IPE GROUP LIMITED
IPE集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 929)

2008 INTERIM RESULTS

HIGHLIGHTS

- **Revenue grew by 30.5% to HK$470,491,000 in the first half of year 2008 mainly attributable to the growth of revenue from the three main business segments: hydraulic equipment components sector, automotive components sector and hard disk drive components sector**
- **Profit for the period grew by 12.2% to HK$56,627,000**
- **Basic earnings per share increased by 14.3% from HK7 cents to HK8 cents**
- **Interim dividend of HK2.4 cents per ordinary share is declared**
- **Net cash inflow from operating activities for the first half of 2008 was HK$77,898,000, 284.5% increased over the corresponding period of 2007**
- **Net asset per share increased from HK$1.33 as at 31 December 2007 to HK$1.45 as at 30 June 2008**

RESULTS

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 2008, together with the comparative figures for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4&5*	**470,491**	360,411
Cost of sales		**(345,249)**	(263,493)
Gross profit		**125,242**	96,918
Other income and gains	*5*	**3,403**	6,958
Selling and distribution costs		**(11,165)**	(9,055)
Administrative expenses		**(37,885)**	(28,065)
Other expenses		**(7,380)**	(3,371)
Finance costs	*6*	**(10,832)**	(12,202)
PROFIT BEFORE TAX	*7*	**61,383**	51,183
Tax	*8*	**(4,756)**	(725)
PROFIT FOR THE PERIOD		**56,627**	50,458
Attributable to:			
Equity holders of the Company		**57,053**	50,458
Minority interests		**(426)**	–
		56,627	50,458
INTERIM DIVIDEND	*9*	**16,916**	14,459
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic		**HK8.0 cents**	HK7.0 cents
Diluted		**HK8.0 cents**	HK6.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**At 30 June 2008 (Unaudited)** *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
NON–CURRENT ASSETS			
Property, plant and equipment	*11*	**1,058,807**	941,806
Prepaid land lease payments		**39,374**	37,496
Investment properties		**20,000**	21,046
Loan to an unlisted equity investment	*12*	**5,000**	2,850
Deferred tax assets		**536**	599
Other non–current assets		**143**	191
Available–for–sale investment	*13*	**150**	150
Total non–current assets		**1,124,010**	1,004,138
CURRENT ASSETS			
Inventories	*14*	**237,196**	198,232
Trade receivables	*15*	**247,351**	233,704
Derivative financial instruments	*16*	**–**	69
Prepayments, deposits and other receivables		**28,347**	14,407
Cash and cash equivalents	*17*	**273,234**	235,049
Total current assets		**786,128**	681,461
CURRENT LIABILITIES			
Trade and bills payables	*18*	**117,657**	95,576
Other payables and accruals		**152,294**	60,287
Tax payable		**8,272**	6,073
Derivative financial instruments	*16*	**478**	292
Interest–bearing bank and other borrowings	*19*	**278,307**	364,484
Total current liabilities		**557,008**	526,712
NET CURRENT ASSETS		**229,120**	154,749
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,353,130**	1,158,887
NON–CURRENT LIABILITIES			
Interest–bearing bank and other borrowings	*19*	**325,502**	202,426
Deferred tax liabilities		**1,909**	2,171
Total non–current liabilities		**327,411**	204,597
Net assets		**1,025,719**	954,290
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*21*	**70,580**	71,843
Reserves		**936,771**	863,666
Proposed dividend		**16,916**	17,014
		1,024,267	952,523
Minority interest		**1,452**	1,767
TOTAL EQUITY		**1,025,719**	954,290

