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IPE GROUP LIMITED
國際精密集團有限公司*

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
REVENUE	4&5	523,841	251,077
Cost of sales		(389,473)	(247,076)
Gross profit		134,368	4,001
Other income and gains	5	4,880	18,610
Selling and distribution costs		(12,406)	(7,225)
Administrative expenses		(44,205)	(31,910)
Other expenses		(5,768)	(3,029)
Finance costs	6	(6,886)	(8,310)
PROFIT/(LOSS) BEFORE TAX	7	69,983	(27,863)
Income tax (expense)/credit	8	(3,864)	3,123
PROFIT/(LOSS) FOR THE PERIOD		66,119	(24,740)
Attributable to:			
Owners of the parent		66,047	(24,519)
Non-controlling interests		72	(221)
		66,119	(24,740)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	9		(Restated)
Basic		HK7.2 cents	HK(3.3) cents
Diluted		HK7.0 cents	N/A
INTERIM DIVIDEND	10	HK2.0 cents	–

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
Profit/(Loss) for the period	66,119	(24,740)
Other comprehensive income		
Exchange differences on translation of foreign operations	<u>14,427</u>	<u>9,663</u>
Total comprehensive income/(loss) for the period, net of tax	<u>80,546</u>	<u>(15,077)</u>
Attributable to:		
Owners of the parent	80,466	(14,863)
Non-controlling interests	<u>80</u>	<u>(214)</u>
	<u>80,546</u>	<u>(15,077)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	993,046	1,013,373
Prepaid land lease payments		37,769	37,895
Investment property	12	26,000	25,000
Loan to an unlisted equity investment		5,000	5,000
Available-for-sale investment		150	150
Deferred tax assets		653	862
Total non-current assets		1,062,618	1,082,280
CURRENT ASSETS			
Inventories	13	169,833	181,183
Trade receivables	14	260,156	229,871
Prepayments, deposits and other receivables		31,919	10,918
Cash and cash equivalents		186,195	173,597
Total current assets		648,103	595,569
CURRENT LIABILITIES			
Trade and bills payables	18	88,235	57,968
Other payables and accruals		104,087	107,763
Derivative financial instruments		–	30
Tax payable		7,345	8,271
Interest-bearing bank and other borrowings	16	260,339	280,291
Total current liabilities		460,006	454,323
NET CURRENT ASSETS		188,097	141,246
TOTAL ASSETS LESS CURRENT LIABILITIES		1,250,715	1,223,526
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	102,236	159,739
Deferred tax liabilities		3,703	2,705
Other payables and accruals		525	188
Derivative financial instruments		4,212	5,745
Total non-current liabilities		110,676	168,377
Net assets		1,140,039	1,055,149
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	91,814	91,599
Reserves		1,047,299	962,704
		1,139,113	1,054,303
Non-controlling interests		926	846
Total equity		1,140,039	1,055,149

