

PIPE GROUP LIMITED

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

2017 INTERIM REPORT







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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zeng Guangsheng (*Chairman*)
Mr. Chui Siu On (*Chief Executive Officer*)
Mr. Lau Siu Chung
Ms. Chiu Tak Chun
Mr. Wu Kai Ping

Non-executive Director

Ms. Zeng Jing

Independent Non-executive Directors

Dr. Cheng Ngok
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

AUTHORISED REPRESENTATIVES

Mr. Chui Siu On
Mr. Tam Yiu Chung

COMPANY SECRETARY

Mr. Tam Yiu Chung

AUDIT COMMITTEE

Dr. Cheng Ngok (*Chairman*)
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

REMUNERATION COMMITTEE

Dr. Cheng Ngok (*Chairman*)
Mr. Zeng Guangsheng
Mr. Chui Siu On
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

NOMINATION COMMITTEE

Mr. Zeng Guangsheng (*Chairman*)
Mr. Chui Siu On
Dr. Cheng Ngok
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

LEGAL ADVISERS TO THE COMPANY

Michael Li & Co

WEBSITE

<http://www.ipegroup.com>

REGISTERED OFFICE

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
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

Bangkok Bank Public Company 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.

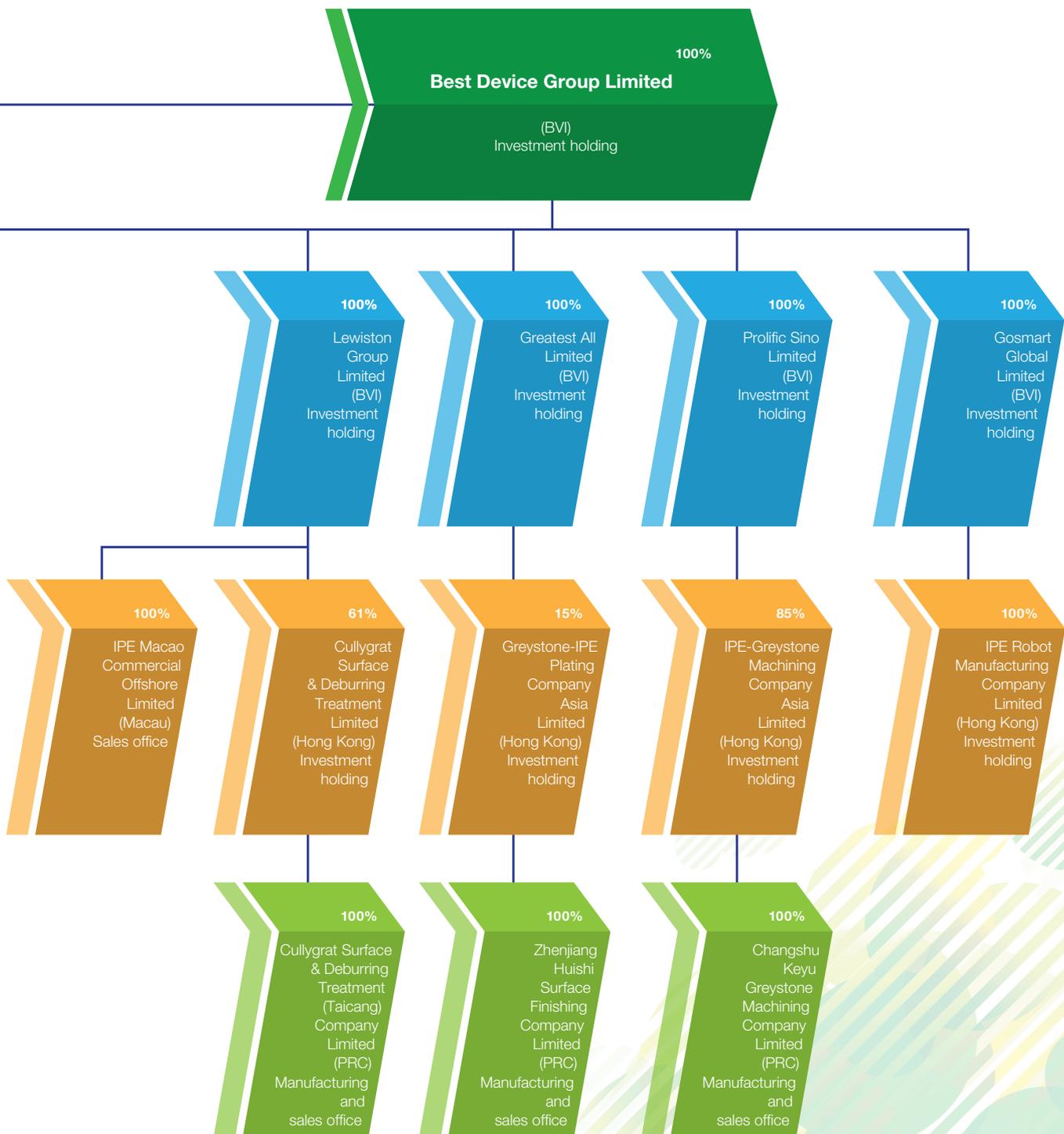
The Group started its high precision components business in 1990 in Singapore and now produces high precision metal components and assembled parts used in hard disk drives (“HDD”), hydraulic equipment, automotive parts, electronic and other devices.

