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IPE GROUP LIMITED

IPE集團有限公司

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

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Board of Directors (the “Board”) of IPE Group Limited (the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	4&5	251,077	470,491
Cost of sales		(247,076)	(345,249)
Gross profit		4,001	125,242
Other income and gains	5	18,610	3,403
Selling and distribution costs		(7,225)	(11,165)
Administrative expenses		(31,910)	(37,885)
Other expenses		(3,029)	(7,380)
Finance costs	6	(8,310)	(10,832)
(LOSS)/PROFIT BEFORE TAX	7	(27,863)	61,383
Tax	8	3,123	(4,756)
(LOSS)/PROFIT FOR THE PERIOD		(24,740)	56,627
Attributable to:			
Equity holders of the Company		(24,519)	57,053
Minority interests		(221)	(426)
		(24,740)	56,627
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK(3.5) cents	HK8.0 cents
Diluted		N/A	HK8.0 cents
INTERIM DIVIDEND	10	–	16,824

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit for the period	(24,740)	56,627
Other comprehensive income		
Exchange differences on translation of foreign operations	9,663	43,758
	<hr/>	<hr/>
Total comprehensive (loss)/income for the period, net of tax	(15,077)	100,385
	<hr/>	<hr/>
Attributable to:		
Equity holders of the Company	(14,863)	100,700
Minority interests	(214)	(315)
	<hr/>	<hr/>
	(15,077)	100,385
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2009 (Unaudited) <i>HK\$'000</i>	At 31 December 2008 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	1,066,312	1,122,805
Prepaid land lease payments		38,342	38,582
Investment property	<i>12</i>	20,800	17,000
Loan to an unlisted equity investment		5,000	5,000
Available-for-sale investment		150	150
Other non-current assets		48	95
Deferred tax assets		4,775	1,150
Total non-current assets		<u>1,135,427</u>	<u>1,184,782</u>
CURRENT ASSETS			
Inventories	<i>13</i>	213,211	259,220
Trade receivables	<i>14</i>	184,534	165,325
Prepayments, deposits and other receivables		16,455	19,698
Cash and cash equivalents		54,526	136,468
Total current assets		<u>468,726</u>	<u>580,711</u>
TOTAL ASSETS		<u>1,604,153</u>	<u>1,765,493</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	<i>15</i>	73,280	69,780
Reserves		760,938	773,033
Exchange reserves		110,909	101,254
		945,127	944,067
Minority interests		884	1,098
TOTAL EQUITY		<u>946,011</u>	<u>945,165</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>16</i>	204,970	259,519
Deferred tax liabilities		1,999	2,408
Other payables and accruals		319	472
Derivative financial instruments		6,396	6,557
Total non-current liabilities		<u>213,684</u>	<u>268,956</u>
CURRENT LIABILITIES			
Trade and bills payables	<i>18</i>	55,873	68,702
Other payables and accruals		127,150	219,805
Tax payable		4,640	5,201
Interest-bearing bank and other borrowings	<i>16</i>	256,795	257,664
Total current liabilities		<u>444,458</u>	<u>551,372</u>
TOTAL LIABILITIES		<u>658,142</u>	<u>820,328</u>
TOTAL EQUITY AND LIABILITIES		<u>1,604,153</u>	<u>1,765,493</u>
NET CURRENT ASSETS		<u>24,268</u>	<u>29,339</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,159,695</u>	<u>1,214,121</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
Net cash inflow from operating activities	<u>29,539</u>	<u>77,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of items of property, plant and equipment	(74,123)	(56,143)
Proceeds from disposal of items of property, plant and equipment	<u>2,173</u>	<u>1,133</u>
Net cash outflow from investing activities	<u>(71,950)</u>	<u>(55,010)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	15,281	–
Repurchase of shares	–	(13,392)
Share options exercised	–	1,147
New bank loans and other borrowings	128,242	255,000
Repayment of bank loans and other borrowings	(176,989)	(198,024)
Capital element of finance lease rental payments	(8,629)	(15,826)
Dividends paid	–	(16,991)
Net cash (outflow)/inflow from financing activities	<u>(42,095)</u>	<u>11,914</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(84,506)	34,802
Cash and cash equivalents at beginning of period	136,468	233,950
Effect of foreign exchange rate changes, net	<u>606</u>	<u>4,427</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>52,568</u>	<u>273,179</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	49,525	81,521
Non-pledged time deposits with original maturity of less than three months when acquired	<u>5,001</u>	<u>191,713</u>
	54,526	273,234
Bank overdrafts	<i>16</i> (1,958)	(55)
	<u>52,568</u>	<u>273,179</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to ordinary equity holders of the Company