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Net cash inflow from operating activities		**77,898**	20,260
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(56,143)**	(126,734)
Proceeds from disposal of property, plant and equipment		**1,133**	724
Net cash outflow from investing activities		**(55,010)**	(126,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(13,392)**	(68)
Share options exercised		**1,147**	51
New bank loans and other borrowings		**255,000**	175,229
Repayment of bank loans and other borrowings		**(198,024)**	(66,694)
Capital element of finance lease rental payments		**(15,826)**	(15,537)
Dividends paid		**(16,991)**	(13,013)
Net cash inflow from financing activities		**11,914**	79,968
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**34,802**	(25,782)
Cash and cash equivalents at beginning of period		**233,950**	138,670
Effect of foreign exchange rate changes, net		**4,427**	2,870
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**273,179**	115,758
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*17*	**81,521**	67,868
Non–pledged time deposits with original maturity of less than three months when acquired	*17*	**191,713**	62,014
		273,234	129,882
Bank overdrafts	*19*	**(55)**	(14,124)
		273,179	115,758

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 – unaudited

	Attributable to equity holders of the Company												
	Issued share capital	Share premium account	Contributed surplus	Statutory surplus reserve	Statutory public welfare fund	Capital redemption reserve	Share options reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Sub-total	Minority interests	Total
	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 2008	71,843	348,132	(1,116)	10,236	287	556	12,497	116,869	376,205	17,014	952,523	1,767	954,290
Exchange realignment	–	–	–	–	–	–	–	43,647	–	–	43,647	111	43,758
Profit for the period	–	–	–	–	–	–	–	–	57,053	–	57,053	(426)	56,627
2007 final dividend paid	–	–	–	–	–	–	–	–	–	(16,991)	(16,991)	–	(16,991)
Forfeiture of options	–	–	–	–	–	–	(249)	–	249	–	–	–	–
Repurchase of shares	(1,410)	–	–	–	–	–	–	–	–	–	(1,410)	–	(1,410)
Premium on repurchase of shares	–	(11,982)	–	–	–	–	–	–	–	–	(11,982)	–	(11,982)
Capital redemption reserve arising from repurchase of shares	–	–	–	–	–	1,410	–	–	(1,410)	–	–	–	–
Exercise of share options	147	1,000	–	–	–	–	–	–	–	–	1,147	–	1,147
Equity-settled share option arrangement	–	–	–	–	–	–	280	–	–	–	280	–	280
Written back proposed final 2007 dividend	–	–	–	–	–	–	–	–	23	(23)	–	–	–
2008 interim dividend proposed	–	–	–	–	–	–	–	–	(16,916)	16,916	–	–	–
At 30 June 2008	70,580	337,150*	(1,116)*	10,236*	287*	1,966*	12,528*	160,516*	415,204*	16,916	1,024,267	1,452	1,025,719

* *These reserve accounts comprise the consolidated reserves of HK$936,771,000 in the condensed consolidation balance sheet.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008

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 include all Hong Kong Financial Reporting Standard, 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 2008. 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 2007.

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 2008.

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 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[2]

Notes:

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

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 SEGMENTAL INFORMATION

Segment information is presented by way of two segmental formats:

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

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

(a) Geographical segments

	Six months ended 30 June 2008 (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*
Segmental revenue:								
Sales to external customers	165,436	112,891	79,385	39,828	55,488	17,463	–	470,491
Intersegment sales	40,847	–	10	–	–	–	(40,857)	–
Other revenue	869	–	1,524	–	–	–	–	2,393
Total revenue	207,152	112,891	80,919	39,828	55,488	17,463	(40,857)	472,884
Segmental results	46,584	29,287	21,585	10,333	14,395	4,530	(10,780)	115,934
Interest income								1,010
Unallocated expenses								(45,265)
Interest expenses								(10,296)
Profit before tax								61,383
Tax								(4,756)
Profit for the period								56,627

	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*
Segmental 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
Segmental 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 for the period								50,458

(b) Business segments

	Six months ended 30 June 2008 (Unaudited)				
	HDD Components	**Hydraulic Equipment Components**	**Automotive Components**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	327,001	88,843	34,605	20,042	470,491
Segmental results	70,066	29,343	9,500	5,168	114,077
Unallocated income					2,393
Interest income					1,010
Unallocated expenses					(45,265)
Profit from operations					72,215

	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
Segmental 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