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash flows from operating activities		<u>154,565</u>	<u>29,539</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(70,131)	(74,123)
Proceeds from disposal of items of property, plant and equipment		<u>2,743</u>	<u>2,173</u>
Net cash flows used in investing activities		<u>(67,388)</u>	<u>(71,950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	15,281
Share options exercised		762	–
New bank loans and other borrowings		31,490	36,310
Repayment of bank loans and other borrowings		(67,786)	(77,413)
Capital element of finance lease rental payments		(7,369)	(8,629)
Decrease in trust receipt loan		<u>(33,728)</u>	<u>(7,644)</u>
Net cash flows used in financing activities		<u>(76,631)</u>	<u>(42,095)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		10,546	(84,506)
Cash and cash equivalents at beginning of period		173,534	136,468
Effect of foreign exchange rate changes, net		<u>2,115</u>	<u>606</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		<u>186,195</u>	<u>52,568</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		165,409	49,525
Non-pledged time deposits with original maturity of less than three months when acquired		<u>20,786</u>	<u>5,001</u>
Cash and cash equivalents as stated in the consolidated statement of financial position		186,195	54,526
Bank overdrafts	16	<u>–</u>	<u>(1,958)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u>186,195</u>	<u>52,568</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Issued share capital	Share premium account	Contributed surplus	Statutory surplus reserve	Statutory public welfare fund	Capital redemption reserve	Share option reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total	Non- controlling interests	Total equity
(Unaudited)	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 2010	91,599	388,193	(1,116)	12,598	287	3,685	6,966	115,544	436,547	-	1,054,303	846	1,055,149
Total comprehensive income for the period	-	-	-	-	-	-	-	14,419	66,047	-	80,466	80	80,546
Exercise of shares options	215	864	-	-	-	-	(397)	-	-	-	682	-	682
Equity-settled share option arrangements	-	-	-	-	-	-	3,662	-	-	-	3,662	-	3,662
Proposed interim 2010 dividend	-	-	-	-	-	-	-	-	(18,363)	18,363	-	-	-
At 30 June 2010	<u>91,814</u>	<u>389,057*</u>	<u>(1,116)*</u>	<u>12,598*</u>	<u>287*</u>	<u>3,685*</u>	<u>10,231*</u>	<u>129,963*</u>	<u>484,231*</u>	<u>18,363</u>	<u>1,139,113</u>	<u>926</u>	<u>1,140,039</u>
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
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	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	<u>73,280</u>	<u>342,755*</u>	<u>(1,116)*</u>	<u>12,208*</u>	<u>287*</u>	<u>3,685*</u>	<u>3,404*</u>	<u>110,910*</u>	<u>399,714*</u>	<u>-</u>	<u>945,127</u>	<u>884</u>	<u>946,011</u>

* *These reserve accounts comprise the consolidated reserves of HK\$1,028,936,000 (30 June 2009: HK\$871,847,000) in the condensed consolidated statement of financial position.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2010

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 Standard (“HKAS”) 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 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 2009.

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 2010.

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.

HKFRS 1 Amendment	Amendments to HKFRS 1 <i>Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

Apart from the above, Improvements to HKFRSs 2010 has been issued in May 2010. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

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. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the geographical locations of the customers and has six reportable operating segments as follows: (1) Thailand; (2) Malaysia; (3) Mainland China, Macau and Hong Kong; (4) North America; (5) Europe; and (6) Other countries.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Six months ended 30 June 2010 (Unaudited)						
	Thailand	Malaysia	Mainland China, Macau and Hong Kong	North America	Europe	Other countries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	167,274	117,005	101,265	53,384	47,826	37,087	523,841
Intersegment sales	26,432	-	-	-	-	-	26,432
Other revenue	49	-	4,406	-	-	-	4,455
	<u>193,755</u>	<u>117,005</u>	<u>105,671</u>	<u>53,384</u>	<u>47,826</u>	<u>37,087</u>	<u>554,728</u>
Reconciliation:							
Elimination at intersegment sales							<u>(26,432)</u>
Revenue							<u>528,296</u>
Segment results	25,845	16,604	20,833	7,575	6,787	5,263	82,907
Reconciliation:							
Elimination at intersegment results							(6,463)
Interest income							425
Finance costs							<u>(6,886)</u>
Profit before tax							69,983
Income tax expense							<u>(3,864)</u>
Profit for the period							<u>66,119</u>

4. OPERATING SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2009 (Unaudited)						
	Thailand	Malaysia	Mainland China, Macau and Hong Kong	North America	Europe	Other countries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
	<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>286,126</u>
Reconciliation:							
Elimination at intersegment sales							<u>(16,579)</u>
Revenue							<u>269,547</u>
Segment results	2,268	(6,918)	(8,782)	(3,143)	(2,346)	(1,440)	(20,361)
Reconciliation:							
Elimination at intersegment results							668
Interest income							140
Finance costs							<u>(8,310)</u>
Loss before tax							(27,863)
Income tax credit							<u>3,123</u>
Loss for the period							<u>(24,740)</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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	<u>523,841</u>	<u>251,077</u>
Other income		
Bank interest income	425	140
Others	<u>1,692</u>	<u>364</u>
	<u>2,117</u>	<u>504</u>
Gains		
Foreign exchange gains, net	–	14,145
Fair value gains:		
Derivative financial instruments – transactions not qualifying as hedges:		
Interest rate swap	1,563	161
Fair value gains on investment property (note 12)	1,000	3,800
Gain on disposal of items of property, plant and equipment	<u>200</u>	<u>–</u>
	<u>2,763</u>	<u>18,106</u>
	<u>4,880</u>	<u>18,610</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	5,230	7,576
Interest on finance leases	690	163
Financial arrangement fees	515	528
Other interest expense	<u>451</u>	<u>43</u>
	<u>6,886</u>	<u>8,310</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Cost of inventories sold	389,473	247,076
Depreciation	74,518	74,348
Recognition of prepaid land lease payments	468	450
Equity-settled share option expense	3,662	763
Auditors' remuneration	998	1,094
Impairment of trade receivables	–	1,528
Foreign exchange differences, net	4,562	(14,145)
Fair value gains:		
Derivative financial instruments – transactions not qualifying as hedges:		
Interest rates swap	(1,563)	(161)
(Gain)/loss on disposal of items of property, plant and equipment	(200)	202