(Unaudited)	Issued	Share	Contributed	Statutory	Statutory	Capital	Share	Exchange	Retained	Proposed	Total	Minority	Total
	share	premium		surplus	surplus	public	redemption	option					
	capital	account	surplus	reserve	welfare	reserve	reserve	reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	69,780	331,095	(1,116)	12,255	287	3,685	2,641	101,254	424,186	-	944,067	1,098	945,165
Loss for the period	-	-	-	-	-	-	-	-	(24,519)	-	(24,519)	(221)	(24,740)
Other comprehensive income	-	-	-	-	-	-	-	9,656	-	-	9,656	7	9,663
Total comprehensive income/(loss)	-	-	-	-	-	-	-	9,656	(24,519)	-	(14,863)	(214)	(15,077)
Issue of shares	3,500	11,781	-	-	-	-	-	-	-	-	15,281	-	15,281
Share issue expenses	-	(121)	-	-	-	-	-	-	-	-	(121)	-	(121)
Equity-settled share option arrangements	-	-	-	-	-	-	763	-	-	-	763	-	763
Transfer to retained profits	-	-	-	(47)	-	-	-	-	47	-	-	-	-
At 30 June 2009	73,280	342,755*	(1,116)*	12,208*	287*	3,685*	3,404*	110,910*	399,714*	-	945,127	884	946,011
At 1 January 2008	71,843	348,132	(1,116)	10,236	287	556	12,497	116,869	376,205	17,014	952,523	1,767	954,290
Profit for the period	-	-	-	-	-	-	-	-	57,053	-	57,053	(426)	56,627
Other comprehensive income	-	-	-	-	-	-	-	43,647	-	-	43,647	111	43,758
Total comprehensive income	-	-	-	-	-	-	-	43,647	57,053	-	100,700	(315)	100,385
Final 2007 dividend paid	-	-	-	-	-	-	-	-	-	(16,991)	(16,991)	-	(16,991)
Exercise of share options	147	1,000	-	-	-	-	-	-	-	-	1,147	-	1,147
Repurchase of shares	(1,410)	-	-	-	-	-	-	-	-	-	(1,410)	-	(1,410)
Premium of repurchase of shares	-	(11,982)	-	-	-	-	-	-	-	-	(11,982)	-	(11,982)
Capital redemption reserve arising from repurchase of shares	-	-	-	-	-	1,410	-	-	(1,410)	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	-	-	280	-	-	-	280	-	280
Forfeiture of options	-	-	-	-	-	-	(249)	-	249	-	-	-	-
Proposed interim 2008 dividend	-	-	-	-	-	-	-	-	(16,916)	16,916	-	-	-
Transfer to retained profits	-	-	-	-	-	-	-	-	23	(23)	-	-	-
At 30 June 2008	70,580	337,150*	(1,116)*	10,236*	287*	1,966*	12,528*	160,516*	415,204*	16,916	1,024,267	1,452	1,025,719

* These reserve accounts comprise the consolidated reserves of HK\$871,847,000 (30 June 2008: HK\$936,771,000) in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2009

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 July 2002 under the Companies Law. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 1 November 2004.

The principal activities of the Group are the manufacture and sale of precision metal components for hard disk drives (“HDD”), hydraulic equipment, automotive parts and components for other applications.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKASs”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

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 2009.

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.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ¹
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfer of Assets from Customers ³

Notes:

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for transfers on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 January 2010

The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group’s chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group’s operating businesses are structured and managed separately according to the geographical locations of the customers. Each of the Group’s geographical segments represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments.

The Group is currently organized into 6 operating segments: (1) Thailand; (2) Malaysia; (3) Mainland China, Macau and Hong Kong; (4) North America; (5) Europe; and (6) Other countries.

