

# IPE GROUP LIMITED

(Incorporated in the Cayman Islands with Limited Liability)  
(Stock Code: 0929)

Interim Report 2008



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chui Siu On (*Chairman and Managing Director*)

Mr. Ho Yu Hoi

Mr. Lai Man Kit

Mr. Li Chi Hang

Mr. Wong Kwok Keung

### Non-Executive Director

Mr. Ng Kin Nam (*Vice Chairman*)

### Independent Non-Executive Directors

Dr. Cheng Ngok

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

## COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Wan Tak Wing, Gary (FCPA)

## AUDIT COMMITTEE

Dr. Cheng Ngok (*Chairman*)

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

## REMUNERATION COMMITTEE

Mr. Chui Siu On (*Chairman*)

Mr. Lai Man Kit

Dr. Cheng Ngok

Mr. Choi Hon Ting, Derek

Mr. Wu Karl Kwok

## PRINCIPAL BANKERS

Bangkok Bank Public Company Limited

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

Standard Chartered Bank (Hong Kong) Limited

United Overseas Bank Limited

## LEGAL ADVISERS TO THE COMPANY

Michael Li & Co

## AUDITORS

Ernst & Young

*Certified Public Accountants*

## LISTING VENUE

Main Board of The Stock Exchange of Hong Kong Limited

## STOCK CODE

0929

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## GROUP HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yue Hu Cun

Zengcheng, Guangzhou

Guangdong Province, the PRC

Post code: 511335

Tel: (86) 20 8294 5929

Fax: (86) 20 8294 6929

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Block E1

Hoi Bun Industrial Building

No. 6 Wing Yip Street

Kwun Tong, Kowloon

Hong Kong

Tel: (852) 2688 5920

Fax: (852) 2688 6155

## PRINCIPAL PLACE OF BUSINESS IN MACAU

Alameda Dr. Calos D' Assumpcao,

No. 398, 9 Andar F, Macau

Tel: (853) 2875 0516

Fax: (853) 2875 0515

## PRINCIPAL PLACE OF BUSINESS IN THAILAND

99/1 Mu Phaholyothin Road, Sanubtueb,

Wangnoi, Ayutthaya 13170, Thailand

Tel: (66) 3572 3333

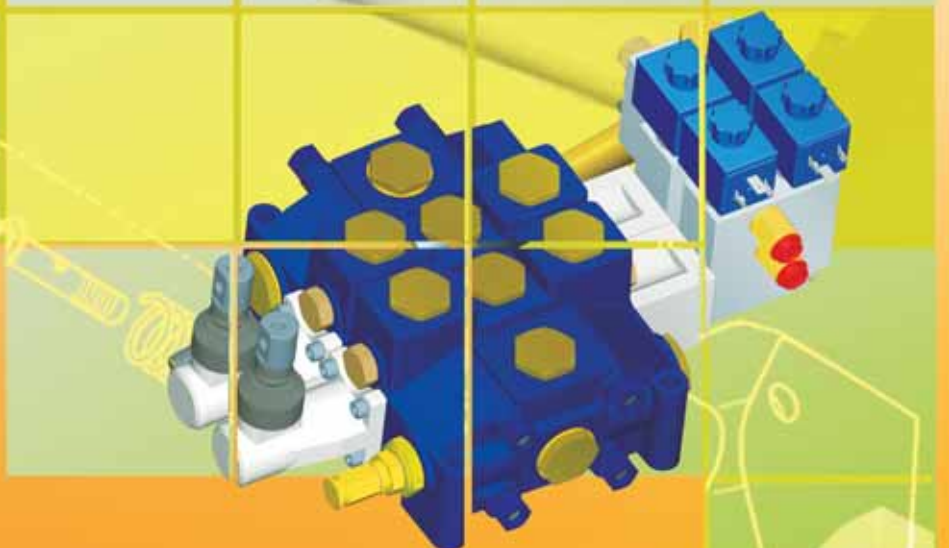
Fax: (66) 3572 3003

## WEBSITE

<http://www.ipegroup.com>

# CONTENT

Financial Calendar and Shareholder Information	2
Corporate Profile	3
Group Structure	4
Corporate Milestone	5
Financial Highlights	6
Management Discussion and Analysis	13
Prospects	18
Directors and Senior Management	19
Other Information	22
Condensed Consolidated Income Statement	30
Condensed Consolidated Balance Sheet	31
Condensed Consolidated Statement of Changes in Equity	32
Condensed Consolidated Cash Flow Statement	33
Notes to Condensed Consolidated Financial Statements	34



## FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

### FINANCIAL CALENDAR

2008 Interim dividend payable date	23 September 2008
Closure of register of members	16 September 2008 to 18 September 2008 (both days inclusive)
Listing date	1 November 2004