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 are able to provide solutions to our global partners.

GROUP STRUCTURE

Principal subsidiaries of the Company as at 30 June 2017





CORPORATE MILESTONE

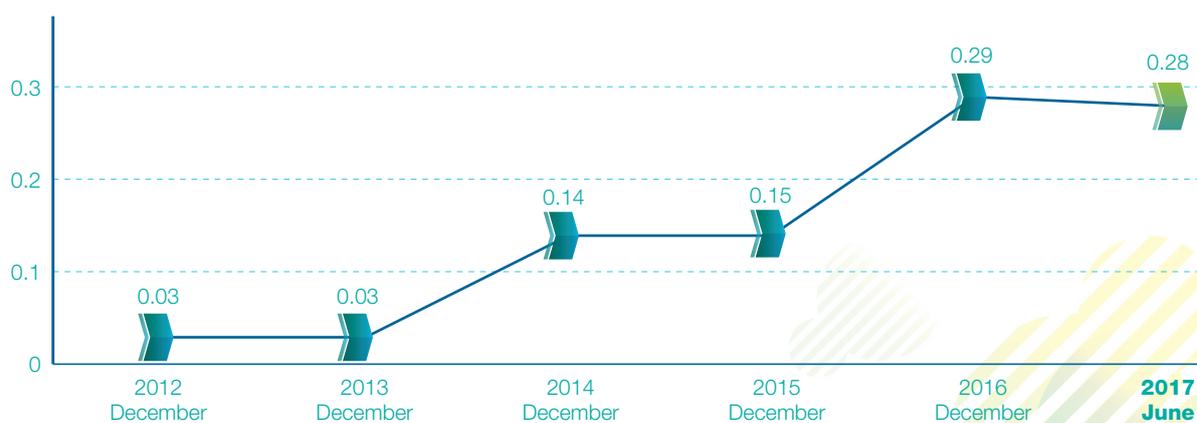


FINANCIAL HIGHLIGHTS

RATIO ANALYSIS

	30 June 2017	2016	Year ended 31 December			
		2016	2015	2014	2013	2012
KEY STATISTICS:						
Current ratio	2.99	3.48	2.02	2.10	2.41	1.80
Net cash to equity ratio	0.28	0.29	0.15	0.14	0.03	0.03
Dividend payout ratio	34.1%	43.0%	40.6%	49.0%	–	29.1%
Gross profit margin	35.0%	30.8%	27.9%	28.0%	18.7%	21.7%
Net profit margin	15.0%	12.9%	9.8%	9.6%	0.3%	7.2%
Average days of debtor turnover	94 days	93 days	101 days	94 days	91 days	80 days
Average days of inventory turnover	121 days	126 days	135 days	116 days	119 days	122 days
PER SHARE DATA (HK\$):						
Net asset value per share	1.52	1.42	1.55	1.60	1.58	1.51
Cash per share	1.02	0.91	0.75	0.81	0.83	0.54

