		94,678	98,114
Loan to an unlisted equity investment		3,500	3,540
Available-for-sale investment		150	150
Deposits for purchase of non-current assets		5,442	7,053
Deferred tax assets		418	445
Total non-current assets		915,652	964,004
CURRENT ASSETS			
Inventories	12	203,298	208,504
Trade receivables	13	273,859	242,615
Prepayments, deposits and other receivables		85,926	105,990
Cash and cash equivalents		844,614	755,345
Total current assets		1,407,697	1,312,454
CURRENT LIABILITIES			
Trade and bills payables	17	78,743	69,617
Other payables and accruals		53,976	35,466
Tax payable		15,052	13,284
Interest-bearing bank and other borrowings	15	517,710	426,935
Total current liabilities		665,481	545,302
NET CURRENT ASSETS		742,216	767,152
TOTAL ASSETS LESS CURRENT LIABILITIES		1,657,868	1,731,156

	Notes	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	184,550	279,883
Deferred tax liabilities		7,971	6,651
Other payables and accruals		2,092	2,062
Total non-current liabilities		194,613	288,596
Net assets		1,463,255	1,442,560
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	93,321	91,082
Reserves		1,355,051	1,349,026
Proposed dividend	10	12,132	–
		1,460,504	1,440,108
Non-controlling interests		2,751	2,452
Total equity		1,463,255	1,442,560

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 surplus reserve	Statutory					Retained profits	Proposed dividends	Total		
					public welfare fund	Capital redemption reserve	Share options reserve	Exchange fluctuation 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	
At 1 January 2014	91,082	386,126	(1,116)	23,035	287	5,757	44,045	282,885	608,007	-	1,440,108	2,452	1,442,560	
Profit for the period	-	-	-	-	-	-	-	-	41,045	-	41,045	360	41,405	
Other comprehensive expenses for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(36,891)	-	-	(36,891)	(61)	(36,952)	
Total comprehensive income for the period	-	-	-	-	-	-	-	(36,891)	41,045	-	4,154	299	4,453	
Issue of shares	2,406	10,606	-	-	-	-	(4,483)	-	-	-	8,529	-	8,529	
Share issue expenses	-	(6)	-	-	-	-	-	-	-	-	(6)	-	(6)	
Repurchase of shares	(167)	(766)	-	-	-	167	-	-	(167)	-	(933)	-	(933)	
Equity-settled share option arrangements	-	-	-	-	-	-	8,652	-	-	-	8,652	-	8,652	
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	(5,829)	-	5,829	-	-	-	-	
Proposed 2014 interim dividend	-	-	-	-	-	-	-	-	(12,132)	12,132	-	-	-	
At 30 June 2014	93,321	395,960*	(1,116)*	23,035*	287*	5,924*	42,385*	245,994*	642,582*	12,132	1,460,504	2,751	1,463,255	
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 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	

* These reserve accounts comprise the consolidated reserves of HK\$1,355,051,000 (30 June 2013: HK\$1,332,294,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash flows from operating activities	124,889	111,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(57,101)	(57,426)
Proceeds from disposal of items of property, plant and equipment	4,406	519
Decrease/(increase) in non-pledged time deposits with original maturity of over three months and within one year when acquired	151,486	(15,106)
Decrease in deposits of financial products	31,420	–
Net cash flows from/(used in) investing activities	130,211	(72,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	(933)	–
Share options exercised	8,523	155
New bank loans and other borrowings	414,770	531,591
Repayment of bank loans and other borrowings	(412,655)	(367,999)
Capital element of finance lease rental payments	(6,673)	(8,641)
Dividends paid	–	(11,177)
Net cash flows from financing activities	3,032	143,929
NET INCREASE IN CASH AND CASH EQUIVALENTS	258,132	183,528
Cash and cash equivalents at beginning of period	603,859	354,824
Effect of foreign exchange rate changes, net	(17,377)	9,581
CASH AND CASH EQUIVALENTS AT END OF PERIOD	844,614	547,933

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	390,899	303,288
Non-pledged time deposits with original maturity of less than three months when acquired	453,715	244,645
Non-pledged time deposits with original maturity of over three months and within one year when acquired	–	160,138
Cash and cash equivalents as stated in the consolidated statement of financial position	844,614	708,071
Non-pledged time deposits with original maturity of over three months and within one year when acquired	–	(160,138)
Cash and cash equivalents as stated in the consolidated statement of cash flows	844,614	547,933

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

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 of Cayman Islands. 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, 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 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 2013.