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 2009) 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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Group:		
Current – Elsewhere		
Charge for the period	2,649	362
	2,649	362
Deferred	1,215	(3,485)
Total tax charge/(credit) for the period	3,864	(3,123)

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

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the open offer of new shares of the Company on 18 December 2009.

The calculation of diluted earnings per share for the six months ended 30 June 2010 is based on the profit attributable to ordinary equity holders of the parent. 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.

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2009 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic loss per share presented.

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation	66,047	(24,519)
	Number of shares	
	(in thousands)	
Shares		(Restated)
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation*	916,301	744,222
Effect of dilution – weighted average number of ordinary shares:		
Share options	26,737	–
	943,038	744,222

* The weighted average number of ordinary shares in 2009 have been retrospectively adjusted for the open offer of new shares of the Company on 18 December 2009.

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK2 cents per ordinary share (2009: Nil)	18,363	–

At the Board meeting held on 24 August 2010, the Board declared an interim dividend of HK2 cents per ordinary share. This interim dividend is not reflected as a dividend payable in these Condensed Consolidated Financial Statements, but will be reflected as an appropriation of retained profits for the six months ended 30 June 2010.

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Freehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:							
At 1 January 2010	314,194	3,021	1,239,400	40,820	20,174	25,245	1,642,854
Additions	1,186	–	13,367	4,452	1,355	24,482	44,842
Transfer in/(out)	620	–	415	2,538	13	(3,586)	–
Disposals	–	–	(4,502)	(56)	(1,215)	–	(5,773)
Exchange realignment	3,833	11	15,323	457	159	302	20,085
At 30 June 2010	<u>319,833</u>	<u>3,032</u>	<u>1,264,003</u>	<u>48,211</u>	<u>20,486</u>	<u>46,443</u>	<u>1,702,008</u>
Accumulated depreciation:							
At 1 January 2010	(76,528)	(1,711)	(516,545)	(21,374)	(13,323)	–	(629,481)
Depreciation provided during the period	(9,445)	(297)	(59,109)	(4,281)	(1,386)	–	(74,518)
Disposals – accumulated depreciation	–	–	2,737	54	439	–	3,230
Exchange realignment	(938)	(5)	(6,918)	(245)	(87)	–	(8,193)
At 30 June 2010	<u>(86,911)</u>	<u>(2,013)</u>	<u>(579,835)</u>	<u>(25,846)</u>	<u>(14,357)</u>	<u>–</u>	<u>(708,962)</u>
At 30 June 2010							
Cost	319,833	3,032	1,264,003	48,211	20,486	46,443	1,702,008
Accumulated depreciation	<u>(86,911)</u>	<u>(2,013)</u>	<u>(579,835)</u>	<u>(25,846)</u>	<u>(14,357)</u>	<u>–</u>	<u>(708,962)</u>
Net carrying amount	<u>232,922</u>	<u>1,019</u>	<u>684,168</u>	<u>22,365</u>	<u>6,129</u>	<u>46,443</u>	<u>993,046</u>
At 31 December 2009							
Cost	314,194	3,021	1,239,400	40,820	20,174	25,245	1,642,854
Accumulated depreciation	<u>(76,528)</u>	<u>(1,711)</u>	<u>(516,545)</u>	<u>(21,374)</u>	<u>(13,323)</u>	<u>–</u>	<u>(629,481)</u>
Net carrying amount	<u>237,666</u>	<u>1,310</u>	<u>722,855</u>	<u>19,446</u>	<u>6,851</u>	<u>25,245</u>	<u>1,013,373</u>