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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods and materials	**470,491**	360,411
Other income		
Bank interest income	**1,010**	512
Sundry income	**1,855**	574
	2,865	1,086
Gains		
Foreign exchange gains, net	**–**	5,872
Gain on disposal of property, plant and equipment	**538**	–
	538	5,872
	3,403	6,958

6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**9,397**	9,542
Interest on finance leases	**898**	2,232
Financial arrangement fees	**537**	428
	10,832	12,202

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold*	**345,249**	263,493
Depreciation	**62,575**	51,851
Recognition of prepaid land lease payments	**452**	405
Equity–settled share option expense**	**280**	1,446
Auditors' remuneration	**840**	827
Research and development costs	**812**	2,354
Fair value (gains)/losses, net:		
Derivative financial instruments – transactions not qualifying as hedges		
Interest rate swap	**187**	(306)
Forward currency contracts	**69**	549
	256	243
Loss on disposal of property, plant and equipment	**146**	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$96,656,000 (HK$80,469,000 for the six months ended 30 June 2007) 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 16.5% (17.5% for the six months ended 30 June 2007) 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Over-provision in prior years	**–**	(3,254)
Current – Elsewhere		
Charge for the period	**4,895**	2,912
	4,895	(342)
Deferred tax	**(139)**	1,067
Total tax charge for the period	**4,756**	725

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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before tax	**61,383**	51,183
Tax at the applicable tax rates	**8,678**	13,398
Lower tax rate for local authorities	**(848)**	(3,889)
Expenses not deductible for tax	**6,376**	4,903
Income not subject to tax	**(9,881)**	(15,274)
Over–provision in the prior year	**–**	(3,254)
Tax losses not recognised	**435**	4,841
Adjustment in respect of current tax of previous year	**(4)**	–
Tax charge at the Group's effective rate of 7.7% (2007: 1.4%)	**4,756**	725

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 Group 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 25%, 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. Xing Hao began its first profitable year in the year ended 31 December 2004 and it was subject to a tax rate of 12.5% during the period ended 30 June 2008 (12% for the six months ended 30 June 2007). Dongguan Koda was subject to a tax of 25% during the period ended 30 June 2008.

Integrated Precision Engineering (Thailand) Company Limited ("IPE Thailand"), a company of the Group 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 was 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend of HK$0.024 (2007: HK$0.020) per ordinary share	**16,916**	14,459

At the Board meeting held on 26 August 2008, the Board declared an interim dividend of HK$0.024 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 2008.

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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**57,053**	50,458
	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	**709,543**	722,947
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,445**	9,535
	712,988	732,482

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 2008	276,579	5,240	957,608	25,743	15,787	44,081	1,325,038
Additions	624	18	5,492	405	551	140,546	147,636
Transfer in/(out)	3,403	1,147	92,471	2,133	902	(100,056)	–
Disposals	–	–	(3,169)	(4)	(425)	–	(3,598)
Exchange realignment	9,920	–	22,223	796	323	2,593	35,855
At 30 June 2008	290,526	6,405	1,074,625	29,073	17,138	87,164	1,504,931
Accumulated depreciation:							
At 1 January 2008	(38,687)	(3,892)	(320,502)	(9,597)	(10,554)	–	(383,232)
Depreciation provided during the period	(9,489)	(254)	(49,331)	(2,561)	(940)	–	(62,575)
Impairment	–	–	–	–	–	–	–
Disposals	–	–	2,573	2	282	–	2,857
Exchange realignment	(721)	–	(2,248)	(59)	(146)	–	(3,174)
At 30 June 2008	(48,897)	(4,146)	(369,508)	(12,215)	(11,358)	–	(446,124)
At 30 June 2008:							
Cost	290,526	6,405	1,074,625	29,073	17,138	87,164	1,504,931
Accumulated depreciation	(48,897)	(4,146)	(369,508)	(12,215)	(11,358)	–	(446,124)
Net carrying amount	241,629	2,259	705,117	16,858	5,780	87,164	1,058,807