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 2014.

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 2014

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2014
(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	43,217	102,538	96,198	130,144	97,571	26,702	496,370
Inter-segment sales	10,232	-	-	-	-	-	10,232
Other revenue	15	-	1,868	-	-	-	1,883
	53,464	102,538	98,066	130,144	97,571	26,702	508,485
Reconciliation:							
Elimination at inter-segment sales							(10,232)
Revenue							498,253
Segment results	5,936	11,820	11,152	14,973	11,311	3,065	58,257
Reconciliation:							
Elimination at inter-segment results							(1,615)
Interest income							11,293
Finance costs							(11,756)
Profit before tax							56,179
Income tax expense							(14,774)
Profit for the period							41,405

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 2014

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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	496,370	429,015
Other income		
Bank interest income	11,293	2,899
Others	1,883	2,094
	13,176	4,993
Gains		
Gain on disposal of items of property, plant and equipment	-	200
	-	200
	13,176	5,193

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	8,894	5,467
Interest on finance leases	281	599
Financial arrangement fees	2,581	909
	11,756	6,975

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of inventories sold	365,977	349,134
Depreciation	78,528	80,868
Recognition of prepaid land lease payments	1,144	1,141
Equity-settled share option expenses	8,652	9,286
Auditors' remuneration	1,308	1,251
Foreign exchange differences, net	2,846	2,789
Fair value losses, net:		
Derivative financial instruments — transactions not qualified as hedges:		
Forward currency contracts	—	338
Loss/(gain) on disposal of items of property, plant and equipment	182	(200)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

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 2013) 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Group:		
Current (charge for the period) — Hong Kong	1,000	—
Current (charge for the period) — Elsewhere	12,426	6,986
	13,426	6,986
Deferred	1,348	771
Total tax charge for the period	14,774	7,757

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) 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 2014 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/(LOSS) PER SHARE (Continued)

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

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	41,045	(2,321)
	Number of shares (in thousands)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	917,803	931,346
Effect of dilution — weighted average number of ordinary shares: Share options	558	12,531
	918,361	943,877

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interim dividend — HK1.3 cents per ordinary share (2013: Nil)	12,132	—

At the Board meeting held on 19 August 2014, the Board declared an interim dividend of HK1.3 cents per ordinary share (2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

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 2014	402,185	15,469	1,522,978	62,948	20,279	108,766	2,132,625
Additions	1,565	-	1,861	107	213	53,355	57,101
Transfer in/(out)	4,716	-	8,810	938	-	(14,464)	-
Disposals	-	-	(20,457)	(588)	(298)	(2,078)	(23,421)
Exchange realignment	(7,329)	(319)	(28,340)	(1,258)	(356)	(2,749)	(40,351)
At 30 June 2014	401,137	15,150	1,484,852	62,147	19,838	142,830	2,125,954
Accumulated depreciation:							
At 1 January 2014	(156,114)	(7,062)	(1,047,120)	(51,825)	(15,802)	-	(1,277,923)
Depreciation provided during the period	(9,829)	(644)	(64,343)	(2,780)	(932)	-	(78,528)
Disposals - accumulated depreciation	-	-	17,952	585	296	-	18,833
Exchange realignment	2,860	122	18,827	1,028	291	-	23,128
At 30 June 2014	(163,083)	(7,584)	(1,074,684)	(52,992)	(16,147)	-	(1,314,490)
At 30 June 2014							
Cost	401,137	15,150	1,484,852	62,147	19,838	142,830	2,125,954
Accumulated depreciation	(163,083)	(7,584)	(1,074,684)	(52,992)	(16,147)	-	(1,314,490)
Net carrying amount	238,054	7,566	410,168	9,155	3,691	142,830	811,464
At 31 December 2013							
Cost	402,185	15,469	1,522,978	62,948	20,279	108,766	2,132,625
Accumulated depreciation	(156,114)	(7,062)	(1,047,120)	(51,825)	(15,802)	-	(1,277,923)
Net carrying amount	246,071	8,407	475,858	11,123	4,477	108,766	854,702