12. INVESTMENT PROPERTY

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Carrying amount at 1 January	25,000	17,000
Additions	–	3,178
Net gain from a fair value adjustment (<i>note 5</i>)	1,000	4,822
	<u>26,000</u>	<u>25,000</u>

The Group's investment property was revalued on 30 June 2010 by Centaline Surveyors Limited, an independent professionally qualified valuer, at HK\$26,000,000 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 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Raw materials	70,358	66,119
Consumables	36,222	42,886
Work in progress	52,063	43,861
Finished goods	27,405	44,532
	<u>186,048</u>	<u>197,398</u>
<i>Less:</i> Provision against inventory obsolescence	(16,215)	(16,215)
	<u>169,833</u>	<u>181,183</u>

14. 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 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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Within 1 month	87,063	92,080
1 to 2 months	96,378	77,434
2 to 3 months	54,651	45,237
3 to 4 months	13,684	12,064
4 to 12 months	8,380	2,817
Over 12 months	–	239
	<u>260,156</u>	<u>229,871</u>

15. SHARE CAPITAL

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Shares		
Authorised:		
1,500,000,000 (31 December 2009: 1,200,000,000) ordinary shares of HK\$0.1 each	<u>150,000</u>	<u>120,000</u>
Issued and fully paid:		
918,143,366 (31 December 2009: 915,993,750) ordinary shares of HK\$0.1 each	<u>91,814</u>	<u>91,599</u>

The movements in share capital for the six months ended 30 June 2010 and year ended 31 December 2009 were as follows:

	<i>Notes</i>	Number of shares in issue	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2009		697,795,000	69,780	331,095	400,875
Placement of new shares	(a)	35,000,000	3,500	11,781	15,281
Open offer	(b)	183,198,750	18,319	47,632	65,951
Share issue expenses	(b)	—	—	(2,315)	(2,315)
At 31 December 2009 and 1 January 2010		915,993,750	91,599	388,193	479,792
Share options exercised	(c)	2,149,616	215	864	1,079
At 30 June 2010		<u>918,143,366</u>	<u>91,814</u>	<u>389,057</u>	<u>480,871</u>

- (a) On 12 June 2009, placement of 35,000,000 shares of HK\$0.1 each were issued for cash at a subscription price of HK\$0.4366 per share for a total cash consideration, before expenses, of HK\$15,281,000.
- (b) An open offer of one offer share for every four shares held by members on the register of members on 18 December 2009 was made, at an issue price of HK\$0.36 each per offer share, resulting in the issue of 183,198,750 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$65.95 million.
- (c) The subscription rights attaching to 2,149,616 share options were exercised in 2010 at the subscription price of HK\$0.3545 per share, resulting in the issue of 2,149,616 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$0.76 million. The corresponding share option reserve for the share options exercised was also transferred to the share premium account accordingly.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Current				
Finance lease payables (note 17)	4.37 – 10.02	2011	15,865	15,366
<i>Unsecured</i>				
Bank overdrafts	–	On demand	–	63
Bank revolving loan	1.09 – 5.10	2010	78,490	50,000
Bank loans	1.24 – 4.88	2011	113,413	128,565
Other loans	1.40 – 2.04	2010	52,571	86,297
			260,339	280,291
Non-current				
Finance lease payables (note 17)	4.37 – 10.02	2011-2012	12,599	20,466
<i>Unsecured</i>				
Bank loans	1.24 – 4.88	2011-2014	89,637	139,273
			102,236	159,739
			362,575	440,030
			At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand			191,903	178,628
In the second year			85,581	94,561
In the third to fifth years, inclusive			4,056	44,712
			281,540	317,901
Other borrowings repayable:				
Within one year			68,436	101,663
In the second year			10,138	13,050
In the third to fifth years, inclusive			2,461	7,416
			81,035	122,129
			362,575	440,030