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. AVAILABLE–FOR–SALE INVESTMENT

	At 30 June 2008 (Unaudited) ***HK$'000***	At 31 December 2007 (Audited) *HK$'000*
Unlisted equity investment, at cost	**150**	150

As at 30 June 2008, an unlisted equity investment with a carrying amount of HK$150,000 (2007: HK$150,000) was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

14. INVENTORIES

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Raw materials	**90,319**	81,078
Consumables	**39,861**	42,414
Work in progress	**77,417**	46,915
Finished goods	**35,810**	32,837
	243,407	203,244
Less: Provision for obsolete and slow–moving inventories	**(6,211)**	(5,012)
	237,196	198,232

15. 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 balance sheet date, based on the invoice date, is as follows:

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Within 1 month	**95,701**	91,976
1 to 2 months	**77,598**	73,224
2 to 3 months	**51,254**	47,744
3 to 4 months	**13,044**	13,715
4 to 12 months	**9,754**	6,221
Over 12 months	**–**	824
	247,351	233,704

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Derivative financial instruments – transactions not qualifying as hedges		
Assets		
Forward currency contracts**	**–**	69
Liabilities		
Interest rate swap*	**478**	292

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

* At 30 June 2008, 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 (2007: 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.

17. CASH AND CASH EQUIVALENTS

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Cash and bank balances	**81,521**	163,512
Non–pledged time deposits	**191,713**	71,537
Cash and cash equivalents	**273,234**	235,049

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods 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.

18. TRADE AND BILLS PAYABLES

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

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Within 1 month	**33,603**	41,774
1 to 2 months	**36,855**	28,189
2 to 3 months	**35,277**	11,667
3 to 4 months	**6,167**	8,922
4 to 12 months	**5,643**	4,924
Over 1 year	**112**	100
	117,657	95,576

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.

19. INTEREST–BEARING BANK AND OTHER BORROWINGS

	At 30 June 2008 (Unaudited)			At 31 December 2007 (Audited)		
Group	**Effective interest rate (%)**	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans – unsecured	**2.48–6.55**	**2009**	**141,303**	4.40–7.25	2008	196,572
Finance lease payables *(note 20)*	**2.98–6.03**	**2009**	**21,445**	4.50–6.25	2008	29,636
Bank revolving loans – unsecured	**2.67–4.88**	**On demand**	**83,369**	4.68–6.18	On demand	48,968
Bank overdrafts – unsecured	**3.35–5.64**	**On demand**	**55**	7.10–7.50	On demand	1,099
Other loans	**3.17–4.53**	**2008**	**32,135**	2.08–8.75	2008	88,209
			278,307			364,484
Non–current						
Bank loans – unsecured	**2.48–6.55**	**2009–2012**	**319,074**	4.40–7.25	2009–2011	188,363
Finance lease payables *(note 20)*	**2.98–6.03**	**2009–2010**	**6,428**	4.50–6.25	2009–2010	14,063
			325,502			202,426
			603,809			566,910

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**224,727**	246,639
In the second year	**113,266**	119,155
In the third to fifth years, inclusive	**205,808**	69,208
	543,801	435,002
Other borrowings repayable:		
Within one year	**53,580**	117,845
In the second year	**6,428**	14,063
	60,008	131,908
	603,809	566,910

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

20. 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 two years.

At 30 June 2008, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 30 June 2008 (Unaudited)** ***HK$'000***	Minimum lease payments 31 December 2007 (Audited) *HK$'000*	**Present value of minimum lease payments 30 June 2008 (Unaudited)** ***HK$'000***	Present value of minimum lease payments 31 December 2007 (Audited) *HK$'000*
Amounts payable:				
Within one year	**22,160**	31,370	**21,445**	29,636
In the second year	**6,543**	14,518	**6,428**	14,063
Total minimum finance lease payments	**28,703**	45,888	**27,873**	43,699
Future finance charges	**(830)**	(2,189)		
Total net finance lease payables	**27,873**	43,699		
Portion classified as current liabilities *(note 19)*	**(21,445)**	(29,636)		
Non–current portion *(note 19)*	**6,428**	14,063		

