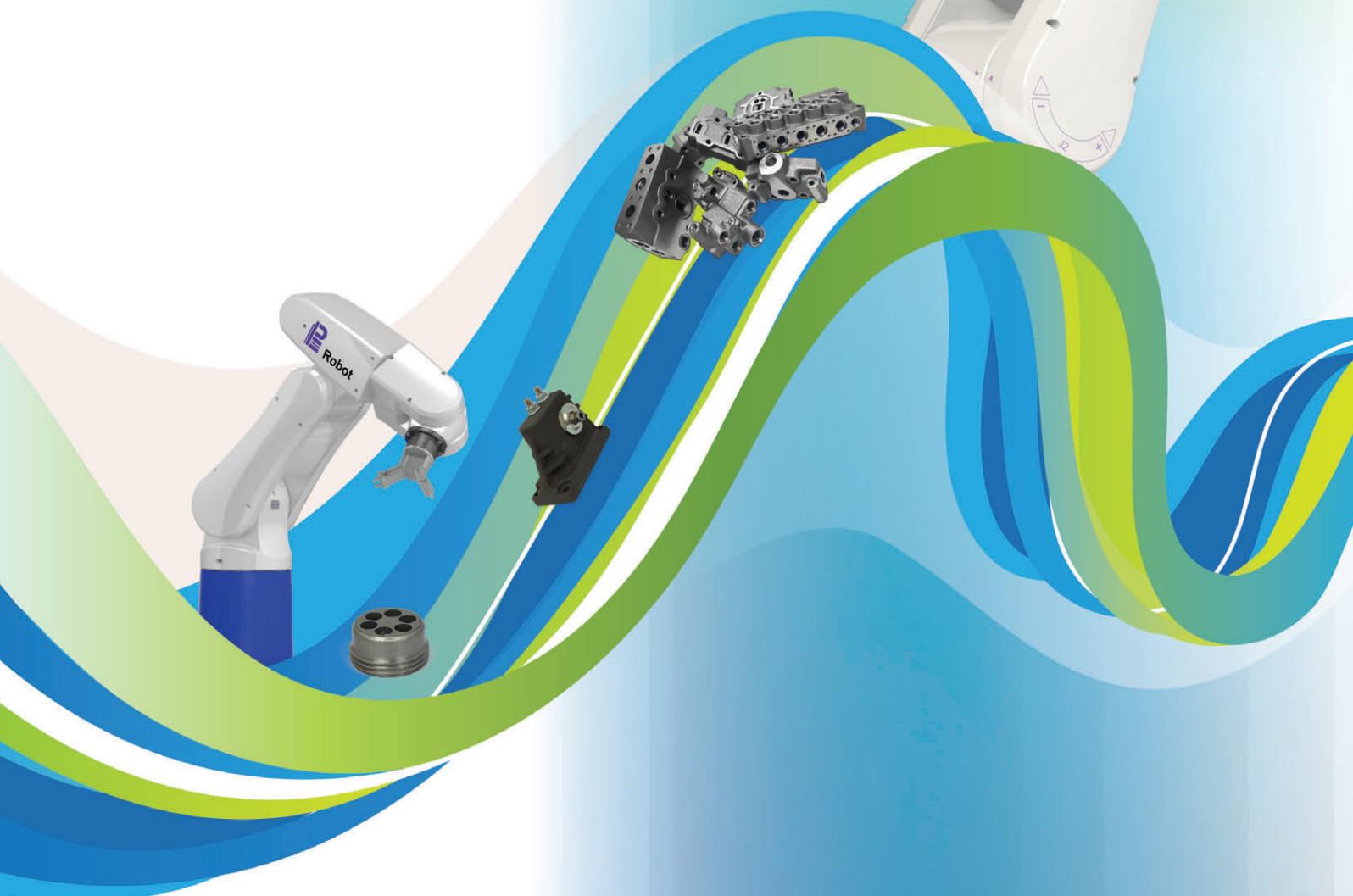




(Incorporated in the Cayman Islands with limited liability) (Stock Code : 929)

2016 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
Mr. Zeng Guangsheng
Mr. Wu Kai Ping

Independent Non-executive Directors

Dr. Cheng Ngok
Mr. Choi Hon Ting, Derek
Mr. Wu Karl Kwok
Mr. Hung, Randy King Kuen

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. Hung, Randy King Kuen

LEGAL ADVISERS TO THE COMPANY

Michael Li & Co

WEBSITE

<http://www.ipegroup.com>

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

AUDITORS

Ernst & Young
Certified Public Accountants

STOCK CODE

929

LISTING VENUE

Main Board of The Stock Exchange
of Hong Kong Limited

CORPORATE PROFILE

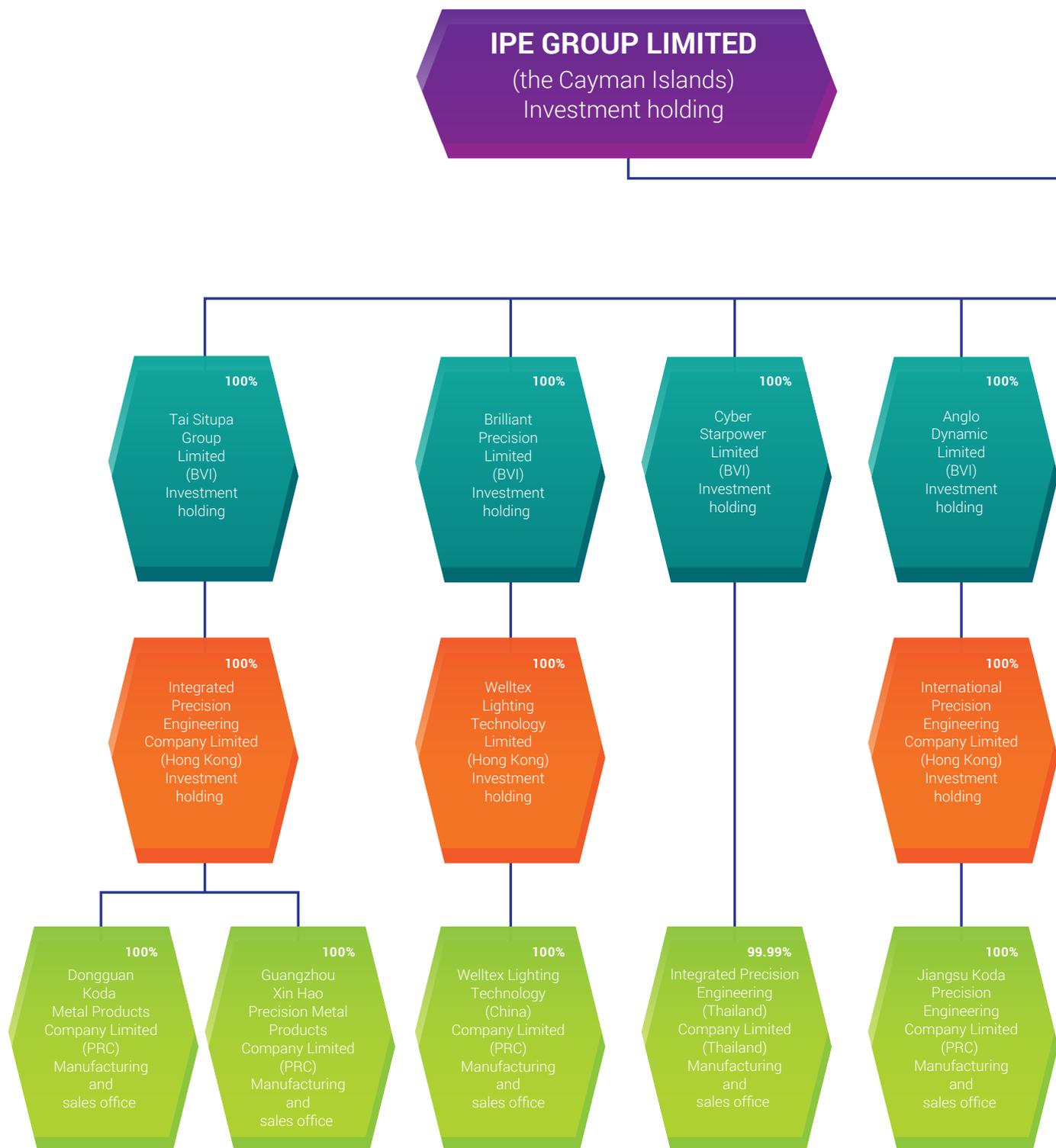
IPE Group Limited (the “Company” or “IPE Group”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2002. The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture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

