IPE GROUP LIMITED
IPE集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 929)

2007 INTERIM RESULTS

HIGHLIGHTS

- **Group turnover increased by 31.1% to HK$360,411,000 in the first half of year 2007 when compared with the corresponding period of 2006, mainly attributable to the growth of projects from hydraulic equipment components sector, automotive components sector and hard disk drive components sector**

- **Profit for the period attributable to ordinary equity holders of the Company grew by 29.0% to HK$50,458,000 when compared with the corresponding period of 2006**

- **Basic earnings per share for the six months ended 30 June 2007 amounted to HK7 cents, an increase of approximately 16.7% when compared with the corresponding period of 2006**

- **Interim dividend of HK$0.020 per ordinary share is declared and will be paid on or around 28 September 2007**

- **Net asset per share increased from HK$1.12 as at 31 December 2006 to HK$1.22 as at 30 June 2007 as a result of net profit earned in the first half of 2007, together with the increase in exchange fluctuation reserve resulted from the appreciation of Renminbi and Thai Baht during the period**

	(Unaudited) Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Turnover	**360,411**	274,885
Profit for the period attributable to ordinary equity holders of the Company	**50,458**	39,114
Net profit margin	**14.0%**	14.2%
Total equity	**884,554**	739,012
Consolidated net borrowings	**369,084**	151,556
Net debt to equity ratio	**41.7%**	20.5%
Earnings per share – basic	**HK$0.070**	HK$0.060
Interim dividend per share	**HK$0.020**	HK$0.015

RESULTS

The Board of Directors (the "Board") of IPE Group Limited (the "Company") would like to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007, together with the comparative figures for the six months ended 30 June 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2007 – unaudited

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4&5*	**360,411**	274,885
Cost of sales		**(263,493)**	(185,865)
Gross profit		**96,918**	89,020
Other income and gains	*5*	**6,958**	6,144
Selling and distribution costs		**(9,055)**	(7,365)
Administrative expenses		**(28,065)**	(27,684)
Other expenses		**(3,371)**	(2,955)
Finance costs	*6*	**(12,202)**	(12,120)
PROFIT BEFORE TAX	*7*	**51,183**	45,040
Tax	*8*	**(725)**	(5,926)
PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**50,458**	39,114
INTERIM DIVIDEND	*9*	**14,459**	10,857
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic		**HK7.0 cents**	HK6.0 cents
Diluted		**HK6.9 cents**	HK5.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007 – unaudited

	Notes	At 30 June 2007 (Unaudited) HK$'000	At 31 December 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**901,560**	836,426
Prepaid land lease payments		**36,394**	35,681
Investment properties		**16,755**	16,755
Loan to an unlisted equity investment	*12*	**2,850**	1,350
Goodwill	*13*	**1,950**	–
Deferred tax assets		**957**	975
Other non-current assets		**238**	286
Available-for-sale investment	*14*	**150**	150
Total non-current assets		**960,854**	891,623
CURRENT ASSETS			
Inventories	*15*	**200,443**	196,094
Trade receivables	*16*	**208,483**	166,993
Derivative financial instruments	*17*	**270**	–
Prepayments, deposits and other receivables		**15,790**	12,970
Cash and cash equivalents	*18*	**129,882**	138,703
Total current assets		**554,868**	514,760
CURRENT LIABILITIES			
Trade and bills payables	*19*	**63,722**	97,382
Other payables and accruals		**61,990**	109,039
Tax payable		**2,190**	4,304
Derivative financial instruments	*17*	**1,459**	946
Interest-bearing bank and other borrowings	*20*	**291,901**	166,121
Total current liabilities		**421,262**	377,792
NET CURRENT ASSETS		**133,606**	136,968
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,094,460**	1,028,591
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*20*	**207,065**	219,664
Deferred tax liabilities		**2,841**	1,744
Total non-current liabilities		**209,906**	221,408
Net assets		**884,554**	807,183
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	*22*	**72,297**	72,296
Reserves		**795,848**	721,874
Proposed dividend		**14,459**	13,013
		882,604	807,183
Minority interest		**1,950**	–
TOTAL EQUITY		**884,554**	807,183