21. SHARE CAPITAL

Shares	**At 30 June 2008 (Unaudited)** ***HK$'000***	At 31 December 2007 (Audited) *HK$'000*
Authorised:		
1,200,000,000 (31 December 2007: 1,200,000,000) ordinary shares of HK$0.1 each	**120,000**	120,000
Issued and fully paid:		
705,800,000 (31 December 2007: 718,425,000) ordinary shares of HK$0.1 each	**70,580**	71,843

The movements in share capital for the period ended 30 June 2008 and year ended 31 December 2007 were as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2007		722,960,000	72,296	352,527	424,823
Share options exercised		165,000	17	103	120
Repurchase of shares	*(a)*	(4,700,000)	(470)	(4,498)	(4,968)
At 31 December 2007 and 1 January 2008		718,425,000	71,843	348,132	419,975
Share options exercised	*(b)*	1,470,000	147	1,000	1,147
Repurchase of shares	*(c)*	(14,095,000)	(1,410)	(11,982)	(13,392)
At 30 June 2008		**705,800,000**	**70,580**	**337,150**	**407,730**

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

(a) The Company repurchased its own shares on the Stock Exchange during 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.

(b) The subscription rights attaching to 1,470,000 share options were exercised during the period ended 30 June 2008 at the subscription price of HK$0.78 per share, resulting in the issue of 1,470,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$1,146,600.

(c) The Company repurchased its own shares on the Stock Exchange during the period ended 30 June 2008. 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.

22. CAPITAL COMMITMENTS

The capital commitments of the Group were as follows:

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Contracted but not provided for:		
Plant and machinery	**95,002**	81,939
Construction in progress	**5,274**	4,849
	100,276	86,788

23. BANK FACILITIES

The Group had aggregate banking facilities of approximately HK$873,595,000 as at 30 June 2008 for term loans, overdrafts and trade financing (31 December 2007: HK$783,327,000).

24. 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 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Guarantees given to an electricity company	**1,081**	1,208

25. 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$0.024 per ordinary share for the six months ended 30 June 2008 (2007 first half: HK$0.020 per ordinary share). The interim dividend will be paid in cash on or around Tuesday, 23 September 2008 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 18 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 September 2008 to Thursday, 18 September 2008 (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 2008, unregistered holders of shares of the Company should ensure that all the share transfer documents of the Company accompanied by the relevant share certificates 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 Friday, 12 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group recorded a 30.5% increase in consolidated turnover to HK$470,491,000. Turnover analysis by product category is shown as follows:

	Six months ended 30 June				
	2008 (Unaudited)		2007 (Unaudited)		Growth
	HK$'000	*%*	*HK$'000*	*%*	*%*
HDD pivot components	**199,507**	**42.4%**	148,495	41.2%	34.4%
HDD spindle motor components	**127,494**	**27.1%**	102,545	28.5%	24.3%
	327,001	**69.5%**	251,040	69.7%	30.3%
Hydraulic equipment components	**88,843**	**18.9%**	74,116	20.6%	19.9%
Automotive components	**34,605**	**7.4%**	15,970	4.4%	116.7%
Others	**20,042**	**4.2%**	19,285	5.3%	3.9%
	470,491	**100%**	360,411	100%	30.5%

The most significant revenue gain during the first half of 2008 came from the increase in sales of HDD components, by 30.3%, as a result of the continuous demand for HDD for work-related use as well as home use. In the workplace, storage in computer hard disks is required for the tremendous amounts of documents generated every day and the home computer is also expected to have ample storage capacity for downloading music, online games and videos. Then, there is also the need to back up and protect private and confidential information using external hard drives. These trends and phenomena all point to bright prospects for suppliers of computer hard drives and network storage solutions and in turn for HDD components manufacturers.