The segment results for the six months ended 30 June 2009 are as follows:

	Six months ended 30 June 2009 (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	Eliminations HK\$'000	
Segment revenue:								
Sales to external customers	82,320	53,166	62,349	24,152	18,031	11,059	–	251,077
Intersegment sales	16,569	–	10	–	–	–	(16,579)	–
Other revenue	4,898	–	13,572	–	–	–	–	18,470
Total revenue	<u>103,787</u>	<u>53,166</u>	<u>75,931</u>	<u>24,152</u>	<u>18,031</u>	<u>11,059</u>	<u>(16,579)</u>	<u>269,547</u>
Segment results	<u>2,268</u>	<u>(6,918)</u>	<u>(9,310)</u>	<u>(3,143)</u>	<u>(2,346)</u>	<u>(1,440)</u>	<u>668</u>	<u>(20,221)</u>
Interest income								140
Interest expense								(7,782)
Loss before tax								(27,863)
Tax								3,123
Loss for the period								<u>(24,740)</u>
Attributable to:								
Equity holders of the company								(24,519)
Minority interests								(221)
								<u>(24,740)</u>

The segment results for the six months ended 30 June 2008 are as follows:

	Six months ended 30 June 2008 (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	Eliminations HK\$'000	
Segment revenue:								
Sales to external customers	165,436	112,891	79,385	39,828	55,488	17,463	-	470,491
Intersegment sales	40,847	-	10	-	-	-	(40,857)	-
Other revenue	869	-	1,524	-	-	-	-	2,393
Total revenue	<u>207,152</u>	<u>112,891</u>	<u>80,919</u>	<u>39,828</u>	<u>55,488</u>	<u>17,463</u>	<u>(40,857)</u>	<u>472,884</u>
Segment results	<u>19,836</u>	<u>18,812</u>	<u>24,232</u>	<u>9,247</u>	<u>6,637</u>	<u>2,910</u>	<u>(11,005)</u>	70,669
Interest income								1,010
Interest expense								(10,296)
Profit before tax								61,383
Tax								(4,756)
Profit for the period								<u>56,627</u>
Attributable to:								
Equity holders of the company								57,053
Minority interests								(426)
								<u>56,627</u>

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	<u>251,077</u>	<u>470,491</u>
Other income		
Bank interest income	140	1,010
Others	<u>364</u>	<u>1,855</u>
	<u>504</u>	<u>2,865</u>
Gains		
Foreign exchange gains, net	14,145	–
Fair value gains:		
Derivative financial instruments – transactions not qualifying as hedges		
Interest rate swap	161	–
Fair value gains on investment property	3,800	–
Gain on disposal of items of property, plant and equipment	<u>–</u>	<u>538</u>
	<u>18,106</u>	<u>538</u>
	<u>18,610</u>	<u>3,403</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	7,576	9,397
Interest on finance leases	163	898
Financial arrangement fees	528	537
Other interest expense	<u>43</u>	<u>–</u>
	<u>8,310</u>	<u>10,832</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Cost of inventories sold	247,076	345,249
Depreciation	74,348	62,575
Recognition of prepaid land lease payments	450	452
Equity-settled share option expense	763	280
Auditors' remuneration	1,094	840
Impairment of trade receivables	1,528	–
Fair value (gains)/losses, net:		
Derivative financial instruments – transactions not qualifying as hedges		
Interest rate swap	(161)	187
Forward currency contracts	–	69
	<u>(161)</u>	<u>256</u>
Loss on disposal of items of property, plant and equipment	<u>202</u>	<u>146</u>

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (16.5% for the six months ended 30 June 2008) 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, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Group:		
Current – Elsewhere		
Charge for the period	<u>362</u>	<u>4,895</u>
	<u>362</u>	<u>4,895</u>
Deferred tax	<u>(3,485)</u>	<u>(139)</u>
Total tax (credit)/charge for the period	<u>(3,123)</u>	<u>4,756</u>

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

A diluted (loss) per share for the six months ended 30 June 2009 has not been disclosed as the share options outstanding during the period have an anti-dilutive effect on the basic (loss) per share for the period.

The calculation of diluted earnings per share was based on the profit for the six months ended 30 June 2008 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation was the 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 (loss)/earnings per share are based on:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the Company used in the basic (loss)/earnings per share calculation	(24,519)	57,053
	Number of shares	
	(in thousands)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	703,628	709,543
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	3,445
	703,628	712,988

10. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: HK2.4 cents per ordinary share).