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007 – unaudited

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Net cash inflow from operating activities		**20,260**	16,475
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(126,734)**	(158,896)
Proceeds from disposal of property, plant and equipment		**724**	190
Net cash outflow from investing activities		**(126,010)**	(158,706)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	226,800
Share issue expenses		**–**	(11,746)
Repurchase of shares		**(68)**	–
Share options exercised		**51**	–
New bank loans and other borrowings		**175,229**	64,637
Repayment of bank loans and other borrowings		**(66,694)**	(41,166)
Capital element of finance lease rental payments		**(15,537)**	(14,888)
Dividends paid		**(13,013)**	(13,028)
Net cash inflow from financing activities		**79,968**	210,609
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(25,782)**	68,378
Cash and cash equivalents at beginning of period		**138,670**	152,340
Effect of foreign exchange rate changes, net		**2,870**	697
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**115,758**	221,415
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*18*	**67,868**	77,010
Non-pledged time deposits with original maturity of less than three months when acquired	*18*	**62,014**	147,709
		129,882	224,719
Bank overdrafts	*20*	**(14,124)**	(3,304)
		115,758	221,415

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007 – unaudited

	Attributable to ordinary equity holders of the Company												
	Issued share capital *HK$'000*	**Share premium account** *HK$'000*	**Contributed surplus** *HK$'000*	**Statutory surplus reserve** *HK$'000*	**Statutory public welfare fund** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Share options reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Proposed dividends** *HK$'000*	**Sub-total** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2007	72,296	352,527	(1,116)	8,045	287	86	11,492	47,921	302,632	13,013	807,183	–	807,183
Exchange realignment	–	–	–	–	–	–	–	36,546	–	–	36,546	–	36,546
Net profit for the period	–	–	–	–	–	–	–	–	50,458	–	50,458	–	50,458
2006 final dividend paid	–	–	–	–	–	–	–	–	–	(13,013)	(13,013)	–	(13,013)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,950	1,950
Forfeiture of options	–	–	–	–	–	–	(11)	–	11	–	–	–	–
Repurchase of shares	(6)	–	–	–	–	–	–	–	–	–	(6)	–	(6)
Premium on repurchase of shares	–	(62)	–	–	–	–	–	–	–	–	(62)	–	(62)
Capital redemption reserve arising from repurchase of shares	–	–	–	–	–	6	–	–	(6)	–	–	–	–
Exercise of share options	7	44	–	–	–	–	–	–	–	–	51	–	51
Equity-settled share option arrangement	–	–	–	–	–	–	1,447	–	–	–	1,447	–	1,447
2007 interim dividend proposed	–	–	–	–	–	–	–	–	(14,459)	14,459	–	–	–
At 30 June 2007	72,297	352,509*	(1,116)*	8,045*	287*	92*	12,928*	84,467*	338,636*	14,459	882,604	1,950	884,554

* *These reserve accounts comprise the consolidated reserves of HK$795,848,000 in the condensed consolidated balance sheet.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2007

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 Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries for the period ended 30 June 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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 2006.

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 2007.

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.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transaction[2]
HK(IFRIC)-INT 12	Service concession arrangements[3]

Note:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

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

Segment information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by geographical segment; and

(ii) on a secondary segment reporting basis, by business segment.

(a) Geographical segments

	Six months ended 30 June 2007 (Unaudited)							
	Thailand	**Malaysia**	**Mainland China and Hong Kong**	**North America**	**Europe**	**Other countries**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	**147,998**	**71,657**	**55,816**	**27,934**	**48,817**	**8,189**	**–**	**360,411**
Intersegment sales	**24,264**	**–**	**41**	**–**	**–**	**–**	**(24,305)**	**–**
Other revenue	**4,427**	**–**	**2,019**	**–**	**–**	**–**	**–**	**6,446**
Total revenue	**176,689**	**71,657**	**57,876**	**27,934**	**48,817**	**8,189**	**(24,305)**	**366,857**
Segment results	**50,353**	**16,348**	**14,337**	**6,373**	**11,137**	**1,868**	**(6,535)**	**93,881**
Interest income								**512**
Unallocated expenses								**(31,436)**
Interest expenses								**(11,774)**
Profit before tax								**51,183**
Tax								**(725)**
Profit attributable to ordinary equity holders of the Company								**50,458**

	Six months ended 30 June 2006 (Restated) (Unaudited)							
	Thailand	Malaysia	Mainland China and Hong Kong	North America	Europe	Other countries	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	134,558	64,754	25,765	11,965	31,469	6,374	–	274,885
Intersegment sales	36,559	–	4,384	–	–	–	(40,943)	–
Other revenue	3,501	–	103	–	–	166	–	3,770
Total revenue	174,618	64,754	30,252	11,965	31,469	6,540	(40,943)	278,655
Segment results	58,277	17,867	8,130	3,301	8,683	1,924	(13,259)	84,923
Interest income								2,374
Unallocated expenses								(30,639)
Interest expenses								(11,618)
Profit before tax								45,040
Tax								(5,926)
Profit attributable to ordinary equity holders of the Company								39,114