12. INVENTORIES

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Raw materials	64,334	66,267
Consumables	47,823	44,005
Work in progress	47,955	31,103
Finished goods	65,768	89,711
	225,880	231,086
Less: Provision against inventory obsolescence	(22,582)	(22,582)
	203,298	208,504

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 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Within 1 month	88,100	74,815
1 to 2 months	84,752	77,024
2 to 3 months	50,089	46,186
3 to 4 months	28,862	24,292
4 to 12 months	22,056	20,298
	273,859	242,615

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

14. SHARE CAPITAL

Shares	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Authorised: 1,500,000,000 (31 December 2013: 1,500,000,000) ordinary shares of HK\$0.1 each	150,000	150,000
Issued and fully paid: 933,208,366 (31 December 2013: 910,823,943) ordinary shares of HK\$0.1 each	93,321	91,082

The movements in share capital for the six months ended 30 June 2014 and year ended 31 December 2013 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 2013		931,087,790	93,109	394,709	487,818
Share options exercised	(a)	3,081,153	308	1,367	1,675
Repurchase of shares	(b)	(23,345,000)	(2,335)	(9,947)	(12,282)
		910,823,943	91,082	386,129	477,211
Share issue expenses		–	–	(3)	(3)
At 31 December 2013 and 1 January 2014		910,823,943	91,082	386,126	477,208
Share options exercised	(c)	24,059,423	2,406	10,606	13,012
Repurchase of shares	(d)	(1,675,000)	(167)	(766)	(933)
		933,208,366	93,321	395,966	489,287
Share issue expenses		–	–	(6)	(6)
At 30 June 2014		933,208,366	93,321	395,960	489,281

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 3,081,153 share options were exercised in 2013 at the subscription price of HK\$0.35 per share, resulting in the issue of 3,081,153 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$1.1 million. An amount of approximately HK\$584,000 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 2013. 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 24,059,423 share options were exercised during the six months ended 30 June 2014 at the subscription price of HK\$0.35 per share, resulting in the issue of 24,059,423 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$8.5 million. An amount of approximately HK\$4,483,000 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 2014. 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 2014

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Current				
Finance lease payables (note 16)	4.00	2015	10,268	13,481
<i>Unsecured</i>				
Bank revolving loans	1.97 – 2.86	2014	86,000	56,000
Bank term loans	2.86 – 2.88	2015	136,603	42,317
Other bank loans	1.56 – 2.38	2014	89,409	53,540
Long term bank loans repayable on demand	2.46 – 3.71	On demand	195,430	261,597
			517,710	426,935
Non-current				
Finance lease payables (note 16)	–	–	–	3,460
<i>Unsecured</i>				
Bank term loans	2.86 – 2.88	2016	184,550	276,423
			184,550	279,883
			702,260	706,818

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

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Analysed into:		
Bank overdrafts, revolving loans, terms loans and long term bank loans repayable:		
Within one year or on demand	418,033	359,914
In the second year	184,550	182,137
In the third to fifth years, inclusive	–	94,286
	602,583	636,337
Other bank loans repayable:		
Within one year	89,409	53,540
Other borrowings repayable:		
Within one year	10,268	13,481
In the second year	–	3,460
	10,268	16,941
	702,260	706,818

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

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 less than one year.