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 2010, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 30 June 2010 (Unaudited) HK\$'000	Minimum lease payments 31 December 2009 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2010 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2009 (Audited) HK\$'000
Amounts payable:				
Within one year	17,146	17,133	15,865	15,366
In the second year	10,600	13,868	10,138	13,050
In the third to fifth years, inclusive	2,498	7,608	2,461	7,416
Total minimum finance lease payments	<u>30,244</u>	<u>38,609</u>	<u>28,464</u>	<u>35,832</u>
Future finance charges	<u>(1,780)</u>	<u>(2,777)</u>		
Total net finance lease payables	28,464	35,832		
Portion classified as current liabilities (note 16)	<u>(15,865)</u>	<u>(15,366)</u>		
Non-current portion (note 16)	<u>12,599</u>	<u>20,466</u>		

18. 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 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Within 1 month	44,832	24,792
1 to 2 months	28,620	21,969
2 to 3 months	13,526	8,458
Over 3 months	1,257	2,749
	<u>88,235</u>	<u>57,968</u>

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

19. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Guarantees given to an electricity company	<u>1,035</u>	<u>1,004</u>

20. COMMITMENTS

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

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Contracted but not provided for:		
Plant and machinery	15,389	1,899
Construction in progress	<u>1,134</u>	<u>6,171</u>
	<u>16,523</u>	<u>8,070</u>

21. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our strong orders momentum has propelled us to new half-yearly records. We have set new half-yearly records in all our three major lines of business and in net profit.

The Group began to experience a recovery in demand for hard disk drive ("HDD") components in the second quarter of 2009. The recovery then spread to automotive components and gathered momentum in the second half of 2009. However, it was not until the start of the current financial year that orders for hydraulic equipment components, the remaining major business line, began to recover. The recovery in orders for hydraulic components, when it began, was quite sharp. Some customers required us to make airfreight delivery of certain hydraulic components even though the airfreight cost for some components, borne by the customer, was higher than our invoice amounts for those components. In addition, the recovery in our sales of HDD components and automotive components continued to improve during the first half of this year. As a result, turnover in each of the Group's three major business segments achieved new record highs. Given the operating leverage in our business, the strong recovery in orders and resulting economies of scale, meant improved margins that have translated into a new record level of net profit.

Total turnover amounted to HK\$523.8 million during the period under review, which is more than double that of HK\$251.1 million recorded in the first half of 2009. The Group recorded a net profit of HK\$66.1 million for the period under review as compared to a net loss of HK\$24.7 million for the corresponding period in 2009.

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

	1H10		1H09		Growth
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	rate %
HDD components	345,612	66.0%	165,819	66.1%	108.4%
Hydraulic equipment components	96,551	18.4%	42,991	17.1%	124.6%
Automotive components	71,373	13.6%	33,621	13.4%	112.3%
Others	10,305	2.0%	8,646	3.4%	19.2%
	<u>523,841</u>	<u>100.0%</u>	<u>251,077</u>	<u>100.0%</u>	<u>108.6%</u>

With the strong demand for computers in 2009, the demand for HDD components in the first half of 2010 remained strong. Our sales of HDD components in the first half of 2010 was HK\$345.6 million, more than double sales in the corresponding period in 2009 and also above the previous record set in the second half of 2009.

The performance of our hydraulic equipment components business during the period under review was heartening. Demand for our hydraulic equipment components collapsed in the second half of 2008 and remained depressed throughout 2009. Orders started to pick up at the start of 2010 and rapidly sped up in the second quarter as our markets in the US and Europe recovered. The recovery was quite fast and some customers even requested us to deliver certain components through airfreight. During the period under review, sales of hydraulic equipment components amounted to HK\$96.6 million, also more than double sales in the corresponding period in 2009.

Our automotive components business is our youngest business segment. We had been most vulnerable in this segment during the financial crisis and recession to losing customers for whom we might have been a third tier or lower ranked supplier. We are gratified we lost no customers and the recovery enabled us to secure additional orders such that this segment also recorded satisfactory growth. Sales of this segment recorded a growth of 112.3% to HK\$71.4 million for the six months ended of 30 June 2010 when compared to the corresponding period in 2009 or growth of 31.2% when compared to the previous record set in the second half of 2009.