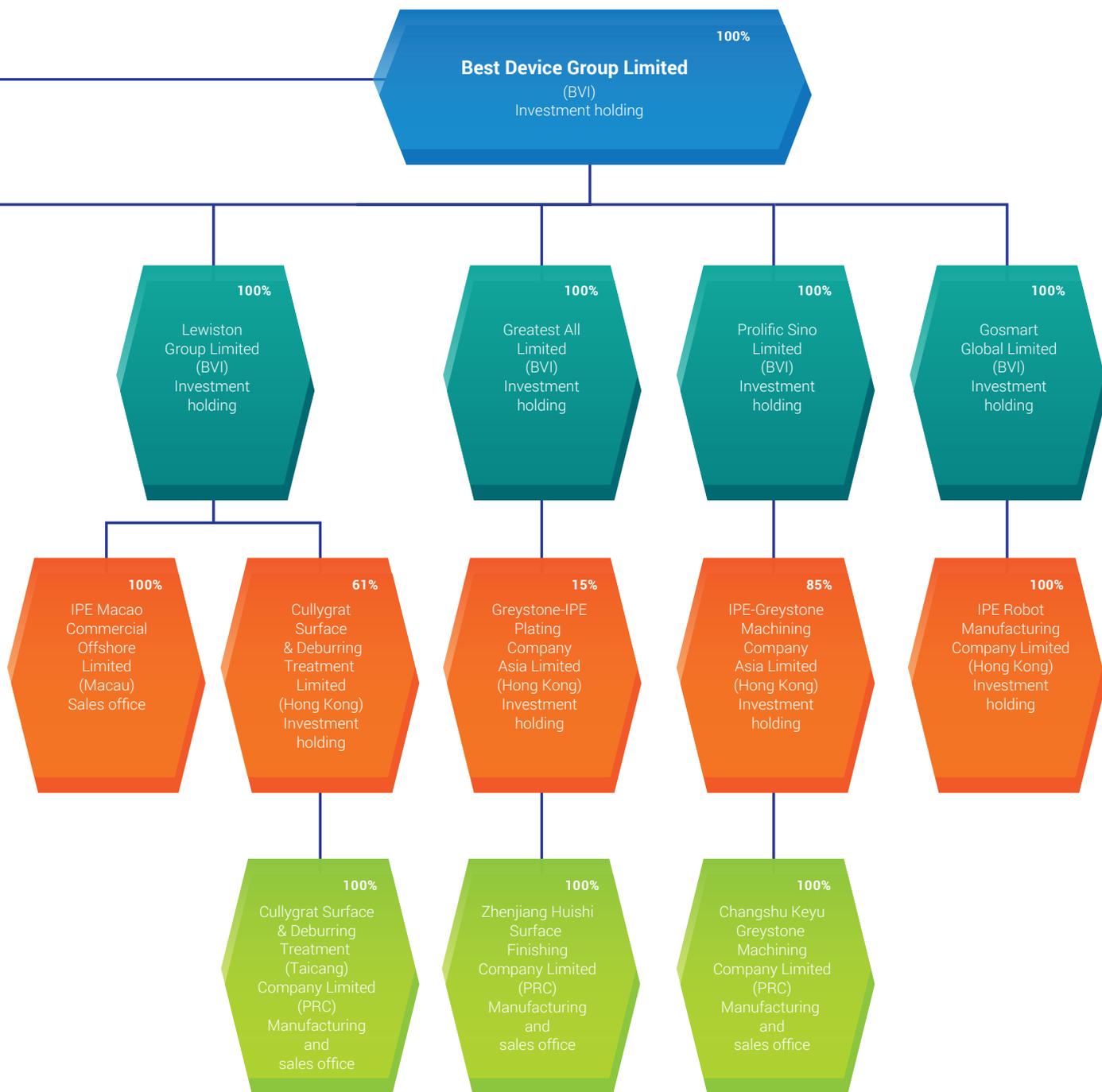
The Group started its high precision components business in 1990 in Singapore and now produces high precision metal components and assembled parts used in hard disk drives (“HDD”), hydraulic equipment, automotive parts, electronic and other devices.

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.