(b) Business segments

	Six months ended 30 June 2007 (Unaudited)				
	HDD Components	**Hydraulic Equipment Components**	**Automotive Components**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**251,040**	**74,116**	**15,970**	**19,285**	**360,411**
Segment results	**53,916**	**25,083**	**4,297**	**4,567**	**87,863**
Unallocated income					**6,446**
Interest income					**512**
Unallocated expenses					**(31,436)**
Profit from operations					**63,385**

	Six months ended 30 June 2006 (Unaudited)				
	HDD Components	Hydraulic Equipment Components	Automotive Components	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	221,027	45,359	1,675	6,824	274,885
Segment results	62,464	16,046	536	2,609	81,655
Unallocated income					3,770
Interest income					2,374
Unallocated expenses					(30,639)
Profit from operations					57,160

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	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods and materials	**360,411**	274,885
Other income		
Bank interest income	**512**	2,374
Sundry income	**574**	356
	1,086	2,730
Gains		
Foreign exchange gains, net	**5,872**	3,304
Gain on disposal of property, plant and equipment, net	**–**	110
	5,872	3,414
	6,958	6,144

6. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**9,542**	7,845
Interest on finance leases	**2,232**	3,647
Financial arrangement fees	**428**	502
Other interest	**–**	126
	12,202	12,120

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold*	**263,493**	185,865
Depreciation	**51,851**	32,298
Recognition of prepaid land lease payments	**405**	396
Equity-settled share option expense**	**1,446**	1,989
Auditors' remuneration	**827**	773
Research and development costs	**2,354**	1,245
Fair value (gains)/losses, net:		
Derivative financial instruments – transactions not qualifying as hedges		
Interest rate swap	**(306)**	1,485
Forward currency contracts	**549**	–
	243	1,485
Loss on disposal of property, plant and equipment, net	**283**	–
Write-back of provision against inventory obsolescence	**(2,774)**	–

Notes:

* The cost of inventories sold for the period includes an amount of approximately HK$68,081,000 (HK$51,848,000 for the six months ended 30 June 2006) relating to the employee benefits expense, depreciation and operating lease charges, the amounts of which were also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The equity-settled share option expense for the period is included in "Administrative expenses" on the face of the condensed consolidated income statement.

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (17.5% for the six months ended 30 June 2006) 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	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**–**	471
Over-provision in prior years	**(3,254)**	(1,330)
Current tax – Elsewhere		
Charge for the period	**2,912**	2,510
	(342)	1,651
Deferred tax	**1,067**	4,275
Total tax charge for the period	**725**	5,926

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before tax	**51,183**	45,040
Tax at the applicable tax rates	**13,398**	10,725
Lower tax rate for local authorities	**(3,889)**	(1,288)
Expenses not deductible for tax	**4,903**	9,192
Income not subject to tax	**(15,274)**	(11,745)
Over-provision in the prior year	**(3,254)**	(1,330)
Tax losses not recognised	**4,841**	372
Tax charge at the Group's effective rate of 1.4% (2006: 13.2%)	**725**	5,926

According to the income tax law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises, Dongguan Koda Metal Products Company Limited ("Dongguan Koda") and Guangzhou XingHao Precision Metal Products Company Limited ("Xing Hao"), two wholly-owned subsidiaries of the Company established in the Dongguan Coastal Economic Open Zone and Zengcheng Xiancun Lantian Economic Open Zone, respectively, are subject to corporate income tax at a rate of 24%, and are exempt from PRC corporate income tax for the first two profitable years of their operations, and thereafter, are eligible for a 50% relief from PRC corporate income tax for the following three years. On 13 November 2003, Dongguan Koda obtained a further approval from the local tax authority that it would be subject to a tax rate of 10% for the three years ended 31 December 2006. Pursuant to relevant tax laws and regulations in the PRC, Dongguan Koda will be entitled to prolong its reduced enterprise income tax rate of 10% from 2007 onwards if the export amount of Dongguan Koda achieves 70% or above of its annual turnover. Xing Hao began its first profitable year in the year ended 31 December 2004 and it was subject to a tax rate of 12% during the period ended 30 June 2007 (12% for the six months ended 30 June 2006).

Integrated Precision Engineering (Thailand) Company Limited ("IPE Thailand"), a company incorporated in Thailand, is subject to income tax in Thailand at a rate of 30% on the estimated assessable profits arising in or derived from Thailand. IPE Thailand has two production factories, Factory I and Factory II (Phase 1) and Factory II (Phase 2). IPE Thailand is exempted from income tax for a period of three years from 2 June 2000 to 1 June 2003 for income generated from Factory I due to the promotion privileges granted under the Investment Promotion Act B.E. 2520 by the Board of Investment, a government authority, in Thailand. The Board of Investment also granted IPE Thailand an exemption from income tax for a period of three years from 3 January 2003 to 2 January 2006 for income generated from Factory II (Phase 1). IPE Thailand is subject to income tax for Factory I and Factory II (Phase 1) after the tax holiday. For Factory II (Phase 2), the Board of Investment granted IPE Thailand an exemption from income tax as well for a period of six to eight years from 31 July 2005 to 30 July 2011 or 2013 for income generated therefrom. IPE Thailand can entitle to an additional one year of tax exemption after the aforementioned tax holiday if certain conditions are met.