FINANCIAL REVIEW

Due to the sharp improvement in turnover, gross profit of the Group for the six months ended 30 June 2010 rose to HK\$134.4 million from HK\$4.0 million for the corresponding period in 2009. Our overall gross profit margin for the six months ended 30 June 2010 rose to 25.7%, up from 1.6% for the corresponding period in 2009 and up from 23.5% in the second half of 2009. The sharp improvement in gross profit margin when compared to the first half of 2009 largely reflects the operating leverage of our business which has significant fixed or semi-fixed costs. The improvement in gross profit margin when compared to the second half of 2009 also reflects management's success in mitigating the impact of the increase in salaries and wages in China. Our strong experience in operations management and the improvements we have made to the production process have enhanced our productivity and yield rate thus minimizing the impact of rising labour cost.

Other income and gains amounted to HK\$4.9 million for the six months ended 30 June 2010, mainly comprised of fair value gains of interest rate swap and the fair value gains on investment property. The Group recorded an exchange loss of HK\$4.6 million during the period as the US dollar was weak against the Japanese Yen and Renminbi. For the six months ended 30 June 2009, other income and gains amounted to HK\$18.6 million, mainly comprised of exchange gain and the fair value gain on investment property in the amount of HK\$14.1 million and HK\$3.8 million, respectively.

During the period under review, selling and distribution costs totalled HK\$12.4 million, amounting to 2.4% of turnover. Compared with 2.9% of turnover in the corresponding period of 2009 or 2.7% of turnover in the second half of 2009, the reduced percentage indicates that the cost savings measures implemented by the Group led to positive results.

Administrative expenses mainly included staff salaries, directors' remuneration, staff welfare and general depreciation. During the period under review, administrative expenses increased to HK\$44.2 million from HK\$31.9 million, mainly attributable to the increase in headcount and inflation pushing up staff salaries.

Finance costs decreased by 17.1% to HK\$6.9 million for the period under review as compared to the corresponding period in 2009. The decrease reflects the continuing improvement in the Group's net gearing ratio from 43.0% as at 30 June 2009 to 15.5% as at 30 June 2010.

For the six months period ended 30 June 2010, the net profit amounted to HK\$66.1 million as compared to a net loss of HK\$24.7 million for the six months period ended 30 June 2009. Net profit margin for the period under review was 12.6%.

Details of Charges on the Group's Assets

As at 30 June 2010, the Group had borrowings of HK\$356.6 million (31 December 2009: HK\$431.5 million) secured by corporate guarantee made by the Group. The Group had no charges on any of its assets for its banking facilities as at 30 June 2010.

Liquidity and 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 2010, cash per share was HK\$0.20 (31 December 2009: HK\$0.19) and net asset value per share was HK\$1.24 (31 December 2009: HK\$1.15), based on the 918,143,366 ordinary shares in issue (31 December 2009: 915,993,750).

During the period under review, the Group recorded a net cash inflow from operating activities of HK\$154.6 million (2009: HK\$29.5 million). Due to the settlement of orders from prior years for new machineries and equipments amounting to HK\$70.1 million, a net cash outflow used in investing activities of HK\$67.4 million (2009: HK\$72.0 million) was recorded. With regard to financing activities, there was a net cash outflow of HK\$76.6 million (2009: HK\$42.1 million) due to the repayment of bank loans after taking into account new bank loans. As at 30 June 2010, the Group had cash and cash equivalents of HK\$186.2 million (31 December 2009: HK\$173.6 million).

As at 30 June 2010, total bank borrowings of the Group amounted to HK\$362.6 million (31 December 2009: HK\$440.0 million), representing a decrease of 17.6% as compared to 31 December 2009, and net borrowings (total borrowings less cash and bank balances) amounted to HK\$176.4 million (31 December 2009: HK\$266.4 million). The gearing ratio, defined as net borrowings divided by shareholders' equity, was 15.5% (31 December 2009: 25.3%).

Currency Exposure and Management

The Group is exposed to fluctuations in foreign exchange rates. Since most of the Group's revenue is denominated in US dollars, whereas most of the Group's expenses, such as costs of major raw materials and machineries and production expenses, are denominated in Japanese Yen, Renminbi and Thai Baht, fluctuations in exchange rates can materially affect the Group; in particular, an appreciation in the value of Japanese Yen will adversely affect the Group's profitability. Accordingly, the Group has entered into forward exchange contracts to reduce potential exposure to currency fluctuations.