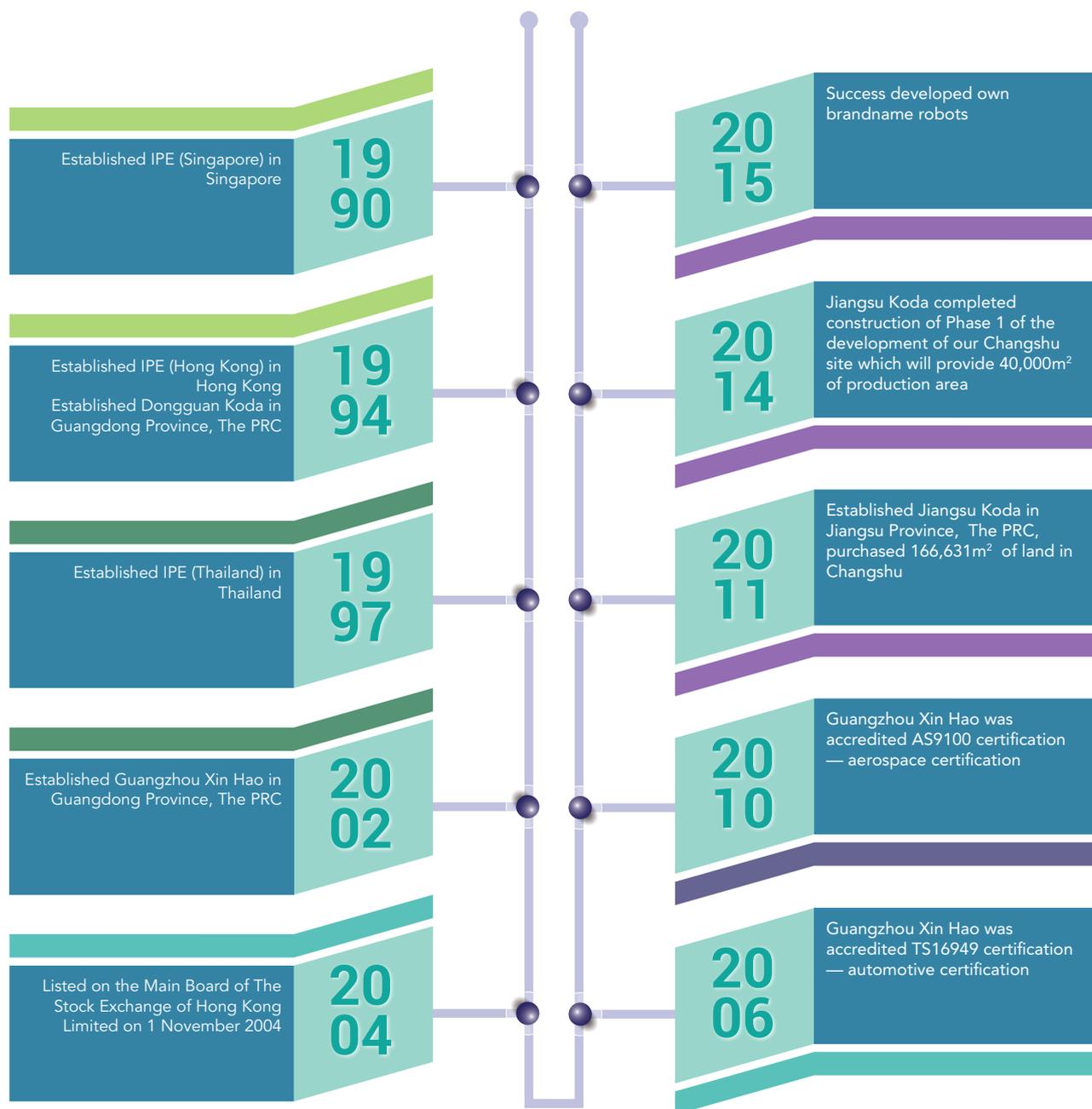
GROUP STRUCTURE

Principal subsidiaries and the joint venture of the Company as at 30 June 2016





CORPORATE MILESTONE



FINANCIAL HIGHLIGHTS

RATIO ANALYSIS

	30 June 2016	Year ended 31 December				
		2015	2014	2013	2012	2011
KEY STATISTICS:						
Current ratio	5.62	2.02	2.10	2.41	1.80	1.31
Net cash/(debt) to equity ratio	0.24	0.15	0.14	0.03	0.03	(0.09)
Dividend payout ratio	41.2%	40.6%	49.0%	–	29.1%	29.7%
Gross profit margin	30.3%	27.9%	28.0%	18.7%	21.7%	20.0%
Net profit margin	12.1%	9.8%	9.6%	0.3%	7.2%	5.1%
Average days of debtor turnover	95 days	101 days	94 days	91 days	80 days	87 days
Average days of inventory turnover	127 days	135 days	116 days	119 days	122 days	102 days
PER SHARE DATA (HK\$):						
Net asset value per share	1.45	1.55	1.60	1.58	1.51	1.42
Cash per share	0.70	0.75	0.81	0.83	0.54	0.47