Under Decree-Law no.58/99/M, companies in Macau incorporated under that Law (referred to as the "58/99/M Companies") are exempted from Macau complementary tax (Macau income tax) as long as they do not sell their products to a Macau resident company. IPE Macao Commercial Offshore Limited, a subsidiary of the Group in Macau, is qualified as a 58/99/M Company.

The deferred taxation charge mainly related to the tax effect of temporary difference attributable to difference of depreciation allowances for tax purposes and depreciation charged in the financial statements.

9. INTERIM DIVIDEND

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend of HK$0.020 (2006: HK$0.015) per ordinary share	**14,459**	10,857

At the Board meeting held on 4 September 2007, the directors declared an interim dividend of HK$0.020 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 2007.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the 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.

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is 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 earnings per share are based on:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**50,458**	39,114
	Number of shares (in thousands)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**722,947**	647,113
Effect of dilution – weighted average number of ordinary shares:		
Share options	**9,535**	23,054
	732,482	670,167

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Freehold land and buildings HK$'000	Leasehold improvement HK$'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 2007	228,518	5,240	765,479	15,765	13,990	55,191	1,084,183
Additions	431	–	12,308	1,767	–	65,180	79,686
Transfer (out)/in	–	–	31,039	637	631	(32,307)	–
Disposals	(699)	–	(1,311)	(3)	–	–	(2,013)
Exchange realignment	10,359	–	39,041	738	364	1,595	52,097
At 30 June 2007	238,609	5,240	846,556	18,904	14,985	89,659	1,213,953
Accumulated depreciation:							
At 1 January 2007	(19,698)	(3,532)	(210,231)	(5,525)	(8,771)	–	(247,757)
Depreciation provided during the period	(7,145)	(180)	(42,263)	(1,466)	(797)	–	(51,851)
Disposals	69	–	902	3	–	–	974
Exchange realignment	(1,119)	–	(12,205)	(309)	(126)	–	(13,759)
At 30 June 2007	(27,893)	(3,712)	(263,797)	(7,297)	(9,694)	–	(312,393)
At 30 June 2007:							
Cost	238,609	5,240	846,556	18,904	14,985	89,659	1,213,953
Accumulated depreciation	(27,893)	(3,712)	(263,797)	(7,297)	(9,694)	–	(312,393)
Net carrying amount	210,716	1,528	582,759	11,607	5,291	89,659	901,560

12. LOAN TO AN UNLISTED EQUITY INVESTMENT

The loan to the unlisted equity investment is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the loan approximates to its fair value. In the opinion of the directors, the loan is not expected to be repaid within the next twelve months.

13. BUSINESS COMBINATION

On 13 March 2007, the Group subscribed for 61 new shares of HK$1 each of Cullygrat Surface & Deburring Treatment Limited ("Cullygrat"), a company incorporated in Hong Kong, with a total subscription price of HK$5,000,000. One of the then directors of Cullygrat is a senior management personnel of the Group. After the subscription, the Group held a 61% equity interest in Cullygrat and Cullygrat was deemed to be acquired by the Company. Cullygrat is an investment holding company which was incorporated during the period for setting up an operation in Mainland China for engaging in the provision of processing services for the manufacture of industrial products. The deemed acquisition generated a goodwill of HK$1,949,976, which has been capitalised and will be tested for impairment at least annually.

The fair values of the identifiable assets and liabilities of Cullygrat as at the date of the deemed acquisition and the corresponding carrying amounts immediately before the deemed acquisition were as follows:

	HK$'000
Cash consideration	5,000
Less: fair value/carrying amount of net assets acquired	(3,050)
Goodwill on acquisition	1,950

14. AVAILABLE-FOR-SALE INVESTMENT

	At 30 June 2007 (Unaudited) *HK$'000*	At 31 December 2006 (Audited) *HK$'000*
Unlisted equity investment, at cost	**150**	150

As at 30 June 2007, an unlisted equity investment with a carrying amount of HK$150,000 (2006: HK$150,000) was stated at cost because the range of reasonable fair value estimates is not significant that the directors are of the opinion that its fair value cannot be measured reliably.