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend – Nil (2008: HK2.4 cents per ordinary share)	–	16,824

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Freehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Con- struction in progress HK\$'000	Total HK\$'000
Cost:							
At 1 January 2009	297,734	6,394	1,106,639	33,608	20,011	156,128	1,620,514
Additions	47	–	7,314	117	–	3,823	11,301
Transfer in/(out)	11	–	7,452	450	6	(7,919)	–
Disposals	–	–	(10,917)	(148)	–	–	(11,065)
Exchange realignment	2,487	7	9,787	272	106	961	13,620
At 30 June 2009	<u>300,279</u>	<u>6,401</u>	<u>1,120,275</u>	<u>34,299</u>	<u>20,123</u>	<u>152,993</u>	<u>1,634,370</u>
Accumulated depreciation:							
At 1 January 2009	(57,344)	(4,498)	(409,045)	(15,252)	(11,570)	–	(497,709)
Depreciation provided during the period	(8,962)	(296)	(60,458)	(3,277)	(1,355)	–	(74,348)
Disposals	–	–	8,544	146	–	–	8,690
Exchange realignment	(486)	(1)	(4,031)	(126)	(47)	–	(4,691)
At 30 June 2009	<u>(66,792)</u>	<u>(4,795)</u>	<u>(464,990)</u>	<u>(18,509)</u>	<u>(12,972)</u>	<u>–</u>	<u>(568,058)</u>
At 30 June 2009:							
Cost	300,279	6,401	1,120,275	34,299	20,123	152,993	1,634,370
Accumulated depreciation	<u>(66,792)</u>	<u>(4,795)</u>	<u>(464,990)</u>	<u>(18,509)</u>	<u>(12,972)</u>	<u>–</u>	<u>(568,058)</u>
Net carrying amount	<u>233,487</u>	<u>1,606</u>	<u>655,285</u>	<u>15,790</u>	<u>7,151</u>	<u>152,993</u>	<u>1,066,312</u>
At 31 December 2008:							
Cost	297,734	6,394	1,106,639	33,608	20,011	156,128	1,620,514
Accumulated depreciation	<u>(57,344)</u>	<u>(4,498)</u>	<u>(409,045)</u>	<u>(15,252)</u>	<u>(11,570)</u>	<u>–</u>	<u>(497,709)</u>
Net carrying amount	<u>240,390</u>	<u>1,896</u>	<u>697,594</u>	<u>18,356</u>	<u>8,441</u>	<u>156,128</u>	<u>1,122,805</u>

12. INVESTMENT PROPERTY

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Carrying amount at 1 January	17,000	21,046
Net gain/(loss) from a fair value adjustment (note 5)	3,800	(3,000)
Disposal of an investment property	–	(1,046)
	<u>20,800</u>	<u>17,000</u>

The Group's investment property was revalued on 30 June 2009 by Centaline Surveyors Limited, an independent professionally qualified valuer, at HK\$20,800,000 on an open market, existing use basis.

Particulars of the Group's investment property is as follows:

Location	Use	Tenure	Attributable interest of the Group
Unit B Golden Lake Villa No. 29 Silver Cape Road, Sai Kung New Territories, Hong Kong	Residence	Medium term lease	100%

13. INVENTORIES

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Raw materials	73,202	114,548
Consumables	43,121	43,461
Work in progress	49,578	49,982
Finished goods	54,446	58,365
	<u>220,347</u>	<u>266,356</u>
<i>Less: Provision for inventory obsolescence</i>	<u>(7,136)</u>	<u>(7,136)</u>
	<u>213,211</u>	<u>259,220</u>

14. TRADE RECEIVABLES

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Trade receivables	188,034	169,263
Impairment	(3,500)	(3,938)
	<u>184,534</u>	<u>165,325</u>

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 seeks to maintain 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.