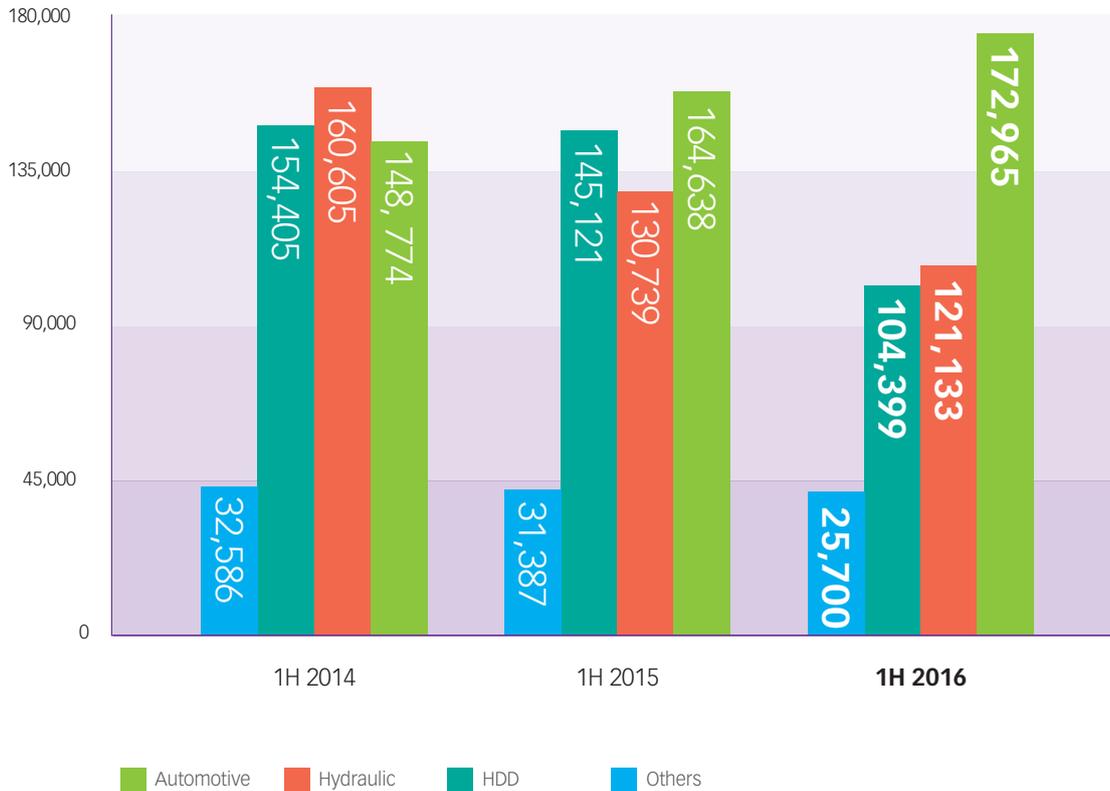
NET CASH/(DEBT) TO EQUITY RATIO



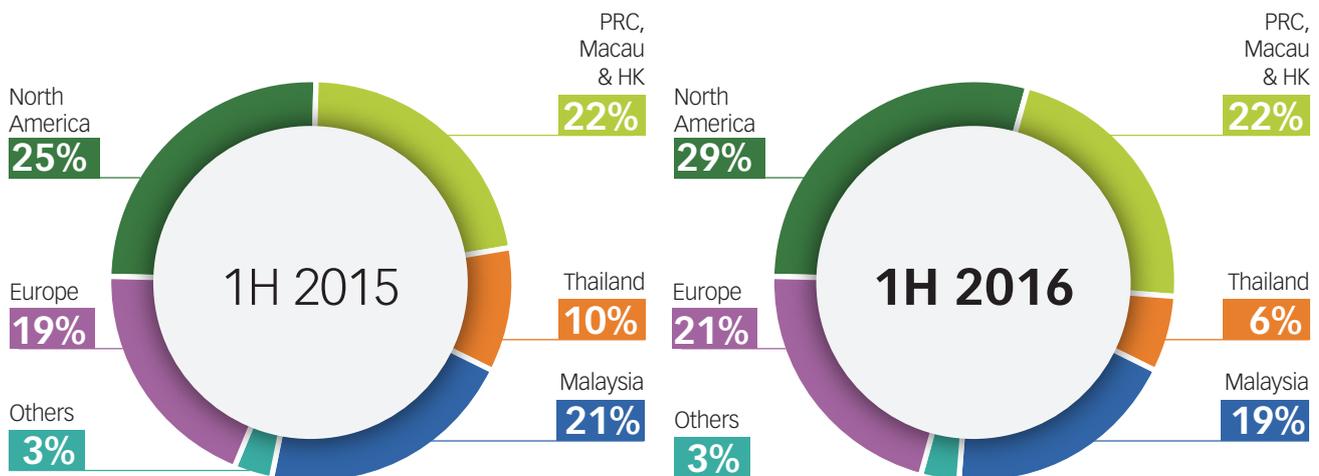
FINANCIAL HIGHLIGHTS

BUSINESS SEGMENTS

(HK\$'000)



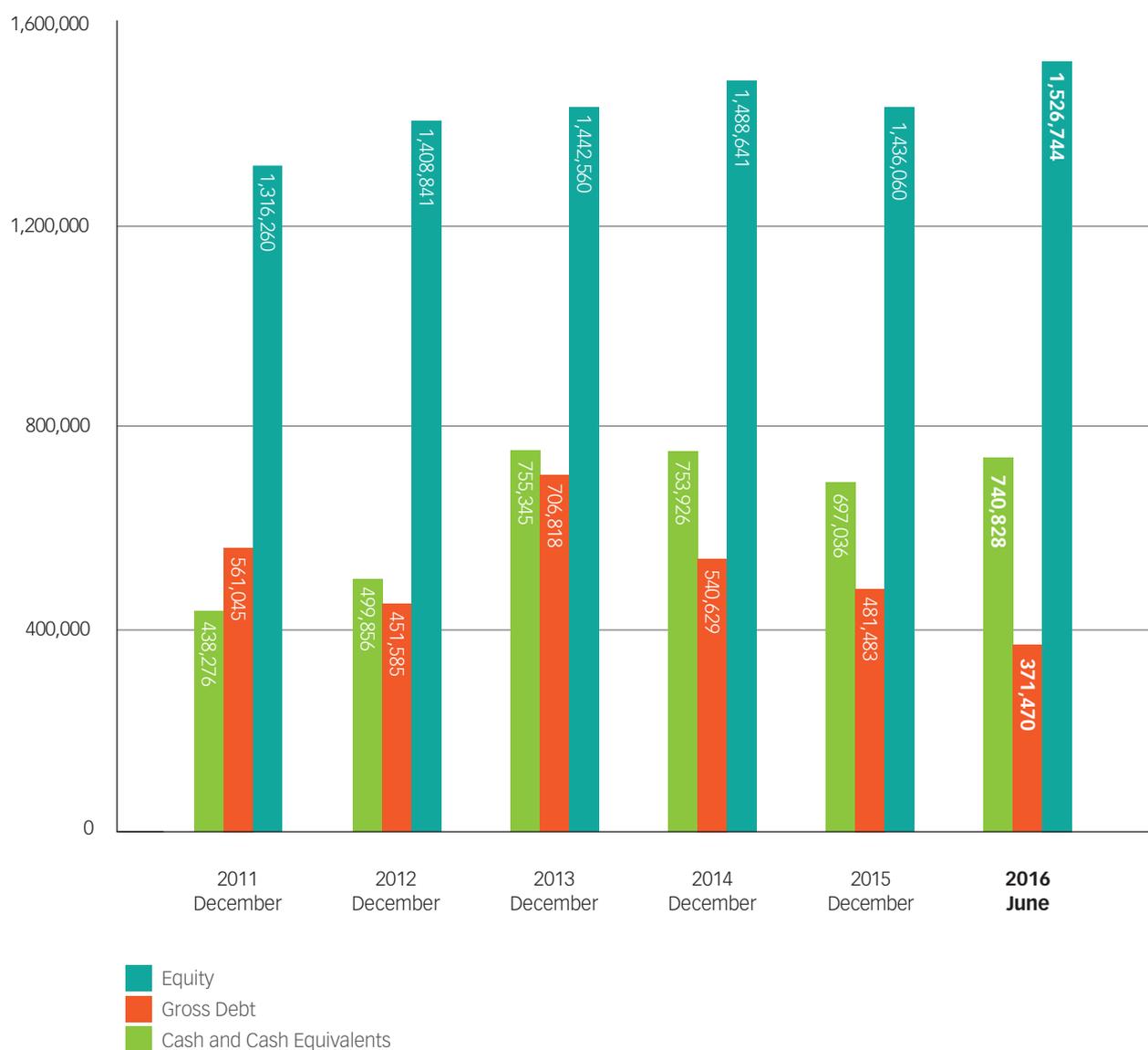
GEOGRAPHICAL COMBINATION



FINANCIAL HIGHLIGHTS

EQUITY, GROSS DEBT AND CASH AND CASH EQUIVALENTS

(HK\$'000)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Plagued by a plethora of persisting problems, the global economy remains mired in a morass not conducive to economic expansion despite the concerted efforts of central bank policies to stimulate growth. Generally speaking, in 2016, demand conditions continue anaemic. For industrial companies in particular, the operating environment is very challenging; in China, made more so by rising labour cost and reduced availability, particularly of skilled staff.