15. INVENTORIES

	At 30 June 2007 (Unaudited) *HK$'000*	At 31 December 2006 (Audited) *HK$'000*
Raw materials	**76,809**	73,579
Consumables	**32,706**	32,549
Work in progress	**65,383**	76,984
Finished goods	**32,957**	22,673
	207,855	205,785
Less: Provision for obsolete and slow-moving inventories	**(7,412)**	(9,691)
	200,443	196,094

16. 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 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 ageing analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	At 30 June 2007 (Unaudited) *HK$'000*	At 31 December 2006 (Audited) *HK$'000*
Within 1 month	**73,147**	61,485
1 to 2 months	**62,586**	52,673
2 to 3 months	**49,248**	36,726
3 to 4 months	**16,622**	11,457
4 to 12 months	**6,880**	4,652
	208,483	166,993

The carrying amounts of trade receivables approximate to their fair value.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2007 (Unaudited) ***HK$'000***	At 31 December 2006 (Audited) *HK$'000*
Derivative financial instruments – transactions not qualifying as hedges		
Assets		
Interest rate swap*	**270**	–
Liabilities		
Interest rate swap*	**–**	36
Forward currency contracts**	**1,459**	910
	1,459	946

The carrying amounts of the interest rate swap and forward currency contracts are the same as their fair values.

* At 30 June 2007, the Group had an interest rate swap agreement with a bank to manage its interest rate exposure in connection with the Group's long term banking facilities which did not meet the criteria for hedge accounting. A notional amount of HK$100,000,000 (2006: HK$100,000,000) with floating rate was swapped into fixed rate. The agreement lasts for three years and will expire in August 2008.

** At 30 June 2007, the Group had entered into forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The agreement requires the Group to buy Japanese Yen with US dollars at a pre-agreed exchange rate on pre-determined dates up to October 2007.

18. CASH AND CASH EQUIVALENTS

	At 30 June 2007 (Unaudited) ***HK$'000***	At 31 December 2006 (Audited) *HK$'000*
Cash and bank balances	**67,868**	96,726
Non-pledged time deposits	**62,014**	41,977
Cash and cash equivalents	**129,882**	138,703

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one to seven days depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

19. 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 2007 (Unaudited) ***HK$'000***	At 31 December 2006 (Audited) *HK$'000*
Within 1 month	**30,485**	36,241
1 to 2 months	**16,946**	24,593
2 to 3 months	**10,315**	22,647
3 to 4 months	**4,538**	11,170
4 to 12 months	**1,402**	2,668
Over 1 year	**36**	63
	63,722	97,382

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days. The carrying amounts of trade and bills payables approximate to their fair values.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2007 (Unaudited)			At 31 December 2006 (Audited)		
Group	**Effective interest rate (%)**	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans – unsecured	**5.02–6.12**	**2008**	**217,946**	5.23–6.75	2007	135,248
Finance lease payables *(note 21)*	**2.95–8**	**2008**	**30,979**	2.95–8	2007	30,840
Bank revolving loan – unsecured	**5.12–5.87**	**On demand**	**25,600**	–	–	–
Bank overdrafts – unsecured	**4.66–8.25**	**On demand**	**14,124**	5–8	On demand	33
Trust receipt loan – unsecured	**5.74–5.88**	**2007**	**3,252**	–	–	–
			291,901			166,121
Non-current						
Bank loans – unsecured	**5.02–6.12**	**2008–2012**	**179,076**	5.23–6.75	2008–2012	175,999
Finance lease payables *(note 21)*	**2.95–8**	**2008–2009**	**27,989**	2.95–8	2008–2009	43,665
			207,065			219,664
			498,966			385,785

	At 30 June 2007 (Unaudited) *HK$'000*	At 31 December 2006 (Audited) *HK$'000*
Analysis into:		
Bank loans and overdrafts repayables:		
Within one year or on demand	**260,922**	135,281
In the second year	**101,443**	132,389
In the third to fifth years, inclusive	**77,633**	40,557
Beyond five years	**–**	3,053
	439,998	311,280
Other borrowings repayable:		
Within one year	**30,979**	30,840
In the second year	**21,901**	29,555
In the third to fifth years, inclusive	**6,088**	14,110
	58,968	74,505
	498,966	385,785

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

21. 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 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 30 June 2007 (Unaudited) *HK$'000***	Minimum lease payments 31 December 2006 (Audited) *HK$'000*	**Present value of minimum lease payments 30 June 2007 (Unaudited) *HK$'000***	Present value of minimum lease payments 31 December 2006 (Audited) *HK$'000*
Amounts payable:				
Within one year	**34,069**	34,747	**30,979**	30,840
In the second year	**23,043**	31,461	**21,901**	29,555
In the third to fifth years, inclusive	**6,243**	14,607	**6,088**	14,110
Total minimum finance lease payments	**63,355**	80,815	**58,968**	74,505
Future finance charges	**(4,387)**	(6,310)		
Total net finance lease payables	**58,968**	74,505		
Portion classified as current liabilities *(note 20)*	**(30,979)**	(30,840)		
Non-current portion *(note 20)*	**27,989**	43,665		