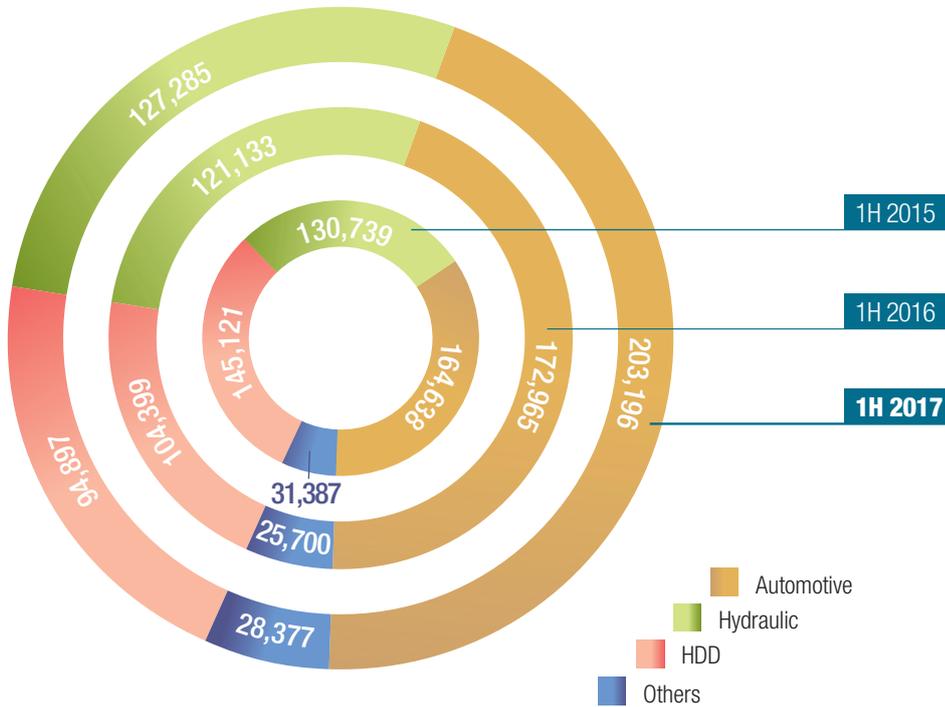
NET CASH TO EQUITY RATIO



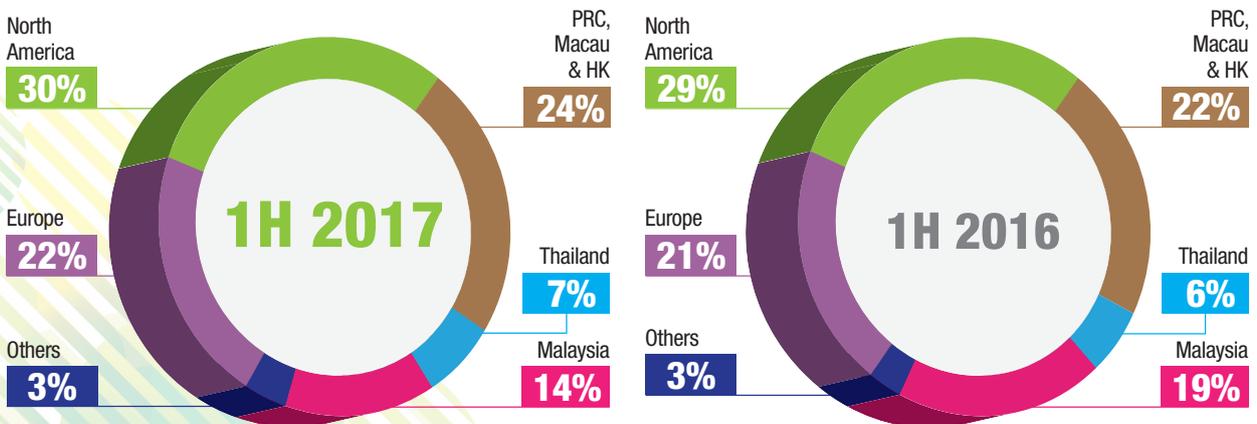
FINANCIAL HIGHLIGHTS

BUSINESS SEGMENTS

(HK\$'000)



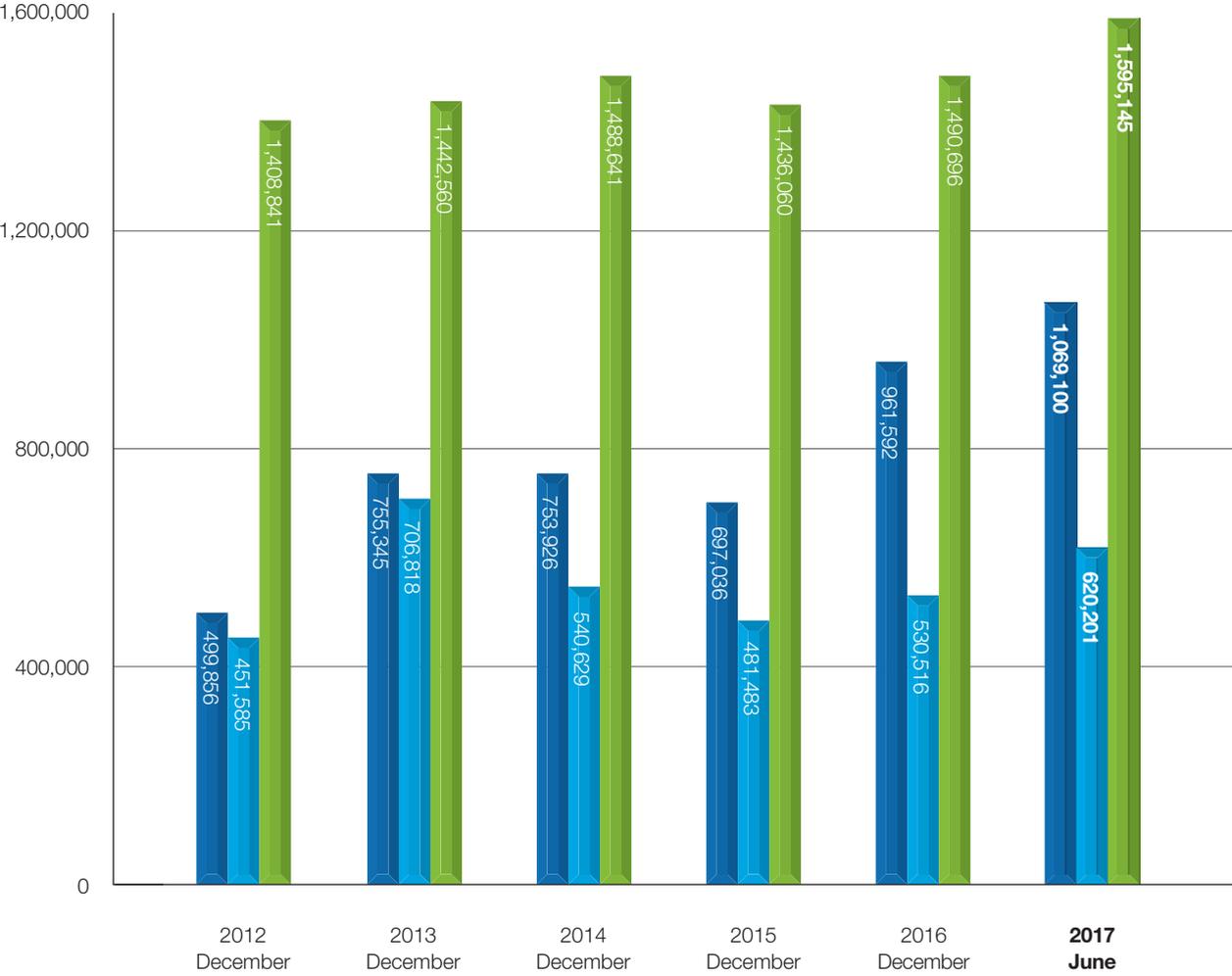
GEOGRAPHICAL COMBINATION



FINANCIAL HIGHLIGHTS

EQUITY, GROSS DEBT AND CASH AND CASH EQUIVALENTS

(HK\$'000)