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$3,500,000 (2008: HK\$3,938,000) with a carrying amount of HK\$3,500,000 (2008: HK\$3,938,000). The individually impaired trade receivables relate to customers that were in dispute and only a portion of the receivables is expected to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Within 1 month	68,755	31,409
1 to 2 months	56,743	49,888
2 to 3 months	36,450	59,569
3 to 4 months	18,608	20,889
4 to 12 months	7,473	6,420
Over 12 months	5	1,088
	<u>188,034</u>	<u>169,263</u>

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Neither past due nor impaired	125,498	81,297
Less than 90 days past due	53,489	80,458
90 to 180 days past due	5,542	3,562
Over 180 days past due	5	8
	<u>184,534</u>	<u>165,325</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

15. SHARE CAPITAL

Shares	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Authorised:		
1,200,000,000 (31 December 2008: 1,200,000,000) ordinary shares of HK\$0.1 each	<u>120,000</u>	<u>120,000</u>
Issued and fully paid:		
732,795,000 (31 December 2008: 697,795,000) ordinary shares of HK\$0.1 each	<u>73,280</u>	<u>69,780</u>

The movements in share capital for the period ended 30 June 2009 and year ended 31 December 2008 were as follows:

	<i>Notes</i>	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2008		718,425,000	71,843	348,132	419,975
Share options exercised	(a)	10,655,000	1,066	8,861	9,927
Repurchase of shares	(b)	<u>(31,285,000)</u>	<u>(3,129)</u>	<u>(25,898)</u>	<u>(29,027)</u>
At 31 December 2008 and 1 January 2009		697,795,000	69,780	331,095	400,875
Placement of new shares	(c)	35,000,000	3,500	11,781	15,281
Share issue expenses	(c)	<u>–</u>	<u>–</u>	<u>(121)</u>	<u>(121)</u>
At 30 June 2009		<u>732,795,000</u>	<u>73,280</u>	<u>342,755</u>	<u>416,035</u>

- (a) The subscription rights attaching to 10,655,000 share options were exercised in 2008 at the subscription price of HK\$0.78 per share, resulting in the issue of 10,655,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$8.31 million. The corresponding share option reserve for the share options exercised was also transferred to the share premium account accordingly.
- (b) The Company repurchased its own shares on the Stock Exchange during the year ended 31 December 2008. 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 account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.
- (c) On 12 June 2009, the Company placed 35,000,000 new shares at the subscription price of HK\$0.4366 per share, resulting in a total cash consideration, before expenses, of HK\$15,281,000.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Current				
Finance lease payables	1.35 – 10.20	2010	11,771	14,056
<i>Unsecured</i>				
Bank overdrafts	5.25 – 6.13	On demand	1,958	–
Bank revolving loan	1.23 – 2.75	On demand	60,000	60,000
Bank loans	1.30 – 4.88	2010	139,593	132,491
Other loans	1.63 – 7.48	2009	43,473	51,117
			<u>256,795</u>	<u>257,664</u>
Non-current				
Finance lease payables	1.35 – 10.20	2010-2012	10,043	77
<i>Unsecured</i>				
Bank loans	1.30 – 4.88	2010-2012	194,927	259,442
			<u>204,970</u>	<u>259,519</u>
			<u>461,765</u>	<u>517,183</u>
			At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand			201,551	192,491
In the second year			112,096	136,370
In the third to fifth years, inclusive			82,831	123,072
			<u>396,478</u>	<u>451,933</u>
Other borrowings repayable:				
Within one year			55,244	65,173
In the second year			6,150	49
In the third to fifth years, inclusive			3,893	28
			<u>65,287</u>	<u>65,250</u>
			<u>461,765</u>	<u>517,183</u>

Interest rates for all the Group's borrowings are floating. The carrying amounts of the Group's borrowings approximate to their fair values.

17. FINANCE LEASE PAYABLES

The Group leases certain of its machineries for its high precision metal component business. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 30 June 2009, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 30 June 2009 (Unaudited) HK\$'000	Minimum lease payments 31 December 2008 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2009 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2008 (Audited) HK\$'000
Group				
Amounts payable:				
Within one year	12,705	14,349	11,771	14,056
In the second year	6,484	58	6,150	49
In the third to fifth years, inclusive	4,000	29	3,893	28
Total minimum finance lease payments	<u>23,189</u>	<u>14,436</u>	<u>21,814</u>	<u>14,133</u>
Future finance charges	<u>(1,375)</u>	<u>(303)</u>		
Total net finance lease payables	21,814	14,133		
Portion classified as current liabilities	<u>(11,771)</u>	<u>(14,056)</u>		
Non-current portion	<u>10,043</u>	<u>77</u>		

18. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Within 1 month	22,953	12,584
1 to 2 months	23,837	20,485
2 to 3 months	6,326	17,480
3 to 4 months	1,728	11,721
4 to 12 months	1,005	6,418
Over 1 year	24	14
	<u>55,873</u>	<u>68,702</u>

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

19. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities of the Group not provided for in the financial statements were as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Guarantees given to an electricity company	<u>1,081</u>	<u>1,033</u>

20. CAPITAL COMMITMENTS

The capital commitments of the Group were as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Authorized, but not contracted for: Renovation of buildings	<u>–</u>	<u>261</u>
Contracted but not provided for: Plant and machinery	5,686	5,869
Construction in progress	<u>2,057</u>	<u>3,119</u>
	<u>7,743</u>	<u>8,988</u>
	<u>7,743</u>	<u>9,249</u>

21. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first quarter of 2009, the impact of the global financial tsunami still lingered and the business environment for the Group was exceptionally challenging. In the second quarter, the Group began to benefit from the impact of measures by governments in a number of countries to stimulate their economies and demand for our HDD components and automotive components began to pick up. Total turnover in the second quarter was double that of the first quarter.

Despite the abovementioned recovery in the second quarter, during the period under review, the Group's turnover fell 46.6% to HK\$251 million from our record turnover of HK\$470 million for the first half of 2008. The Group recorded a net loss of HK\$24.5 million attributable to equity holders for the six months under review, compared to a profit of HK\$57.1 million for the corresponding period in 2008.

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

	1H09		1H08		
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	% change
HDD components	165,819	66.1%	327,001	69.5%	-49.3%
Hydraulic equipment components	42,991	17.1%	88,843	18.9%	-51.6%
Automotive components	33,621	13.4%	34,605	7.4%	-2.8%
Other	8,646	3.4%	20,042	4.2%	-56.9%
	<u>251,077</u>	<u>100.0%</u>	<u>470,491</u>	<u>100.0%</u>	<u>-46.6%</u>

The demand for computers, especially notebook computers, has been quite resilient in the second quarter of 2009. The popularity of netbooks has remained a buoyant sub-market trend as many notebook brands have pushed into this arena and this contributed to the demand for HDD components which rebounded in the second quarter of 2009. IPE Group benefited from this rebound in demand and recorded sales of HDD components in the second quarter of 2009 of HK\$123 million, a growth of 187.0% or HK\$80 million when compared to the first quarter of 2009 of HK\$43 million. Despite the strong rebound in the second quarter, the Group still recorded a decrease of sales of HDD components by 49.3% from HK\$327 million in the six months ended 30 June 2008 to HK\$166 million in the six months ended 30 June 2009.

Sales of automotive components also rebounded in the second quarter to limit the first half decline to a slight 2.8% to HK\$33.6 million when compared to the corresponding period in 2008. We benefited from measures introduced by the PRC government to stimulate its economy.

In the hydraulic equipment components market, sales decreased by 51.6% to HK\$43 million in the six months ended 30 June 2009 when compared to the corresponding period in 2008. Unlike the performance of our other two main business segments, there was no pick-up in demand for hydraulic components in the second quarter as compared to the first quarter. In the period under review, sales halved, reflecting the weak economy of the US and of Europe.

FINANCIAL REVIEW

Due to the sharp drop in turnover, our gross profit margin for the six months ended 30 June 2009 fell to 1.6% from 26.6% for the corresponding period in 2008. The decrease of gross margin for the period also reflected the consumption of high-cost raw materials which were purchased before the financial crisis and the increase in depreciation charges owing to acquisition of a large quantity of machinery and equipment during 2008 before the financial crisis.

During the period under review, selling and distribution costs totalled HK\$7.2 million, amounting to 2.9% of turnover. This represented a decrease of 35.3% when compared to the corresponding period in 2008, reflecting the decline in turnover.

Due to our efforts to implement cost saving measures, administrative expenses decreased by HK\$6.0 million to HK\$31.9 million for the six months ended 30 June 2009.