22. SHARE CAPITAL

Shares	**At 30 June 2007 (Unaudited) *HK$'000***	At 31 December 2006 (Audited) *HK$'000*
Authorised:		
1,200,000,000 (31 December 2006: 1,200,000,000) ordinary shares of HK$0.1 each	**120,000**	120,000
Issued and fully paid:		
722,970,000 (31 December 2006: 722,960,000) ordinary shares of HK$0.1 each	**72,297**	72,296

The movements in share capital for the period ended 30 June 2007 and year ended 31 December 2006 were as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
(Audited)					
At 1 January 2006		601,070,000	60,107	151,021	211,128
Placement of new shares	*(a)*	120,000,000	12,000	212,400	224,400
Share options exercised	*(b)*	2,750,000	275	2,125	2,400
Repurchase of shares	*(c)*	(860,000)	(86)	(946)	(1,032)
		722,960,000	72,296	364,600	436,896
Share issue expenses		–	–	(12,073)	(12,073)
At 31 December 2006 and 1 January 2007		722,960,000	72,296	352,527	424,823
Share options exercised	*(d)*	65,000	7	44	51
Repurchase of shares	*(e)*	(55,000)	(6)	(62)	(68)
At 30 June 2007		**722,970,000**	**72,297**	**352,509**	**424,806**

A summary of the transactions with reference to the above movements in the Company's issued share capital is as follows:

(a) During 2006, the Group placed 120,000,000 new shares at the subscription price of HK$1.87 per share, resulting in a total cash consideration, before expenses, of HK$224,400,000.

(b) The subscription rights attaching to 2,750,000 share options were exercised during 2006 at the subscription price of HK$0.78 or HK$1.41 per share, resulting in the issue of 2,750,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$2,400,000.

(c) The Company repurchased its own shares on the Stock Exchange during 2006. The shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on the repurchase was charged against share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.

(d) The subscription rights attaching to 65,000 share options were exercised during the period ended 30 June 2007 at the subscription price of HK$0.78 per share, resulting in the issue of 65,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$50,700.

(e) The Company repurchased its own shares on the Stock Exchange during the period ended 30 June 2007. The shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on the repurchase was charged against share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.

Details of the repurchase of shares during the period are summarised as follows:

Date of repurchase	**Number of shares repurchased**	**Repurchase price per share**		**Total consideration**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$'000*
2 January 2007	55,000	1.24	1.21	68

23. CAPITAL COMMITMENTS

The capital commitments of the Group were as follows:

	At 30 June 2007 (Unaudited) ***HK$'000***	At 31 December 2006 (Audited) *HK$'000*
Authorized but not contracted for:		
– Renovation of buildings	**–**	261
Contracted but not provided for:		
Property, plant and equipment		
– Plant and machinery	**55,696**	40,530
– Construction in progress	**3,032**	9,662
	58,728	50,192
Capital contribution		
– An unlisted equity investment	**–**	150
	58,728	50,342

24. BANK FACILITIES

The Group had aggregate banking facilities of approximately HK$826,271,000 and HK$747,559,000 as at 30 June 2007 and 31 December 2006 respectively, for term loans, overdrafts and trade financing.

25. 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 2007 (Unaudited) *HK$'000*	At 31 December 2006 (Audited) *HK$'000*
Guarantees given to an electricity company	**1,143**	1,021

26. COMPARATIVE FIGURES

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

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK$0.020 per ordinary share for the six months ended 30 June 2007 (2006 first half: HK$0.015 per ordinary share). The interim dividend will be paid in cash on or around 28 September 2007 to shareholders whose names appear on the Register of Members of the Company at the close of business on 25 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 September 2007 to Tuesday, 25 September 2007 (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 2007, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712 – 1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group recorded a 31.1% increase in consolidated turnover to HK$360,411,000. Turnover analysis by product category is shown as follows:

	Six months ended 30 June				
	2007		2006		
	(Unaudited)		(Unaudited)		Growth
	HK$'000	***%***	*HK$'000*	*%*	*%*
HDD pivot components	**148,495**	**41.2%**	140,684	51.2%	5.6%
HDD spindle motor components	**102,545**	**28.5%**	80,343	29.2%	27.6%
	251,040	**69.7%**	221,027	80.4%	13.6%
Hydraulic equipment components	**74,116**	**20.6%**	45,359	16.5%	63.4%
Automotive components	**15,970**	**4.4%**	1,675	0.6%	853.4%
Others	**19,285**	**5.3%**	6,824	2.5%	182.6%
	360,411	**100%**	274,885	100%	31.1%

The most significant gain in revenue during the first half year of 2007 was the increase in sales of hydraulic equipment components. Sales of automotive components also jumped 8.5 times the amount in the corresponding period of 2006, thanks to the new automotive injection nozzles components and throttle shafts projects rolled out gradually in the first half of 2007.