At 30 June 2014, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 30 June 2014 (Unaudited) HK\$'000	Minimum lease payments 31 December 2013 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2014 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2013 (Audited) HK\$'000
Amounts payable:				
Within one year	10,438	13,913	10,268	13,481
In the second year	–	3,483	–	3,460
Total minimum finance lease payments	10,438	17,396	10,268	16,941
Future finance charges	(170)	(455)		
Total net finance lease payables	10,268	16,941		
Portion classified as current liabilities (note 15)	(10,268)	(13,481)		
Non-current portion (note 15)	–	3,460		

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 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Within 1 month	29,386	27,194
1 to 2 months	29,625	24,030
2 to 3 months	17,555	11,142
Over 3 months	2,177	7,251
	78,743	69,617

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 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Guarantees given to an electricity company	1,254	1,333

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2014

19. COMMITMENTS

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

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Contracted but not provided for:		
Plant and machinery	1,623	2,156
Buildings	69,452	50,503
	71,075	52,659

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	6,636	6,519
Equity-settled share option expense	1,449	1,185
Post-employment benefits	104	113
Total compensation paid to key management personnel	8,189	7,817

21. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 19 August 2014.

OTHER INFORMATION

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

As at 30 June 2014, 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	228,554,475	24.49%
	Directly beneficially owned		7,576,250	0.82%
	Through spouse	2	125,000	0.01%
			<u>236,255,725</u>	<u>25.32%</u>
Mr. Ho Yu Hoi	Directly beneficially owned		38,838,740	4.16%
Mr. Li Chi Hang	Directly beneficially owned		25,088,535	2.69%
Mr. Lau Siu Chung	Directly beneficially owned		5,285,000	0.57%
Mr. Yuen Chi Ho	Directly beneficially owned		4,519,231	0.48%
Ms. Chiu Tak Chun	Directly beneficially owned		1,573,077	0.17%
Dr. Cheng Ngok	Directly beneficially owned		528,846	0.06%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2014.

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 228,554,475 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	29,000,000	3.11%
Mr. Lau Siu Chung	Directly beneficially owned	7,500,000	0.80%
Mr. Yuen Chi Ho	Directly beneficially owned	8,000,000	0.86%
Ms. Chiu Tak Chun	Directly beneficially owned	7,500,000	0.80%
Dr. Cheng Ngok	Directly beneficially owned	800,000	0.09%
Mr. Choi Hon Ting, Derek	Directly beneficially owned	600,000	0.06%
Mr. Wu Karl Kwok	Directly beneficially owned	600,000	0.06%
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 2014.

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 2014, 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 2014, 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 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 2014:

Name or category of participant	Number of share options						At 30 June 2014	Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ HK\$ per share
	At 1 January 2014	Granted during the period ⁽¹⁾	Exercised during the period ⁽⁴⁾	Expired/lapsed during the period	Forfeited/cancelled during the period	Re-classification				
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
	-	8,000,000	-	-	-	-	8,000,000	14-04-14	14-04-14 to 31-12-19	0.4600
	57,000,000	8,000,000	-	-	(36,000,000)	-	29,000,000			
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	-	(2,640,769)	(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
	-	2,500,000	-	-	-	-	2,500,000	12-06-14	01-06-15 to 31-12-19	0.5600
	10,288,462	2,500,000	(5,285,000)	(3,462)	-	-	7,500,000			
Mr. Yuen Chi Ho	5,000,000	-	-	-	-	-	5,000,000	02-06-10	01-04-12 to 11-10-14	0.7200
	-	3,000,000	-	-	-	-	3,000,000	12-06-14	01-06-15 to 31-12-19	0.5600
	5,000,000	3,000,000	-	-	-	-	8,000,000			
Ms. Chiu Tak Chun	-	-	(674,038)	-	-	674,038	-	01-06-09	01-06-10 to 31-05-14	0.3545
	-	-	(899,039)	-	-	899,039	-	01-06-09	01-06-12 to 31-05-14	0.3545
	-	-	-	-	-	1,500,000	1,500,000	02-06-10	01-04-12 to 11-10-14	0.7200
	-	-	-	-	-	1,500,000	1,500,000	02-06-10	01-04-13 to 11-10-14	0.7200
	-	-	-	-	-	2,000,000	2,000,000	02-06-10	01-04-14 to 11-10-14	0.7200
	-	2,500,000	-	-	-	-	2,500,000	12-06-14	01-06-15 to 31-12-19	0.5600
	-	2,500,000	(1,573,077)	-	-	6,573,077	7,500,000			
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	-	(528,846)	-	-	-	800,000			
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	-	-	(528,846)	-	-	600,000			
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	-	-	(528,846)	-	-	600,000			