- Cash and Cash Equivalents
- Gross Debt
- Equity

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Steering continuous development in 2016, the Group continued its efforts to enhance productivity. While striking a balance among all of its business segments and improving profitability, the Group managed to maintain a high growth rate for its automotive components business. However, the hard disk drives (“HDD”) components market underperformed due to its competition with solid state drives (“SSD”). Accordingly, the Group recorded total revenue of HK\$453.8 million for the first half year ended 30 June 2017, an increase of 7.0% from total revenue of HK\$424.2 million in the corresponding period of last year. Meanwhile, the Group’s unaudited net profit amounted to HK\$67.8 million for the period under review, an increase of 32.7% as compared with unaudited net profit of HK\$51.1 million in the first half of last year.

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

	1H 2017		1H 2016		
	HK\$'000	%	HK\$'000	%	% change
Automotive components	203,196	44.8	172,965	40.8	+17.5
Hydraulic equipment components	127,285	28.0	121,133	28.6	+5.1
HDD components	94,897	20.9	104,399	24.6	-9.1
Other	28,377	6.3	25,700	6.0	+10.4
	453,755	100.0	424,197	100.0	+7.0

With regard to sales of automotive components, the number of orders placed by existing customers continued to increase with reinforced confidence as we have focused on providing quality products and maintained mutual trust with customers. The Group recorded sales of HK\$203.2 million in the first half of 2017, an increase of 17.5% as compared with sales of the first half of last year. At the same time, sales of automotive components continued to grow since we diversified into this segment. As a result, this business accounted for the largest segment of 44.8% of the Group’s sales.

Given the challenging global business environment of hydraulic equipment manufacturers, we are pleased that sales of the hydraulic equipment components amounted to HK\$127.3 million in the first half of 2017, which represented that we still achieved an increase of 5.1% as compared to sales of HK\$121.1 million in the first half of last year.

In respect of the HDD components business, on the one hand, the global demand for personal computers has not increased significantly, on the other hand, the demand for HDD was inevitably affected under its competition with SSD. During the first half of this year, sales of our HDD components amounted to HK\$94.9 million with a decline of 9.1% as compared with sales in the first half of last year.

For the six months ended 30 June 2017, sales of other precision components amounted to HK\$28.4 million, an increase of 10.4% as compared with sales in the first half of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

With respect to mass production of precision components, in addition to the extremely high requirements on production equipment and technical level, the Company spared no efforts in maintaining high product quality and catering to the needs of its customers so as to remain highly competitive. Therefore, we have gained trust from the world's top and quality customers, and established long-term relationship.

After years of business development, the Company focused on balanced segment development to prevent overall sales from being affected by the decline of a single segment. With customers' trust in our product quality, the Company enhanced its bargaining power in order to improve overall profits. For the six months ended 30 June 2017, gross profit margin was 35.0%, representing an increase of 4.7 percentage points as compared with 30.3% in the corresponding period of last year.

Other income and gains, which amounted to HK\$3.5 million in the first half of 2017, decreased by HK\$11.8 million when compared to the corresponding period in 2016. The decrease was mainly due to the gain on disposal of an unlisted equity investment of HK\$7.6 million and an exchange gain of HK\$5.1 million in the corresponding period of last year, while no such items incurred in the first half of this year.

During the period under review, selling and distribution expenses amounted to HK\$11.5 million, accounting for 2.5% of the Group's turnover. Such expenses also accounted for 2.5% of the Group's turnover in the corresponding period of 2016. This reflected the Group's ability to maintain a reasonable level of operation to avoid rising expenses due to inflation.

During the period under review, the Group's administrative expenses increased by 6.8% from HK\$51.2 million to HK\$54.7 million as compared to the corresponding period of 2016. The increase was mainly due to an increase in share option expenses of HK\$2.0 million and an increase in directors' remuneration of HK\$2.2 million.

Although interest expenses increased slightly by HK\$0.4 million, overall finance costs decreased by 6.4% or HK\$0.5 million to HK\$6.9 million when compared to the corresponding period in 2016 due to a decrease in financial arrangement fees of HK\$0.8 million.

For the six months ended 30 June 2017, the Group recorded a net profit of HK\$67.8 million, representing an increase of 32.7% when compared to the six months ended 30 June 2016.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, the Group had total borrowings of HK\$620.2 million (31 December 2016: HK\$530.5 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 2017 (31 December 2016: Nil).

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 2017, cash per share was HK\$1.02 (31 December 2016: HK\$0.91) and net asset value per share was HK\$1.52 (31 December 2016: HK\$1.42), based on the 1,052,254,135 ordinary shares in issue (31 December 2016: 1,052,254,135 ordinary shares). During the period under review, the Group recorded a net cash inflow from operating activities of HK\$58.6 million (2016: HK\$180.3 million). With the purchase of property, plant and equipment of HK\$41.8 million, the Group recorded a net cash outflow in investing activities of HK\$47.7 million (2016: net cash outflow of HK\$63.3 million).