The Company continued to make solid progress in diversifying its customer base and product ranges. The proportion of turnover generated from HDD components sector dropped to 69.7% (2006 first half: 80.4%) while the proportion of turnover generated by non-HDD sectors increased significantly to 30.3% of the Group's total turnover in the first half of 2007 (2006 first half: 19.6%).

FINANCIAL REVIEW

Gross profit and gross profit margin

	Six months ended 30 June					Year ended 31 December	
	2007		2006			2006	
	(Unaudited)		(Unaudited)			(Audited)	
	HK$'000	***% of turnover***	*HK$'000*	*% of turnover*	*% change*	*HK$'000*	*% of turnover*
Turnover	**360,411**		274,885		31.1%	581,642	
Direct material	**124,718**	**34.6%**	81,447	29.6%	53.1%	194,101	33.4%
Direct labour	**32,795**	**9.1%**	21,221	7.7%	54.5%	48,718	8.4%
Depreciation	**47,674**	**13.2%**	30,238	11.0%	57.7%	64,188	11.0%
Water and electricity	**18,513**	**5.1%**	14,823	5.4%	24.9%	32,946	5.6%
Other manufacturing overheads	**39,793**	**11.1%**	38,136	13.9%	4.3%	71,474	12.3%
	263,493	**73.1%**	185,865	67.6%	41.8%	411,427	70.7%
Gross Profit	**96,918**		89,020		8.9%	170,215	
Gross Profit Margin	**26.9%**		32.4%			29.3%	

During the period under review, prices of imported stainless steel, copper and aluminum fluctuated significantly but the negative impact could not be totally transferred on customers. As such the Group's metal consumption costs in the first half of 2007 increased by 53.1% when compared with the corresponding period in 2006 although the increase in turnover during the first half of 2007 was just 31.1%. The Group continued to invest in new machinery and equipment and building up additional work force to make sure it could cater for future orders. However, since such investments including new production lines and processes could only begin mass production after test runs and being qualified by customers, they did not generate immediate cash revenue for the period. The surge in depreciation cost by 57.7% and labour cost by 54.5% against the corresponding period of 2006, and increase in metal costs together led to the drop in the Group's gross profit margin from 32.4% in the first half of 2006 to 26.9% in the first half of 2007.

Other income and gains

Other income and gains mainly comprised foreign exchange gains of HK$5,872,000 as a result of settlements paid in Japanese Yen and Thai Baht (2006 first half: HK$3,304,000) and bank interest income of HK$512,000 (2006 first half: HK$2,374,000).

Selling and distribution costs

During the period under review, selling and distribution costs increased by 22.9% to HK$9,055,000, which was mainly attributable to the increase in export freight costs and marketing costs, along with the 31.1% increase in turnover.

Administrative expenses
Administrative expenses increased only slightly by 1.4% to HK$28,065,000 when compared with the first half of 2006, in spite of the more than 31.1% increase in turnover, thanks to the Group's continuous effort to trim costs.

Finance costs
For the first half of 2007, the Group recorded finance costs of HK$12,202,000 as compared to HK$12,120,000 in the first half of 2006, representing an increase of 0.7%. Average bank borrowing cost was approximately 5.5% per annum in the first half of 2007 (2006 first half: 6.6% per annum) which reflected the Group's ability to secure lower cost funding.

Profit attributable to ordinary equity holders of the Company
Profit attributable to ordinary equity holders of the Company increased from HK$39,114,000 for the previous corresponding period to HK$50,458,000 for the six months ended 30 June 2007. Net profit margin reduced slightly to 14.0% (2006 first half: 14.2%), which was mainly attributable to the drop in gross profit margin as a result of increase in metal costs, depreciation costs and labour costs during the period under review.

Financial position, cash flow and borrowings
The consolidated total net assets of the Group reached HK$884,554,000 as at 30 June 2007, representing an increase of 9.6%, as compared to HK$807,183,000 as at 31 December 2006.

Net asset per share increased from HK$1.12 as at 31 December 2006 to HK$1.22 as at 30 June 2007, as a result of net profit earned from the operation in the first half of 2007 together with the increase in exchange fluctuation reserve resulting from appreciation of Renminbi and Thai Baht during the period.