Human Resources

As at 30 June 2010, the Group had 4,825 employees, an increase of 16.3% when compared to 4,149 employees as at 31 December 2009.

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 respective local retirement benefit schemes are also offered to employees.

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 among them. Staff are rewarded based on performance of the Group as well as individual performance and contribution.

Prospects

In prior years, in order to diversify our business away from its heavy dependence on HDD components, we have been investing heavily, not only in terms of management time developing business contacts in firms involved in hydraulic equipment and automotive components manufacturing, but also in terms of capital investment in plant and equipment to enable us to execute orders should our marketing efforts be successful. In the early years of the development of our businesses in the manufacture of hydraulic equipment and automotive components, our capital expenditures were large relative to our then capital base, which had to be strengthened. We were fortunate in having a strong market position in the manufacture of certain HDD components, which provided a solid foundation for the development of new businesses, but even so, because of the very significant barriers to entry in the markets of hydraulic equipment and automotive components and the time needed to build up our credibility with potential customers, the heavy investment diluted returns, so while sales and net profits compounded at an annual rate of over 25% per annum in the four years prior to the financial crisis, earnings per share growth was attenuated.

Our involvement in the manufacture of hydraulic equipment and automotive components is relatively recent in the context of the long history of these two sectors. But the development of our businesses in these two sectors has been very encouraging. In the five years prior to the onset of the financial crisis, sales of hydraulic equipment components rose from HK\$7.0 million in 2001 to HK\$165.9 million in 2007 before losing its momentum in 2008 when sales came to HK\$167.3 million and then declined sharply to HK\$89.3 million in 2009. Sales of automotive components actually grew in 2008 and 2009, but at a slower rate than we had expected because of the financial crisis. In 2009, automotive component sales amounted to HK\$88.0 million, up from HK\$1.0 million in 2005. While the historic trend of our sales in each of these two sectors has been strong, the absolute levels of our sales remain very small in the context of the multi-billion US dollar size of the hydraulic equipment and automotive component markets. Since our experience in hydraulic equipment and automotive components is relatively short, we cannot as yet consider ourselves a well established firm in these two business segments. However, we have been tested by a particularly severe downturn, and have recovered, setting a new record in sales and profits. We are therefore not only confident about our position in the supply chains of these two businesses but also see opportunities to gain market share and significantly strengthen our position.

The recent growth in orders has meant that we are approaching capacity constraints. To cater for future growth of our business, we are planning to set up a new factory to meet expected growth in demand next year. This factory will be located in premises that we have leased in Changshu, in the vicinity of Shanghai, which is an important centre for China's automotive industry. We intend that this new factory will cater primarily to our automotive business. The investment in this new factory will be funded from our internal cash flow. With the additional investment, we expect that future growth in sales and profits will be fully reflected in commensurate growth in earnings per share.

While we plan for growth, we also do so with caution as we fully realise that recent macro-economic news indicate that the economic outlook in our major export markets remains clouded, particularly in the wake of sovereign-debt problems in Europe. The China economy has been a bright spot in terms of economic growth, but even in China, there are also signs that growth could be slowing due to the clampdown on credit and the economic impact of the measures taken to cool down the real estate market.

Despite the prevailing macro-economic uncertainties, we believe that our sales and profits will continue to grow in the second half of 2010. We will not be immune from the impact of a double-dip recession but, given the good progress we have made in diversifying our business into hydraulic equipment and automotive components, we are cautiously optimistic that growth will continue in 2011 and beyond.

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

During the six months ended 30 June 2010, neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.02 per share for the six months ended 30 June 2010 (2009: Nil). The interim dividend will be paid in cash on or around Thursday, 16 September 2010 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 10 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 September 2010 to Friday, 10 September 2010 (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 2010, 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 September 2010.

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 2010.

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 2010.

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 2010 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
Mr. Yuen Chi Ho

Independent Non-Executive Directors:

Dr. Cheng Ngok
Mr. Choi Hon Ting, Derek
Mr. Wu Karl Kwok

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

Hong Kong, 24 August 2010