The total bank borrowings as at 30 June 2017 increased to HK\$620.2 million (31 December 2016: HK\$530.5 million). The Group is in a net cash position (cash and bank balances less total bank borrowings) of HK\$448.9 million as at 30 June 2017 (31 December 2016: HK\$431.1 million).

CURRENCY EXPOSURE AND MANAGEMENT

The Group is exposed to fluctuations in foreign exchange rates. Since most of our Group's revenue is denominated in US dollars, whereas most of our Group's expenses, such as costs of major raw materials, 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. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and consider appropriate hedging measures in the future when necessary.

HUMAN RESOURCES

As at 30 June 2017, the Group had 2,253 employees, a slight increase of 97 employees when compared to 2,156 employees as at 31 December 2016.

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

PROSPECT

We are optimistic about the prospect of our automotive components business. As for maintaining high quality, we do not sacrifice product quality for sales. Therefore, it is expected that the business will experience a stable growth. In addition, since the Group has maintained relationship with the existing customers of automotive components for years, we are relatively optimistic about the prospect of this business segment.

The hydraulic equipment market remains weak and is yet to be fully recovered. Therefore, the Group remains cautious about the short-term prospect of this business. Although the market of capital goods has been sluggish over recent years, which caused a downturn in the market of hydraulic equipment, the Group believes there is still a huge room for the development of hydraulic equipment components. Moreover, taking into account the balance and multi-faceted development of businesses, the Group will continue to invest resources in expanding this business development.

In relation to the HDD components business, although HDD is still the cheapest and the most stable storage device, we believe the market will be dominated by SSD in the future and it will be difficult to record the same sales volume as what we did at the early stage. Therefore, we are cautious about the business prospect of HDD components. The Group will arrange a long-term resources allocation in order to avoid a decline in overall profitability due to recession in the HDD components business in the future.

In addition to the fundamental business development as mentioned above, we will continue to allocate resources to the robot business. We will initially make use of such robots in our production in order to solve problems such as rising labor costs and shortage of labor by enhancing production automation, and will not rule out the possibility of external sales of such robots upon future development. Furthermore, in the second half of the year, the Group will strengthen its cooperation with educational institutions in Mainland China for research and development projects so as to pursue higher production efficiency and better product quality. In the long run, we also hope that the Group can maintain high profitability.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	Notes		
REVENUE	4&5	453,755	424,197
Cost of sales		(295,021)	(295,648)
Gross profit		158,734	128,549
Other income and gains	5	3,481	15,290
Selling and distribution expenses		(11,527)	(10,468)
Administrative expenses		(54,698)	(51,201)
Other expenses		(12,296)	(6,485)
Finance costs	6	(6,900)	(7,371)
PROFIT BEFORE TAX	7	76,794	68,314
Income tax expense	8	(8,952)	(17,191)
PROFIT FOR THE PERIOD		67,842	51,123
Attributable to:			
Owners of the Company		68,014	51,355
Non-controlling interests		(172)	(232)
		67,842	51,123
EARNINGS PER SHARE	9		
Basic		HK6.5 cents	HK5.1 cents
Diluted		N/A	HK5.0 cents
INTERIM DIVIDEND PER SHARE	10	HK2.2 cents	HK2.0 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June

	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit for the period	67,842	51,123
Other comprehensive income/(expenses):		
Exchange differences on translation of foreign operations	60,887	(18,632)
Total comprehensive income for the period	128,729	32,491
Attributable to:		
Owners of the Company	128,820	32,757
Non-controlling interests	(91)	(266)
	128,729	32,491

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	668,473	662,095
Prepaid land lease payments		80,787	79,069
Available-for-sale investment		9,779	–
Deposits for purchase of non-current assets		9,969	5,714
Deferred tax assets		3,274	3,190
Total non-current assets		772,282	750,068
CURRENT ASSETS			
Inventories	12	207,723	184,460
Trade receivables	13	249,037	219,421
Prepayments, deposits and other receivables		40,569	22,768
Cash and cash equivalents		1,069,100	961,592
Total current assets		1,566,429	1,388,241
CURRENT LIABILITIES			
Trade and bills payables	14	65,043	55,641
Other payables and accruals		45,160	39,067
Tax payable		2,617	12,142
Interest-bearing bank and other borrowings	16	411,576	292,641
Total current liabilities		524,396	399,491
NET CURRENT ASSETS		1,042,033	988,750
TOTAL ASSETS LESS CURRENT LIABILITIES		1,814,315	1,738,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	208,625	237,875
Deferred tax liabilities		9,542	9,302
Other payables and accruals		1,003	945
Total non-current liabilities		219,170	248,122
Net assets		1,595,145	1,490,696
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	105,225	105,225
Reserves		1,487,969	1,383,429
		1,593,194	1,488,654
Non-controlling interests		1,951	2,042
Total equity		1,595,145	1,490,696