The Group was building up a new pool of machinery and equipment to meet increasing demands for hydraulic components and automotive components. In the first half of 2007 the Group paid HK$126,734,000 for the acquisition of plant and equipment (2006 first half: HK$158,896,000) and the capital expenditure was financed by a net increase of term and other loan facilities of HK$113,181,000 during the period.

Consolidated total bank and other borrowings increased to HK$498,966,000 as at 30 June 2007 and net debt to equity ratio increased from 30.6% as at 31 December 2006 to 41.7% as at 30 June 2007.

Treasury activities, currency exposure and management
Majority of the Group's cash is held in Hong Kong dollar time deposits and US dollar deposits. The Group's revenue is mainly denominated in US dollars, while major raw materials, machineries and manufacturing overheads are settled in Japanese Yen, Renminbi, Thai Baht and Hong Kong dollars. The Group's foreign currency exposure mainly arises from payments to overseas suppliers and machinery vendors. The Group will closely monitor foreign exchange risks and use forward exchange contracts to hedge against risk exposure when necessary. Open and unsettled forward exchange contracts held by the Group amounted to HK$35,880,000 as at 30 June 2007.

Capital commitments for property, plant and equipment
The Group is expanding its production facilities in the Guangzhou plant and Dongguan plant in China and the Bangkok plant in Thailand to cater for anticipated customer orders and to provide "one-stop" service to global customers. The amount of capital commitments contracted but not provided for was HK$58,728,000 as at 30 June 2007 and is expected to be financed by internal cash reserve and unused banking facilities available to the Group.

Human resources
The Company, together with its subsidiaries, had a workforce of 4,139 as at 30 June 2007, an increase of 1.3% when compared to 4,087 employees as at 31 December 2006. Staff cost (excluding directors' emoluments) amounted to HK$44,161,000 in the first half of 2007 (2006 first half: HK$30,167,000). Employees are offered competitive salaries with bonuses awarded on performance basis.

PROSPECTS
Apart from positioning itself as an upstream high precision metal components supplier for diverse industries including hydraulic, automotive and HDD, the Group is also working closely with customers in making sub-assembled parts for customers' final assembly and distribution to end users. To make sure its operations work seamless to provide "one-stop" service to global customers, the Group has strengthened its metal forming division, plastic injection division, tools making division, die casting division and heat treatment division.

Growth in hydraulic and automotive components sectors has been particularly strong as more global customers are choosing to source more components from Asia to save procurement costs and stay competitive in the market. Demand for high precision hydraulic components in the Mainland China has also been surging as a result of the growing number of passenger cars, vehicles and hydraulic device being assembled in the country. We expect that non-HDD business will grow very fast in the next few years and will account for a majority of our income stream very soon.

The Group is in the high precision components business which has high entry barriers including extensive qualification requirements, micron tolerance requirements, heavy capital investment and the continuous development and implementation of control and quality assurance processes. However, the Group, being a leader in the business, is able to implement projects at very competitive prices and in relatively short lead time. We will focus on continuous research and development to strengthen our competitive edges.

We are building up a stronger platform for future business opportunities and we are still buying new equipment and technology aggressively during 2007 while such new capacity will not generate immediate return and cash inflow. Once such new capacity is put into use gradually and new hydraulic components projects and automotive components projects kick off, we foresee the return on investment will improve accordingly and at the same time generate a stronger cash inflow from operations.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES
The Company repurchased its 55,000 listed shares on the Stock Exchange during the six months ended 30 June 2007. Such shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by HK$5,500, the nominal value of these shares.

Details of the repurchase are summarised as follows:

Date of repurchase	Number of shares repurchased	Repurchase price per share		Total consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$'000*
2 January 2007	55,000	1.24	1.21	68

Except as disclosed above, neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except that there is no separation of the roles of Chairman and Chief Executive Officer. Mr. Chui Siu On currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides 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. As such, it is beneficial to the business prospects of the Company.

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 2007.

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") in respect of the dealings in the Company's securities by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the six months ended 30 June 2007.

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 2007.

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.

On behalf of the Board
Chui Siu On
Chairman

Hong Kong, 4 September 2007

As at the date of this announcement, the executive directors are Mr. Chui Siu On, Mr. Ho Yu Hoi, Mr. Lai Man Kit, Mr. Li Chi Hang and Mr. Wong Kwok Keung; the non-executive director is Mr. Ng Kin Nam; and the independent non-executive directors are Dr. Cheng Ngok, Mr. Choi Hon Ting, Derek and Mr. Wu Karl Kwok.

Website: http://www.ipegroup.com