OTHER INFORMATION

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options							Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ HK\$ per share
	At 1 January 2014	Granted during the period ⁽¹⁾	Exercised during the period ⁽⁴⁾	Expired/lapsed during the period	Forfeited/cancelled during the period	Re-classification	At 30 June 2014			
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			
	77,475,000	16,000,000	(7,386,923)	(1,061,154)	(36,000,000)	6,573,077	55,600,000			
Members of senior management & other employees of the Group										
In aggregate	5,815,095	-	(5,141,057)	-	-	(674,038)	-	01-06-09	01-06-10 to 31-05-14	0.3545
	926,731	-	(926,731)	-	-	-	-	01-06-09	01-06-11 to 31-05-14	0.3545
	3,280,191	-	(2,380,383)	(769)	-	(899,039)	-	01-06-09	01-06-12 to 31-05-14	0.3545
	1,369,137	-	(1,349,329)	(19,808)	-	-	-	01-06-09	01-06-13 to 31-05-14	0.3545
	23,400,000	-	-	-	-	(1,500,000)	21,900,000	02-06-10	01-04-12 to 11-10-14	0.7200
	8,400,000	-	-	-	-	(1,500,000)	6,900,000	02-06-10	01-04-13 to 11-10-14	0.7200
	11,200,000	-	-	-	-	(2,000,000)	9,200,000	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
	-	7,000,000	-	-	-	-	7,000,000	14-04-14	14-04-14 to 31-12-19	0.4600
	-	17,400,000	-	-	-	-	17,400,000	12-06-14	01-06-15 to 31-12-19	0.5600
	157,391,154	24,400,000	(9,797,500)	(20,577)	-	(6,573,077)	165,400,000			
	Suppliers of services									
In aggregate	6,875,769	-	(6,875,000)	(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
	-	5,000,000	-	-	-	-	5,000,000	14-04-14	14-04-14 to 31-12-19	0.4600
11,875,769	5,000,000	(6,875,000)	(769)	-	-	10,000,000				
246,741,923	45,400,000	(24,059,423)	(1,082,500)	(36,000,000)	-	231,000,000				

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\$0.455 on 14 April 2014 and HK\$0.54 on 12 June 2014. The fair value of the share options granted on 14 April 2014 and 12 June 2014 were determined at the date of grant using the binomial option pricing model was approximately HK\$3.24 million and HK\$5.07 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\$0.47 per share.
- (5) The grant of share option to Mr. Chui Siu On in June 2011, which exceed the individual limit, was approved by the independent shareholders at the Company's extraordinary general meeting pursuant to the Listing Rules.

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

As at 30 June 2014, 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	228,554,475	24.49%
Ms. Leung Wing Yi	(b)	Directly beneficially owned	125,000	0.01%
		Through spouse	236,130,725	25.31%
			236,255,725	25.32%
DJE Investment S.A.	(c)	Investment manager	63,815,000	6.84%
Mr. Jiang Qi Hang	(d)	Through controlled corporation	50,817,773	5.45%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2014.

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 63,815,000 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	29,000,000	3.11%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2014.

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 2014, 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

The Company repurchased a total of 1,675,000 shares of the Company on the Stock Exchange during the six months ended 30 June 2014. Such shares were cancelled upon repurchase and accordingly the issued share 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\$	
January 2014	1,675,000	0.56	0.55	933

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 2014.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.013 per share for the six months ended 30 June 2014 (2013: Nil). The interim dividend will be paid in cash on Monday, 15 September 2014 to the shareholders whose names appear on the Register of Members of the Company as at the close of business on Thursday, 4 September 2014.

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 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 June 2014.

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 2014.

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.

OTHER INFORMATION

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, 19 August 2014



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