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash flows from operating activities	58,578	180,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(41,793)	(81,603)
Proceeds from disposal of items of property, plant and equipment	3,856	6,902
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
Receipt of repayment of loan to an unlisted equity investment	–	61
Investment in an unlisted equity investment	(9,779)	–
Net cash flows used in investing activities	(47,716)	(63,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share options exercised	–	80,096
New bank loans and other borrowings	268,599	434,860
Repayment of bank loans and other borrowings	(179,825)	(546,644)
Dividend paid to non-controlling interests	–	(858)
Dividends paid to the shareholders of the Company	(26,306)	(21,045)
Net cash flows from/(used in) financing activities	62,468	(53,591)
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,330	63,372
Cash and cash equivalents at beginning of period	961,592	686,915
Effect of foreign exchange rate changes, net	34,178	(9,459)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,069,100	740,828
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	830,175	730,413
Non-pledged time deposits with original maturity of less than three months when acquired	238,925	10,415
Cash and cash equivalents as stated in the consolidated statement of financial position	1,069,100	740,828

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to owners of the Company											Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Statutory			Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
				Statutory reserve HK\$'000	public welfare fund HK\$'000	Capital redemption reserve HK\$'000						
At 1 January 2017	105,225	489,197	(1,116)	42,682	287	7,905	8,452	45,719	790,303	1,488,654	2,042	1,490,696
Profit for the period	-	-	-	-	-	-	-	-	68,014	68,014	(172)	67,842
Other comprehensive expenses for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	60,806	-	60,806	81	60,887
Total comprehensive income for the period	-	-	-	-	-	-	-	60,806	68,014	128,820	(91)	128,729
Cancellation of share option arrangement	-	-	-	-	-	-	(8,452)	-	8,452	-	-	-
Equity-settled share option	-	-	-	-	-	-	2,026	-	-	2,026	-	2,026
Final 2016 dividend declared	-	-	-	-	-	-	-	-	(26,306)	(26,306)	-	(26,306)
At 30 June 2017	105,225	489,197*	(1,116)*	42,682*	287*	7,905*	2,026*	106,525*	840,463*	1,593,194	1,951	1,595,145
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

* These reserve accounts comprise the consolidated reserves of HK\$1,487,969,000 (30 June 2016: HK\$1,418,939,000) in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

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 2016.

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 2017.

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 result 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 2017

4. OPERATING SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2017 (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	31,417	63,303	106,949	137,240	98,812	16,034	453,755
Inter-segment sales	1,601	-	-	-	-	-	1,601
Other revenue	69	-	1,619	-	-	-	1,688
	33,087	63,303	108,568	137,240	98,812	16,034	457,044
Reconciliation:							
Elimination at inter-segment sales							(1,601)
Revenue							455,443
Segment results	7,416	11,043	18,657	24,314	17,712	2,802	81,944
Reconciliation:							
Elimination at inter-segment results							(43)
Interest income							1,793
Finance costs							(6,900)
Profit before tax							76,794
Income tax expense							(8,952)
Profit for the period							67,842

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

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 2017

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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	453,755	424,197
Other income		
Bank interest income	1,793	891
Reversal of impairment of trade receivable	415	–
Others	1,273	1,683
	3,481	2,574
Gains		
Foreign exchange differences, net	–	5,084
Gain on disposal of an unlisted equity investment	–	7,632
	–	12,716
	3,481	15,290

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	5,958	5,600
Financial arrangement fees	942	1,771
	6,900	7,371

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of inventories sold	295,021	295,648
Depreciation	54,882	63,803
Amortization of land lease payments	1,032	1,075
Equity-settled share option expenses	2,026	–
Auditors' remuneration	1,510	1,371
Foreign exchange differences, net	7,477	–
Loss on disposal of items of property, plant and equipment	497	1,326
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 2016) 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current	8,692	17,187
Deferred	260	4
Total tax charge for the period	8,952	17,191

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

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 2017 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	68,014	51,355

	Number of shares (in thousands)	
	2017 (Unaudited)	2016 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,052,254	1,014,637
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	18,363
	1,052,254	1,033,000

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interim dividend — HK2.2 cents per ordinary share (2016: HK2.0 cents)	23,150	21,045

At the Board meeting held on 14 August 2017, the Board declared an interim dividend of HK2.2 cents per ordinary share (2016: HK2.0 cents).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

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 2017	617,138	13,778	1,317,386	69,519	19,522	24,746	2,062,089
Additions	3,434	-	5,057	1,220	3,116	28,966	41,793
Transfer in/(out)	5,307	131	8,822	2,603	1,296	(18,159)	-
Disposals	-	-	(3,368)	(627)	(2,042)	(3,505)	(9,542)
Exchange realignment	23,074	420	50,944	2,556	534	970	78,498
At 30 June 2017	648,953	14,329	1,378,841	75,271	22,426	33,018	2,172,838
Accumulated depreciation:							
At 1 January 2017	(211,422)	(5,800)	(1,114,121)	(53,034)	(15,617)	-	(1,399,994)
Depreciation provided during the period	(17,365)	(1,092)	(33,019)	(2,788)	(618)	-	(54,882)
Disposals – accumulated depreciation	-	-	2,824	616	1,713	-	5,153
Exchange realignment	(8,373)	(154)	(43,682)	(1,964)	(469)	-	(54,642)
At 30 June 2017	(237,160)	(7,046)	(1,187,998)	(57,170)	(14,991)	-	(1,504,365)
At 30 June 2017	648,953	14,329	1,378,841	75,271	22,426	33,018	2,172,838
Cost	648,953	14,329	1,378,841	75,271	22,426	33,018	2,172,838
Accumulated depreciation	(237,160)	(7,046)	(1,187,998)	(57,170)	(14,991)	-	(1,504,365)
Net carrying amount	411,793	7,283	190,843	18,101	7,435	33,018	668,473
At 31 December 2016	617,138	13,778	1,317,386	69,519	19,522	24,746	2,062,089
Cost	617,138	13,778	1,317,386	69,519	19,522	24,746	2,062,089
Accumulated depreciation	(211,422)	(5,800)	(1,114,121)	(53,034)	(15,617)	-	(1,399,994)
Net carrying amount	405,716	7,978	203,265	16,485	3,905	24,746	662,095