Reflecting the adverse operating environment, the Group recorded total revenue of HK\$424.2 million, for the six months ended 30 June 2016, a decline of 10.1% from total revenue of HK\$471.9 million in the same period of last year. However, the Group's unaudited net profit amounted to HK\$51.1 million for the period under review, an increase of 12.9% compared to unaudited net profit of HK\$45.3 million in the same period of last year.

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

	1H 2016		1H 2015		
	HK\$'000	%	HK\$'000	%	% change
Hard disk drives ("HDD") components	104,399	24.6	145,121	30.8	-28.1
Hydraulic equipment components	121,133	28.6	130,739	27.7	-7.3
Automotive components	172,965	40.8	164,638	34.9	+5.1
Other	25,700	6.0	31,387	6.6	-18.1
	424,197	100.0	471,885	100.0	-10.1

At its inception the Group was a manufacturer of HDD components and our business developed strongly due to the then boom in the personal computer ("PC") market. The demand for PCs is the most important determinant of demand for HDDs. PC sales worldwide peaked in 2011 and have been declining since. Our sales of HDD components, which amounted to HK\$104.4 million, fell 28.1% in the first six months of this year compared to sales in the first six months of last year. HDD components now account for only 24.6% of the Group's sales.

Demand for hydraulic equipment components is highly sensitive to the overall macro-economic environment. Given the global macro-economic situation and, in particular, the weak market for capital goods, we are satisfied that our sales of hydraulic equipment components fell only 7.3% to HK\$121.1 million in the first half of this year.

Sales of automotive components have continued to grow rising 5.1% to HK\$173.0 million. Automotive components sales have grown in every six months period since we diversified into this segment and now account for 40.8% of the Group's sales.

Sales of other precision components fell 18.1% to HK\$25.7 million in the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

When first we started to diversify away from HDD components, anticipating, as has happened, that the PC market would eventually mature, we sought to maximize sales rather than profitability. Manufacturing high quality and high precision components is a capital intensive business and it was necessary to achieve a certain volume of business to ensure a baseload of capacity utilization. There are significant barriers to entry in the manufacture of precision components so we sought to be very price competitive although of course price competitiveness is not the only criteria to becoming a qualified supplier.

In each of our three main business segments we have an adequate volume of business and while we do want to have higher sales, our Group focuses more on profitability and is willing to forego marginally profitable orders. The gross profit margin in the six months ended 30 June 2016 was 30.3%, representing an increase of 2.7 percentage points as compared to 27.6% in the same period of last year.

Other income, which amounted to HK\$15.3 million in the first half of 2016, increased by HK\$7.7 million when compared to the corresponding period in 2015. The difference was mainly due to the gain of disposal of an unlisted equity investment of HK\$7.6 million, the increase of exchange gain of HK\$5.1 million and the decrease in interest income amounting to HK\$6.1 million.

During the period under review, selling and distribution expenses amounted to HK\$10.5 million, accounting for 2.5% of the Group's turnover; such expenses were 2.6% of the Group's turnover in the corresponding period of 2015. The decrease was mainly due to our more streamlined operations.

During the period under review, the Group's administrative expenses increased by 0.8% from HK\$50.8 million to HK\$51.2 million as compared to the corresponding period of 2015. The increase was mainly due to the professional fee of HK\$4.6 million incurred in connection with Baoan Technology Company Limited's amended conditional offer in February 2016 which was offset by the decrease of equity settled share option expenses of HK\$2.2 million and the decrease of staff salaries and allowances of HK\$2.3 million.

Finance costs decreased by 21.8% or HK\$2.1 million to HK\$7.4 million for the period under review as compared to the corresponding period in 2015. The decrease of HK\$2.1 million was mainly due to the decrease in interest expenses of HK\$1.3 million and the decrease in loan arrangement fee of HK\$0.8 million. During the period under review, the Group refinanced a club loan of HK\$300 million in May.

For the six months ended 30 June 2016, the Group had a net profit of HK\$51.1 million, an increase of 12.9% when compared to the six months ended 30 June 2015.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2016, the Group had total borrowings of HK\$371.5 million (31 December 2015: HK\$481.5 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 2016.

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 2016, cash per share was HK\$0.70 (31 December 2015: HK\$0.75) and net asset value per share was HK\$1.45 (31 December 2015: HK\$1.55), based on the 1,052,254,135 ordinary shares in issue (31 December 2015: 928,154,135 ordinary shares). During the period under review, the Group recorded a net cash inflow from operating activities of HK\$180.3 million (2015: HK\$78.9 million). With the purchase of property, plant and equipment of HK\$81.6 million, the Group recorded a net cash outflow in investing activities of HK\$63.3 million (2015: HK\$34.4 million net cash inflow).

The total bank borrowings as at 30 June 2016 decreased to HK\$371.5 million (31 December 2015: HK\$481.5 million). The Group is in a net cash position (cash and bank balances less total bank borrowings) of HK\$369.4 million as at 30 June 2016 (31 December 2015: HK\$215.6 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, the fluctuation 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 2016, the Group had 2,207 employees, a decrease of 10 employees when compared to 2,217 employees as at 31 December 2015.

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

Season factors may slow the fall in PC shipments in the second half of 2016 but are not expected to reverse the trend which is expected to continue into 2017. So the prospect for HDD components sales growth is not encouraging, but we expect sales in the second half of 2016 could be maintained at around the level recorded in the first half.

Interest rates in all the major economies have been falling for a number of years and in several very important economies government bonds have a negative yield: a bond holder is in effect paying a government to borrow money. It has been suggested governments could take advantage of this negative interest rate environment for sovereign debt to finance infrastructure investment, thereby stimulating economic growth. That would certainly boost demand for capital goods and hence demand for our hydraulic equipment components business. This is wishful thinking on our part. Frankly, the near term prospect for our hydraulic equipment components business is negative.

Among our three main business segments, only the automotive components is expected to grow and, importantly, to continue growing as we expect the momentum of growth to re-accelerate over the next few years.

Although we are cautious about the near term outlook for HDD components and hydraulic equipment components, the second half results should be satisfactory as the growth in sales of automotive components is expected to continue.