Sales of hydraulic equipment components increased by 19.9% when compared with the first half of 2007, mainly attributable to increased orders from existing customers.

Sales of automotive components rose to HK$34,605,000 in the first half of 2008, up by 116.7%, thanks to the launching of new automotive component projects during the period.

FINANCIAL REVIEW

Gross profit and gross profit margin

	Six months ended 30 June					Year ended 31 December	
	2008		2007			2007	
	(Unaudited)		(Unaudited)			(Audited)	
	HK$'000	***% of turnover***	*HK$'000*	*% of turnover*	*% change*	*HK$'000*	*% of turnover*
Turnover	**470,491**		360,411		30.5%	791,179	
Direct material	**165,808**	**35.2%**	124,718	34.6%	32.9%	290,416	36.7%
Direct labour	**39,244**	**8.3%**	32,795	9.1%	19.7%	66,499	8.4%
Depreciation	**57,412**	**12.2%**	47,674	13.2%	20.4%	104,711	13.2%
Water and electricity	**20,880**	**4.5%**	18,513	5.2%	12.8%	38,065	4.8%
Other manufacturing overheads	**61,905**	**13.2%**	39,793	11.0%	55.6%	88,915	11.3%
	345,249	**73.4%**	263,493	73.1%	31.0%	588,606	74.4%
Gross Profit	**125,242**		96,918		29.2%	202,573	
Gross Profit Margin	**26.6%**		26.9%			25.6%	

The Company uses metals such as stainless steel bars, copper and brass bars, alloy steel bars and aluminum ingots as major materials in manufacturing. During the first half of the year increasing metal costs pushed up direct material costs of the Group notably.

To mitigate the effect of the climbing prices of metal, we improved efficiency and passed some of the burden to end customers. As a result, the percentage of direct material cost to turnover only slightly increased to 35.2% (2007 first half: 34.6%).

With increased orders to meet, we boosted our workforce of 3,998 staff to 4,536 in the first half of 2008. The increase in workforce together with the increase in salary and wages due to inflation in China together pushed up our direct labour costs by 19.7% when compared with the first half of 2007.

As for depreciation costs, a 20.4% increase to HK$57,412,000 (2007 first half: HK$47,674,000) was recorded resulting from continuous investment of the Group in new machinery and equipment.

Water and electricity costs increased by 12.8% as a result of the increase in turnover during the period.

Other manufacturing overheads increased significantly by 55.6% to HK$61,905,000 (2007 first half: HK$39,793,000) mainly due to inflation and higher tooling and factory overhead costs incurred for new projects launched during the period.

Gross profit leaped 29.2% to HK$125,242,000 in the first half of 2008, which is in line with the approximately 30.5% increase in turnover.

Despite the bigger workforce and the introduction of new labour laws in China, and inflation plus in the rising material costs, we was still able to maintain gross profit margin at 26.6%, similar to that of the same period last year, and an improvement of 2.1% when compared to the gross profit margin of 24.5% recorded in the second half of 2007.

Other income and gains

Other income and gains recorded in the first half of 2008 mainly comprised bank interest income and sundry income totalling HK$3,403,000. The Company did not make any exchange gain during the period as the US dollar was weak against the Japanese Yen and Renminbi. In the first half of 2007, the Company had an exchange gain of HK$5,872,000.

Selling and distribution costs

Selling and distribution costs mainly comprised freight costs, courier costs and sales and marketing costs. During the period under review, selling and distribution costs increased by 23.3% to HK$11,165,000, as a result of the increase in turnover by 30.5%.

Administrative expenses

Administrative expenses included mainly staff overheads, directors' remuneration, staff welfare, general depreciation and general overhead costs. Administrative expenses for the period increased by 35.0% to HK$37,885,000, mainly attributable to the increase in headcount and inflation pushing up staff costs.

Other expenses

Other expenses increased significantly with the Company incurring an exchange loss of HK$5,465,000 in the first half of 2008 versus it making an exchange gain in the first half of 2007.