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

12. INVENTORIES

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Raw materials	69,524	64,680
Consumables	34,461	32,454
Work in progress	60,219	47,295
Finished goods	91,212	87,530
	255,416	231,959
Provision against inventory obsolescence	(47,693)	(47,499)
	207,723	184,460

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 transaction date, is as follows:

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Within 1 month	103,026	74,768
1 to 2 months	72,224	71,808
2 to 3 months	36,253	40,040
3 to 4 months	24,649	27,772
4 to 12 months	12,972	5,593
Over 1 year	5,697	5,445
	254,821	225,426
Less: impairment	(5,784)	(6,005)
	249,037	219,421

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

14. 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 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Within 1 month	36,474	18,172
1 to 2 months	19,542	19,164
2 to 3 months	6,518	12,767
Over 3 months	2,509	5,538
	65,043	55,641

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

15. SHARE CAPITAL

Shares	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Authorised: 1,500,000,000 (31 December 2016: 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 2016: 1,052,254,135) ordinary shares of HK\$0.1 each	105,225	105,225

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

15. SHARE CAPITAL (Continued)

The movements in share capital for the six months ended 30 June 2017 and year ended 31 December 2016 were as follows:

	Note	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2016		928,154,135	92,815	395,214	488,029
Share options exercised	(a)	124,100,000	12,410	93,983	106,393
At 31 December 2016, 1 January 2017 and 30 June 2017		1,052,254,135	105,225	489,197	594,422

- (a) In 2016, 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 2017

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Current				
<i>Unsecured</i>				
Bank revolving loans	2.45-2.75	On demand	140,000	140,000
US\$ revolving loan	2.91-3.33	On demand	195,137	77,545
Short term bank loans	2.00	2017	58,390	58,450
Other bank loans	2.50-2.66	2017	18,049	16,646
			411,576	292,641
Non-current				
<i>Unsecured</i>				
Long term bank loans	2.00	2019	208,625	237,875
			620,201	530,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Analysed into:		
Bank overdrafts, revolving loans, terms loans and long term bank loans repayable:		
Within one year or on demand	393,527	275,995
In the second year	208,625	57,875
In the third to fifth years, inclusive	–	180,000
	602,152	513,870
Other bank loans repayable:		
Within one year	18,049	16,646
	620,201	530,516

Notes:

- (a) At 30 June 2017 and 31 December 2016, all the interest-bearing bank and other borrowings were unsecured.
- (b) Except for the US\$25,000,000 unsecured revolving loan (31 December 2016: US\$10,000,000) which is denominated in United State dollars, all borrowings are in Hong Kong dollar.

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 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Guarantees given to an electricity company	575	542

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

18. COMMITMENTS

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Contracted but not provided for:		
Buildings	20,304	2,240
Plant and machinery	6,829	1,186
	27,133	3,426

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	10,558	10,623
Equity-settled share option expense	2,026	–
Post-employment benefits	148	159
Total compensation paid to key management personnel	12,732	10,782

20. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 14 August 2017.

OTHER INFORMATION

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

As at 30 June 2017, 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") as set out in Appendix 10 to the Listing Rules, 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	167,966,975	15.96%
	Directly beneficially owned		14,576,250	1.39%
	Through spouse	2	125,000	0.01%
			<u>182,668,225</u>	<u>17.36%</u>
Mr. Lau Siu Chung	Directly beneficially owned		7,785,000	0.74%
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 2017.

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 167,966,975 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. Zeng Guangsheng	Directly beneficially owned	22,000,000	2.09%
Mr. Chui Siu On	Directly beneficially owned	2,000,000	0.19%
Mr. Lau Siu Chung	Directly beneficially owned	2,000,000	0.19%
Ms. Chiu Tak Chun	Directly beneficially owned	2,000,000	0.19%
Mr. Wu Kai Ping	Directly beneficially owned	10,000,000	0.95%
Ms. Zeng Jing	Directly beneficially owned	8,000,000	0.76%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2017.

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

(C) Long positions in the ordinary shares of associated corporation – China Baoan Group Co., Ltd, the Company's holding company

Name of director	Capacity and nature of interests	Number of ordinary shares in China Baoan Group Co., Ltd	Percentage of China Baoan Group Co., Ltd's issued share capital
Mr. Zeng Guangsheng	Directly beneficially owned	560,755	0.03%
Ms. Zeng Jing	Directly beneficially owned	8,518,819	0.40%

In addition to the above, as at 30 June 2017, 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 2017, none of the directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2017:

Name or category of participant	Number of share options					At 30 June 2017	Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ HK\$ per share
	At 1 January 2017	Granted during the period ⁽¹⁾	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period				
Director									
Mr. Zeng Guangsheng ⁽⁴⁾	-	22,000,000	-	-	-	22,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Mr. Chui Siu On ⁽⁵⁾	14,000,000	-	-	-	(14,000,000)	-	19-06-11	01-09-13 to 31-08-18	1.82
	-	2,000,000	-	-	-	2,000,000	06-06-17	01-09-18 to 31-08-22	2.02
	14,000,000	2,000,000	-	-	(14,000,000)	2,000,000			
Mr. Lau Siu Chung	-	2,000,000	-	-	-	2,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Ms. Chiu Tak Chun	-	2,000,000	-	-	-	2,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Mr. Wu Kai Ping	-	10,000,000	-	-	-	10,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Ms. Zeng Jing	-	8,000,000	-	-	-	8,000,000	06-06-17	01-09-18 to 31-08-22	2.02
	14,000,000	46,000,000	-	-	(14,000,000)	46,000,000			
Members of senior management and other employees of the Group									
In aggregate	21,000,000	-	-	-	(21,000,000)	-	15-01-13	01-04-14 to 31-12-17	0.71
	1,500,000	-	-	-	(1,500,000)	-	14-04-14	14-04-14 to 31-12-19	0.46
	2,800,000	-	-	-	(2,800,000)	-	12-06-14	01-06-15 to 31-12-19	0.56
	-	4,000,000	-	-	-	4,000,000	06-06-17	01-09-18 to 31-08-22	2.02
	25,300,000	4,000,000	-	-	(25,300,000)	4,000,000			
Suppliers of services									
In aggregate	5,000,000	-	-	-	(5,000,000)	-	14-04-14	14-04-14 to 31-12-19	0.46
	44,300,000	50,000,000	-	-	(44,300,000)	50,000,000			

OTHER INFORMATION

SHARE OPTION SCHEME (Continued)

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

- (1) The closing prices of the Company's shares immediately before the date of grant of the share options was HK\$2.02 per share. The fair value of the share options granted on 6 June 2017 was determined at the date of grant using the binomial option pricing model was approximately HK\$30 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 grant of share options to Mr. Zeng Guangsheng in June 2017, which exceeded the individual limit, was approved by the independent shareholders at the Company's extraordinary general meeting held on 14 August 2017 pursuant to the Listing Rules.
- (5) The grant of share options to Mr. Chui Siu On in June 2011, which exceeded the individual limit, was approved by the independent shareholders at the Company's extraordinary general meeting held on 4 July 2011 pursuant to the Listing Rules.

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

As at 30 June 2017, as far as the directors of the Company are aware, 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	167,966,975	15.96%
Ms. Leung Wing Yi	Directly beneficially owned	2	125,000	0.01%
	Through spouse		182,543,225	17.35%
			182,668,225	17.36%
Baoan Technology Company Limited	Directly beneficially owned		534,171,250	50.76%
China Baoan Group Co., Ltd	Through controlled corporation	3	534,171,250	50.76%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2017.

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 534,171,250 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	2,000,000	0.19%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2017.

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 2017, 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.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares on the Stock Exchange (2016: Nil).

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.022 per share for the six months ended 30 June 2017 (2016: HK\$0.020). The interim dividend will be paid in cash on Friday, 8 September 2017 to the shareholders whose names appear on the Register of Members of the Company as at the close of business on Wednesday, 30 August 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 29 August 2017 to Wednesday, 30 August 2017 (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 2017, 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, 28 August 2017.

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 (the "CG Code") during the period under review except that there was no separation of the roles of Chairman and Chief Executive Officer as specified in the code provision A.2.1 of the CG Code during the period from 1 January 2017 to 1 June 2017. During the said period, Mr. Chui Siu On has acted as the Chairman and the Chief Executive Officer of the Company. The Board considered that such arrangement provided the Group with strong and consistent leadership and allowed for more effective and efficient business planning and decisions. To achieve clear division of responsibilities between the management of board and the day-to-day management of business, Mr. Zeng Guangsheng has been appointed as the Chairman of the Company on 2 June 2017.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive directors, namely Dr. Cheng Ngok (Chairman of the Audit Committee), Mr. Yang Rusheng and Mr. Cheung, Chun Yue Anthony, 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 2017.

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. 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 2017.

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 2017.

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. Chui Siu On has resigned as the Chairman of the Company and the chairman of the Executive Committee and Nomination Committee of the Company, and he remains as an executive director, the Chief Executive Officer and a member of the Executive Committee and Nomination Committee of the Company with effect from 2 June 2017.
- Mr. Zeng Guangsheng has been appointed as the Chairman of the Company, the chairman of the Executive Committee and Nomination Committee of the Company and a member of the Remuneration Committee of the Company with effect from 2 June 2017.
- Mr. Wu Kai Ping has been appointed as a member of the Executive Committee of the Company with effect from 2 June 2017.
- Mr. Yang Rusheng has resigned as an independent non-executive director of Kantone Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1059) in July 2017.

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 imposes a specific performance obligation on Mr. Chui Siu On (“Mr. Chui”) who is the Chief Executive Officer, 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 ceases to be the chairman or chief executive officer; (b) Mr. Chui ceases to be one of the substantial shareholders of the Company with at least 15% voting power/shareholding; 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 Facility Loan may be cancelled and all amounts outstanding under the Facility Loan may immediately become due and payable.

OTHER INFORMATION

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

Zeng Guangsheng

Chairman

Hong Kong, 14 August 2017



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