In the first half, we started to use a number of the robots we have developed in our production process and the results to date have been very encouraging. Plans for large scale production of these robots have been finalized and are being implemented with the placement of orders for production equipment. We are very excited about the prospects for this new business and expect that within a few years robot sales will become our largest business segment. Meanwhile, deployment of such robots in our production lines will increase the efficiency of our operations and boost profitability.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June

	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4&5	424,197	471,885
Cost of sales		(295,648)	(341,722)
Gross profit		128,549	130,163
Other income and gains	5	15,290	7,579
Selling and distribution expenses		(10,468)	(12,142)
Administrative expenses		(51,201)	(50,802)
Other expenses		(6,485)	(7,943)
Finance costs	6	(7,371)	(9,429)
PROFIT BEFORE TAX	7	68,314	57,426
Income tax expense	8	(17,191)	(12,128)
PROFIT FOR THE PERIOD		51,123	45,298
Attributable to:			
Owners of the Company		51,355	45,142
Non-controlling interests		(232)	156
		51,123	45,298
EARNINGS PER SHARE	9		
Basic		HK5.1 cents	HK4.8 cents
Diluted		HK5.0 cents	HK4.6 cents
INTERIM DIVIDEND PER SHARE	10	HK2.0 cents	HK1.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period	51,123	45,298
Other comprehensive (expenses)/income:		
Exchange differences on translation of foreign operations	(18,632)	1,272
Total comprehensive income for the period	32,491	46,570
Attributable to:		
Owners of the Company	32,757	46,428
Non-controlling interests	(266)	142
	32,491	46,570

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	734,504	732,956
Prepaid land lease payments		83,848	86,046
Loan to an unlisted equity investment		–	59
Available-for-sale investment		140	290
Deposits for purchase of non-current assets		2,949	36,246
Deferred tax assets		1,881	1,815
Total non-current assets		823,322	857,412
CURRENT ASSETS			
Inventories	12	189,464	223,444
Trade receivables	13	226,743	216,721
Prepayments, deposits and other receivables		35,869	26,080
Cash and cash equivalents		740,828	697,036
Total current assets		1,192,904	1,163,281
CURRENT LIABILITIES			
Trade and bills payables	16	49,910	39,756
Other payables and accruals		46,415	46,473
Tax payable		11,699	7,023
Interest-bearing bank and other borrowings	15	104,335	481,483
Total current liabilities		212,359	574,735
NET CURRENT ASSETS		980,545	588,546
TOTAL ASSETS LESS CURRENT LIABILITIES		1,803,867	1,445,958

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	267,135	–
Deferred tax liabilities		9,224	9,154
Other payables and accruals		764	744
Total non-current liabilities		277,123	9,898
Net assets		1,526,744	1,436,060
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	105,225	92,815
Reserves		1,418,939	1,339,541
		1,524,164	1,432,356
Non-controlling interests		2,580	3,704
Total equity		1,526,744	1,436,060

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows from operating activities	180,284	78,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(81,603)	(68,381)
Proceeds from disposal of items of property, plant and equipment	6,902	2,169
Dividend received from an unlisted equity investment	1,197	–
Decrease in non-pledged time deposits with original maturity of over three months and within one year when acquired	10,122	99,194
Receipt of repayment of loan to an unlisted equity investment	61	1,419
Net cash flows (used in)/from investing activities	(63,321)	34,401
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	–	(2,805)
Share options exercised	80,096	640
New bank loans and other borrowings	434,860	246,365
Repayment of bank loans and other borrowings	(546,644)	(194,292)
Capital element of finance lease rental payments	–	(3,461)
Dividend paid to non-controlling interests	(858)	–
Dividends paid to the shareholders of the Company	(21,045)	(22,299)
Capital contributed from non-controlling interests	–	1,161
Net cash flows (used in)/from financing activities	(53,591)	25,309
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,372	138,577
Cash and cash equivalents at beginning of period	686,915	654,732
Effect of foreign exchange rate changes, net	(9,459)	2,778
CASH AND CASH EQUIVALENTS AT END OF PERIOD	740,828	796,087
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	730,413	531,675
Non-pledged time deposits with original maturity of less than three months when acquired	10,415	264,412
Cash and cash equivalents as stated in the consolidated statement of financial position	740,828	796,087

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to owners of the Company											
	Issued share capital	Share premium account	Contributed surplus	Statutory			Share options reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
				surplus reserve	public welfare fund	Capital redemption reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016	92,815	395,214	(1,116)	35,397	287	7,905	34,756	137,621	729,477	1,432,356	3,704	1,436,060
Profit for the period	-	-	-	-	-	-	-	-	51,355	51,355	(232)	51,123
Other comprehensive expenses for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(18,598)	-	(18,598)	(34)	(18,632)
Total comprehensive income for the period	-	-	-	-	-	-	-	(18,598)	51,355	32,757	(266)	32,491
Issue of shares upon exercise of share option	12,410	93,990	-	-	-	-	(26,304)	-	-	80,096	-	80,096
Final 2015 dividend declared	-	-	-	-	-	-	-	-	(21,045)	(21,045)	-	(21,045)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(858)	(858)
At 30 June 2016	105,225	489,204*	(1,116)*	35,397*	287*	7,905*	8,452*	119,023*	759,787*	1,524,164	2,580	1,526,744
At 1 January 2015	93,245	398,404	(1,116)	30,384	287	7,275	33,007	238,727	685,234	1,485,447	3,194	1,488,641
Profit for the period	-	-	-	-	-	-	-	-	45,142	45,142	156	45,298
Other comprehensive expenses for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,286	-	1,286	(14)	1,272
Total comprehensive income for the period	-	-	-	-	-	-	-	1,286	45,142	46,428	142	46,570
Capital contributed	-	-	-	-	-	-	-	-	-	-	1,161	1,161
Issue of shares upon exercise of share option	100	529	-	-	-	-	-	-	-	629	-	629
Shares Repurchase	(332)	(2,462)	-	-	-	332	-	-	(332)	(2,794)	-	(2,794)
Equity-settled share option arrangements	-	-	-	-	-	-	2,177	-	-	2,177	-	2,177
Final 2014 dividend declared	-	-	-	-	-	-	-	-	(22,299)	(22,299)	-	(22,299)
At 30 June 2015	93,013	396,471*	(1,116)*	30,384*	287*	7,607*	35,184*	240,013*	707,745*	1,509,588	4,497	1,514,085

* These reserve accounts comprise the consolidated reserves of HK\$1,418,939,000 (30 June 2015: HK\$1,402,668,000) in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

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 components, 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 2015.

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 2016.