Other income amounted to HK\$18.6 million in the first half of 2009, mainly comprised of exchange gain and the fair value gain on investment property. In 2008, the Group had no such gains.

Finance costs decreased by 23.3% to HK\$8.3 million for the period under review as compared to the corresponding period in 2008. This was due to the decline in interest rates and the reduction in interest-bearing bank loans and other borrowings.

For the six months ended 30 June 2009, the Group had a net loss of HK\$24.7 million compared to a net profit of HK\$56.6 million for the six months ended 30 June 2008.

Liquidity and Financial Resources

During the six months ended 30 June 2009, the Group recorded a net cash inflow from operating activities of HK\$29.5 million (2008: HK\$77.9 million) despite the loss recorded in this period. There was a net cash outflow from investing activities of HK\$72.0 million (2008: HK\$55.0 million), due to payments for new machineries and equipment ordered in 2008. With regard to financing activities, there was a net cash outflow of HK\$42.1 million (2008: inflow of HK\$11.9 million) due to the repayment of bank loans after taking into account of new bank loans and proceeds from issue of shares amounting to HK\$128.2 million and HK\$15.3 million, respectively. As at 30 June 2009, the Group had cash and cash equivalents of HK\$54.5 million (31 December 2008: HK\$136.5 million).

As at 30 June 2009, total bank borrowings of the Group amounted to approximately HK\$461.8 million, representing a decrease of 10.7% as compared to 31 December 2008. The gearing ratio, calculated as net debt (represented by total bank borrowings minus cash and bank balances) divided by shareholders' equity was 43.0% (31 December 2008: 40.3%).

Pledge of Assets

As at 30 June 2009, the Group had total borrowings of HK\$461.8 million (31 December 2008: HK\$517.2 million) secured by corporate guarantee made by the Group. The Group had no charge on any of its assets for its banking facilities as at 30 June 2009.

Foreign Exchange Exposure

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 machinery and production expenses, are denominated in Japanese Yen, Renminbi and Thai Baht, fluctuations in exchange rates can materially affect the Group. Appreciation in value of Japanese Yen, in particular, 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

The Company, together with its subsidiaries, had a workforce of 4,135 as at 30 June 2009, an increase of 29.5% when compared to 3,192 employees as at 31 December 2008, but a reduction of 8.8% when compared to the workforce of 4,536 as at 30 June 2008. Staff costs (excluding directors' emoluments) amounted to HK\$40,934,000 in the first half of 2009 (2008 first half: HK\$56,122,000). Employees are offered competitive salaries with bonuses awarded on performance basis.

Prospects

The demand for our HDD components and automotive components has recovered strongly from its trough in the first quarter of 2009 and its growth momentum is continuing. However, demand for hydraulic equipment components has yet to show signs of recovery. Despite the still unencouraging outlook for hydraulic equipment components demand, based on a steady increase in orders in recent months for HDD and automotive components, the Group is optimistic that our sales performance and profitability will be much improved in the second half of 2009, and if so, it is likely that the Group will be able to record a profit for the year ending 31 December 2009, barring unforeseen circumstances.

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

During the six months ended 30 June 2009, neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008 first half: HK\$0.024 per ordinary share).

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Mr. Chui Siu On currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. He is one of the founders of the Group and 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. As such, the structure is beneficial to the business prospects of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code 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 of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three independent non-executive directors, namely Dr. Cheng Ngok (Chairman of the Audit Committee), Mr. Choi Hon Ting, Derek and Mr. Wu Karl Kwok, has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Company's interim report for the six months ended 30 June 2009.

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is published on the Company's website (www.ipegroup.com) and the Stock Exchange's website (www.hkexnews.hk). The 2009 Interim Report will be despatched to shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:

Mr. Chui Siu On
Mr. Ho Yu Hoi
Mr. Lai Man Kit
Mr. Li Chi Hang
Mr. Wong Kwok Keung
Mr. Lau Siu Chung

Non-Executive Directors:

Mr. Ng Kin Nam
Mr. Wan Tak Wing, Gary
Dr. Cheng Ngok*
Mr. Choi Hon Ting, Derek*
Mr. Wu Karl Kwok*

* *Independent Non-Executive Directors*

By order of the Board
Chui Siu On
Chairman
IPE Group Limited

Hong Kong, 22 September 2009