Finance costs

For the first half of 2008 the Company incurred finance costs of HK$10,832,000 as compared to HK$12,202,000 for the first half of 2007. The drop in finance costs was attributable to the general decrease in interest rates and the Company's ability in securing lower cost of funding.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased to HK$57,053,000 for the period under review, compared to HK$50,458,000 in the previous corresponding period. Net profit margin dropped slightly to 12.0% when compared to 12.8% recorded in the second half of 2007 and 14.0% in the first half of 2007.

Financial position, cash flow and borrowings

Net cash inflow from operating activities increased significantly to HK$77,898,000, compared to HK$20,260,000 as recorded in the first half of 2007. The Company paid HK$56,143,000 for the acquisition of new machinery and equipment in the first half of 2008 (2007 first half: HK$126,734,000) and recorded a free cash flow of HK$22,888,000 in the first half of 2008.

The Company secured a four-year syndication loans in June 2008 amounting to HK$225,000,000 to strengthen its working capital. The Company bought back 14,095,000 shares from the open market during the first half of 2008.

Total bank borrowings as of 30 June 2008 increased by 21.0% to HK$603,809,000 (2007 first half: 498,966,000). However, net debt to equity dropped to 32.2% when compared to 34.8% at 31 December 2007.

The Company maintained cash and cash equivalents of HK$273,234,000 as of 30 June 2008 (31 December 2007: HK$235,049,000).

Treasury activities, currency exposure and management

Majority of the Group's cash is held in Hong Kong dollar time 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.

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" services to global customers. The amount of capital commitments contracted but not provided for was HK$100,276,000 as at 30 June 2008 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 4,536 as at 30 June 2008, an increase of 13.5% when compared to 3,998 employees as at 31 December 2007. Staff costs (excluding directors' emoluments) amounted to HK$56,122,000 in the first half of 2008 (2007 first half: HK$44,161,000). Employees are offered competitive salaries with bonuses awarded on performance basis.

PROSPECTS

We delivered solid top-line results in the first half of 2008 despite slowdown of the global economy. We expect to see continuous growth for all our three main business segments in the second half of the year.

We added new machinery and equipment worth HK$147,636,000 in the first half of 2008 and expect most of these to be installed and start contributing revenue in the second half of the year.

The Board had decided to expand the Group's production facilities in Bangkok to support the new automotive and hydraulic division. The new Bangkok production facilities are expected to be completed by the end of year 2009.

We will continue to monitor the changing global macroeconomic conditions and will rebalance spending and re-position our businesses accordingly to maintain a health growth of earning and cash inflow. We remain committed to executing our growth strategy, including continuing to invest in core technologies and expanding business coverage worldwide. We are capable of offering a broad range of components and solutions to the agricultural equipment, lifting equipment, construction equipment, auto, hard drive and consumer electronics markets and aspire to be a leader in the precision components industry not just in China, but globally.

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

The Company repurchased its 14,095,000 listed shares on the Stock Exchange during the six months ended 30 June 2008. Such shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by HK$1,410,000, the nominal value of these shares.

Details of the repurchase of shares during the six months ended 30 June 2008 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Repurchase price per share Highest**	**Lowest**	**Aggregate consideration**
		HK$	*HK$*	*HK$'000*
January 2008	3,380,000	1.03	0.85	3,096
February 2008	3,465,000	0.99	0.88	3,191
March 2008	2,750,000	0.94	0.86	2,490
April 2008	180,000	0.93	0.90	164
May 2008	2,055,000	1.07	0.93	2,109
June 2008	2,265,000	1.08	1.00	2,342
	14,095,000			13,392

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 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 Mr. Chui's taking up of both roles 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, the structure 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 2008.

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 2008.

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 2008.

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, 26 August 2008

As at the date of this announcement, the executive directors of the Company 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 of the Company is Mr. Ng Kin Nam; and the independent non-executive directors of the Company are Dr. Cheng Ngok, Mr. Choi Hon Ting, Derek and Mr. Wu Karl Kwok.