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 2016

4. OPERATING SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2016 (Unaudited)						Total HK\$'000
	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	
Segment revenue:							
Sales to external customers	25,156	78,709	94,170	124,147	87,369	14,646	424,197
Inter-segment sales	598	-	-	-	-	-	598
Other revenue	245	-	14,154	-	-	-	14,399
	25,999	78,709	108,324	124,147	87,369	14,646	439,194
Reconciliation:							
Elimination at inter-segment sales							(598)
Revenue							438,596
Segment results	2,825	14,286	17,095	22,150	15,860	2,643	74,859
Reconciliation:							
Elimination at inter-segment results							(65)
Interest income							891
Finance costs							(7,371)
Profit before tax							68,314
Income tax expense							(17,191)
Profit for the period							51,123

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

4. OPERATING SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2015 (Unaudited)						Total HK\$'000
	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	
Segment revenue:							
Sales to external customers	46,647	97,616	104,439	116,499	90,267	16,417	471,885
Inter-segment sales	10,539	–	–	–	–	–	10,539
Other revenue	446	–	178	–	–	–	624
	57,632	97,616	104,617	116,499	90,267	16,417	483,048
Reconciliation:							
Elimination at inter-segment sales							(10,539)
Revenue							472,509
Segment results	8,362	12,289	12,903	14,530	11,153	2,029	61,266
Reconciliation:							
Elimination at inter-segment results							(1,366)
Interest income							6,955
Finance costs							(9,429)
Profit before tax							57,426
Income tax expense							(12,128)
Profit for the period							45,298

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

5. REVENUE AND 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 and other income and gains is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	424,197	471,885
Other income		
Bank interest income	891	6,955
Others	1,683	624
	2,574	7,579
Gains		
Foreign exchange differences, net	5,084	–
Gain on disposal of an unlisted equity investment	7,632	–
	12,716	–
	15,290	7,579

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	5,600	6,841
Interest on finance leases	–	22
Financial arrangement fees	1,771	2,566
	7,371	9,429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of inventories sold	295,648	341,722
Depreciation	63,803	72,472
Amortization of land lease payments	1,075	1,138
Equity-settled share option expenses	–	2,177
Auditors' remuneration	1,371	1,310
Foreign exchange differences, net	–	2,918
Loss on disposal of items of property, plant and equipment	1,326	903
Provision against inventory obsolescence	5,161	–

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 2015) 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Group:		
Current (charge for the period) — Hong Kong	–	–
Current (charge for the period) — Elsewhere	17,187	10,710
	17,187	10,710
Deferred	4	1,418
Total tax charge for the period	17,191	12,128

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

9. EARNINGS PER SHARE

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

The calculation of diluted earnings per share for the six months ended 30 June 2016 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.

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

Six months ended 30 June		
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	51,355	45,142
Number of shares (in thousands)		
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,014,637	931,529
Effect of dilution — weighted average number of ordinary shares: Share options	18,363	40,200
	1,033,000	971,729

10. INTERIM DIVIDEND

Six months ended 30 June		
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interim dividend — HK2.0 cents per ordinary share (2015: HK1.5 cents)	21,045	13,907

At the Board meeting held on 22 August 2016, the Board declared an interim dividend of HK2.0 cents per ordinary share (2015: HK1.5 cents).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

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 2016	540,732	12,406	1,375,493	69,693	19,582	72,519	2,090,425
Additions	-	-	192	482	-	80,929	81,603
Transfer in/(out)	91,487	-	5,993	3,289	158	(100,927)	-
Disposals	(437)	-	(8,927)	(1,901)	(154)	(6,741)	(18,160)
Exchange realignment	(6,256)	(140)	(10,897)	(754)	(163)	(545)	(18,755)
At 30 June 2016	625,526	12,266	1,361,854	70,809	19,423	45,235	2,135,113
Accumulated depreciation:							
At 1 January 2016	(188,652)	(4,155)	(1,096,334)	(52,767)	(15,561)	-	(1,357,469)
Depreciation provided during the period	(16,206)	(925)	(43,356)	(2,604)	(712)	-	(63,803)
Disposals – accumulated depreciation	145	-	7,826	1,807	154	-	9,932
Exchange realignment	1,611	45	8,404	521	150	-	10,731
At 30 June 2016	(203,102)	(5,035)	(1,123,460)	(53,043)	(15,969)	-	(1,400,609)
At 30 June 2016							
Cost	625,526	12,266	1,361,854	70,809	19,423	45,235	2,135,113
Accumulated depreciation	(203,102)	(5,035)	(1,123,460)	(53,043)	(15,969)	-	(1,400,609)
Net carrying amount	422,424	7,231	238,394	17,766	3,454	45,235	734,504
At 31 December 2015							
Cost	540,732	12,406	1,375,493	69,693	19,582	72,519	2,090,425
Accumulated depreciation	(188,652)	(4,155)	(1,096,334)	(52,767)	(15,561)	-	(1,357,469)
Net carrying amount	352,080	8,251	279,159	16,926	4,021	72,519	732,956

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

12. INVENTORIES

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Raw materials	61,644	77,263
Consumables	35,306	38,813
Work in progress	33,664	39,032
Finished goods	97,480	101,805
	228,094	256,913
Provision against inventory obsolescence	(38,630)	(33,469)
	189,464	223,444

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 120 days, but longer credit terms will be granted to certain major customers with the approval of the directors. Each customer has a maximum credit limit. The Group 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 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Within 1 month	74,960	71,463
1 to 2 months	66,725	67,264
2 to 3 months	47,614	40,861
3 to 4 months	25,089	23,383
4 to 12 months	7,856	12,713
Over 1 year	4,499	1,037
	226,743	216,721

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

14. SHARE CAPITAL

Shares	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Authorised: 1,500,000,000 (31 December 2015: 1,500,000,000) ordinary shares of HK\$0.1 each	150,000	150,000
Issued and fully paid: 1,052,254,135 (31 December 2015: 928,154,135) ordinary shares of HK\$0.1 each	105,225	92,815

The movements in share capital for the six months ended 30 June 2016 and year ended 31 December 2015 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 2015		932,454,135	93,245	398,404	491,649
Share options exercised	(a)	2,000,000	200	1,428	1,628
Repurchase of shares	(b)	(6,300,000)	(630)	(4,618)	(5,248)
At 31 December 2015 and 1 January 2016		928,154,135	92,815	395,214	488,029
Share options exercised	(c)	124,100,000	12,410	93,990	106,400
At 30 June 2016		1,052,254,135	105,225	489,204	594,429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

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) In 2015, the subscription rights attaching to 1,000,000 share options were exercised at the subscription price of HK\$0.64 per share and the subscription rights attaching to 1,000,000 share options were exercised at the subscription price of HK\$0.56 per share, resulting in the issue of 2,000,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$1.2 million. An amount of approximately HK\$428,000 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 2015. 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 20,000,000 share options were exercised at the subscription price of HK\$0.64 per share, the subscription rights attaching to 69,000,000 share options were exercised at the subscription price of HK\$0.71, and the subscriptions rights attaching to 13,500,000 share options were exercised at the subscription price of HK\$0.46, and the subscription rights attaching to 21,600,000 share options were exercised at the subscription price of HK\$0.56, resulting in the issue of 124,100,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$80 million. An amount of approximately HK\$26,304,000 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 2016

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Current				
<i>Unsecured</i>				
Bank revolving loans	2.48	2016	30,000	290,000
Bank term loans	2.01	2019	28,380	92,677
Other bank loans	2.26–2.32	2016	20,049	35,519
Long term bank loans repayable on demand	2.54–2.55	On demand	25,906	63,287
			104,335	481,483
Non-current				
<i>Unsecured</i>				
Bank term loans		2019	267,135	–
			371,470	481,483

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

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

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Analysed into:		
Bank overdrafts, revolving loans, terms loans and long term bank loans repayable:		
Within one year or on demand	84,286	445,964
In the second year	58,510	–
In the third to fifth years, inclusive	208,625	–
	351,421	445,964
Other bank loans repayable:		
Within one year	20,049	35,519
	371,470	481,483

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

16. 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 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Within 1 month	18,260	17,261
1 to 2 months	16,697	14,674
2 to 3 months	11,588	5,933
Over 3 months	3,365	1,888
	49,910	39,756

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

17. 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 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Guarantees given to an electricity company	552	538

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2016

18. COMMITMENTS

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

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Contracted but not provided for:		
Buildings	1,454	21,759
Plant and machinery	2,102	–
	3,556	21,759

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	10,623	7,728
Equity-settled share option expense	–	873
Post-employment benefits	159	128
Total compensation paid to key management personnel	10,782	8,729

20. COMPARATIVE FIGURES

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

21. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 22 August 2016.

OTHER INFORMATION

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

As at 30 June 2016, 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	21.72%
	Directly beneficially owned		22,576,250	2.15%
	Through spouse	2	125,000	0.01%
			<u>251,255,725</u>	<u>23.88%</u>
Mr. Ho Yu Hoi	Directly beneficially owned		38,838,740	3.69%
Mr. Li Chi Hang	Directly beneficially owned		25,088,535	2.38%
Mr. Lau Siu Chung	Directly beneficially owned		7,785,000	0.74%
Mr. Yuen Chi Ho	Directly beneficially owned		11,520,000	1.09%
Ms. Chiu Tak Chun	Directly beneficially owned		4,073,077	0.39%
Dr. Cheng Ngok	Directly beneficially owned		528,846	0.05%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2016.

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 share capital*
Mr. Chui Siu On	Directly beneficially owned	14,000,000	1.33%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2016.

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 2016, 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 2016, 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.

During the six months ended 30 June 2016, no share options of the Company have been granted, cancelled or lapsed. The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2016:

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 2016	Exercised during the period ⁽⁴⁾	At 30 June 2016			
Directors						
Mr. Chui Siu On ⁽¹⁾	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
	<u>29,000,000</u>	<u>(15,000,000)</u>	<u>14,000,000</u>			
Mr. Lau Siu Chung	2,500,000	(2,500,000)	–	12-06-14	01-06-15 to 31-12-19	0.5600
Mr. Yuen Chi Ho	3,000,000	(3,000,000)	–	12-06-14	01-06-15 to 31-12-19	0.5600
Ms. Chiu Tak Chun	2,500,000	(2,500,000)	–	12-06-14	01-06-15 to 31-12-19	0.5600
	<u>37,000,000</u>	<u>(23,000,000)</u>	<u>14,000,000</u>			
Members of senior management & other employees of the Group						
In aggregate	20,000,000	(20,000,000)	–	23-04-12	01-09-14 to 31-08-16	0.6400
	83,000,000	(62,000,000)	21,000,000	15-01-13	01-04-14 to 31-12-17	0.7100
	7,000,000	(5,500,000)	1,500,000	14-04-14	14-04-14 to 31-12-19	0.4600
	16,400,000	(13,600,000)	2,800,000	12-06-14	01-06-15 to 31-12-19	0.5600
	<u>126,400,000</u>	<u>(101,100,000)</u>	<u>25,300,000</u>			
Suppliers of services						
In aggregate	5,000,000	–	5,000,000	14-04-14	14-04-14 to 31-12-19	0.4600
	<u>168,400,000</u>	<u>(124,100,000)</u>	<u>44,300,000</u>			

OTHER INFORMATION

SHARE OPTION SCHEME (Continued)

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

- (1) The grant of share options 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.
- (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\$1.68 per share.

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

As at 30 June 2016, 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	Capacity and nature of interests	Notes	Number of ordinary shares in the Company	Percentage of the Company's issued share capital*
Tottenham	Directly beneficially owned	1	228,554,475	21.72%
Ms. Leung Wing Yi	Directly beneficially owned	2	125,000	0.01%
	Through spouse		251,130,725	23.87%
			251,255,725	23.88%
Baoan Technology Company Limited	Directly beneficially owned		359,280,000	34.14%
China Baoan Group Co., Ltd	Through controlled corporation	3	359,280,000	34.14%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2016.

OTHER INFORMATION

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

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

Notes:

1. The interests of Tottenhill 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.
2. 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.
3. These shares were held by Baoan Technology Company Limited. Baoan Technology Company Limited is a wholly owned entity of China Baoan Group Co., Ltd. Accordingly, China Baoan Group Co., Ltd was deemed to be interested in the 359,280,000 shares of the Company owned by Baoan Technology Company Limited pursuant to Part XV of the SFO.

(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	14,000,000	1.33%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2016.

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 2016, 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

During the six months ended 30 June 2016, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares on the Stock Exchange.

OTHER INFORMATION

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.020 per share for the six months ended 30 June 2016 (2015: HK\$0.015). The interim dividend will be paid in cash on Thursday, 15 September 2016 to the shareholders whose names appear on the Register of Members of the Company as at the close of business on Wednesday, 7 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 6 September 2016 to Wednesday, 7 September 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2016, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 September 2016.

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 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 2016.

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 2016.

OTHER INFORMATION

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 2016.

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 DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

- Mr. Zeng Guangsheng has been appointed as an executive director of China Baoan Group Co., Ltd (中國寶安集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000009) in June 2016.
- Mr. Hung, Randy King Kuen has been appointed as the chairman of Training Committee of The Hong Kong Institute of Directors.

GENERAL DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As detailed in the Company’s announcement dated 16 May 2016, pursuant to the term loan facility agreement (the “Facility Agreement”), a term loan facility of HK\$300,000,000 (the “Facility Loan”) is made available to the Group for the general corporate purposes including, but not limited to financing working capital and refinancing or full repayment of existing indebtedness due under the term and revolving facility made available to the Group in 2013. The Facility Loan is repayable in 10 quarterly instalments commencing nine months from the date of the Facility Agreement.

As common with other syndicated loan facilities, the Facility Agreement provides that if each of Integrated Precision Engineering Company Limited (a wholly owned subsidiary of the Company) (the “Borrower”) and the Company and several of its subsidiaries (including the Borrower) has failed to procure that Mr. Chui Siu On shall: (a) remain as (i) the chairman or chief executive officer and (ii) one of the substantial shareholders of the Company with at least 15% voting power/shareholding; and (b) shall continue to maintain control over and be actively involved in the management and business of the Company, it will be one of the events of default under the Facility Agreement, in which event all or any part of the commitments under the Facility Loan may be cancelled and all amounts outstanding under the Facility Loan 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, 22 August 2016





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