### SHAREHOLDER INFORMATION

Company Name	IPE Group Limited
Listing Venue	Main Board of The Stock Exchange of Hong Kong Limited
Stock code	0929
Business Classification	Industrials
Listing Date & Price	1 November 2004/HK\$0.77 per share
Financial Year End	31 December
Trading Currency	HK Dollar
Number of Authorized Shares	1,200,000,000
Number of Issued Shares as at 26 August 2008	704,825,000
Par Value	HK\$0.10 per share
Board Lot	5,000
Principal Share Registrar and Transfer Office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street, P.O. Box 705, Grand Cayman, KY1-1107, Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong Tel: (852) 2862 8628 Fax: (852) 2865 0990 Website: <a href="http://www.computershare.com">http://www.computershare.com</a>
Corporate Communication	Strategic Financial Relations Limited Unit A, 29/F, Admiralty Centre 1, 18 Harcourt Road, Hong Kong Tel: (852) 2527 0490 Fax: (852) 2804 2789 Website: <a href="http://www.sprg.com.hk">http://www.sprg.com.hk</a>

## CORPORATE PROFILE

IPE Group Limited (the “Company” or “IPE”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2002. The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of high precision metal components.

The Group started its high precision components business in 1990 in Singapore and has now developed into a multinational corporation with production plants located in the Mainland China and Thailand. By using specialised computer numerical controlled turning machines and other auxiliary machinery and equipment, the Group produces high precision metal components and assembled parts used in hard disk drives (“HDD”), hydraulic equipment, automotive parts, electronic and other devices.

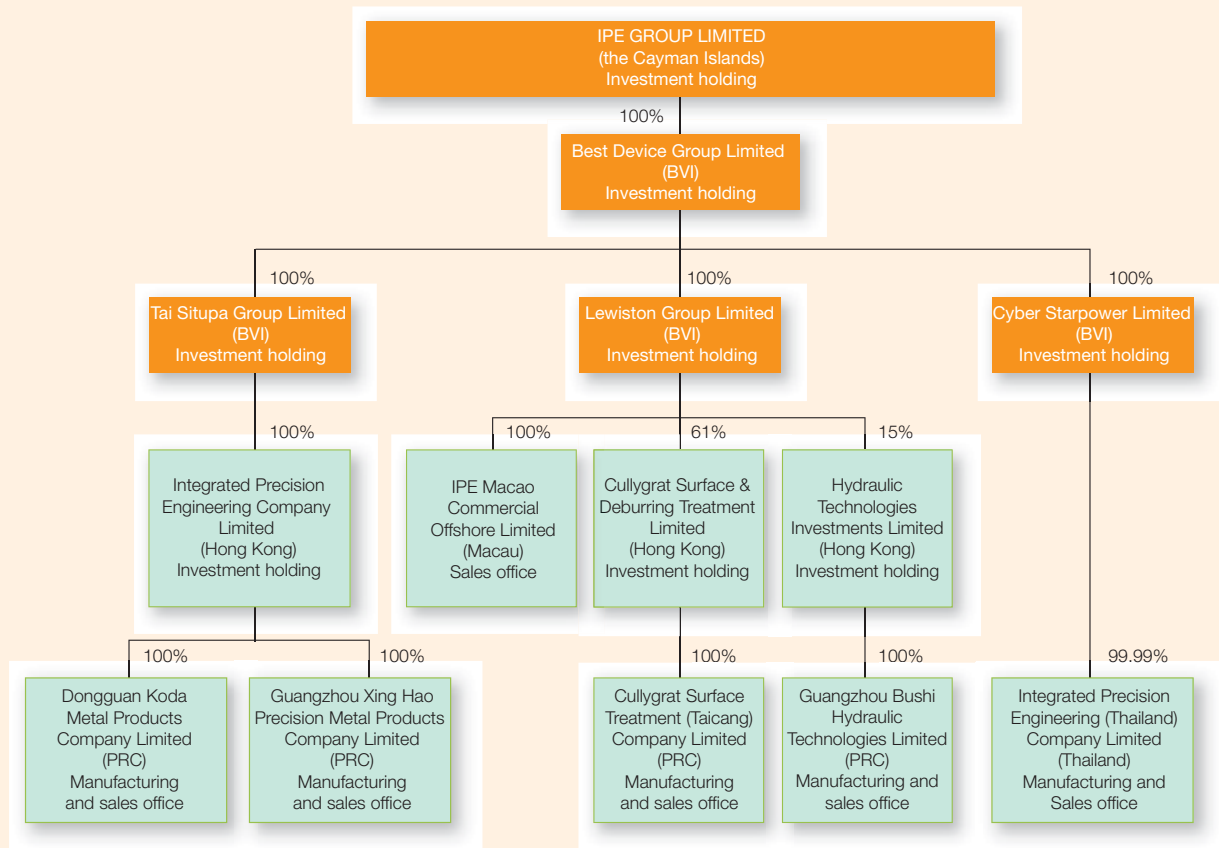
The Group’s highly valued customers are top-tier multinational corporations in the information technology, fluid power, automotive and household electronic sectors where optimal precision is vital. With these long term business partners, the Group has grown steadily to become a listed company on the Main Board of The Stock Exchange of Hong Kong Limited on 1 November 2004 (Stock Code: 0929). As at 30 June 2008, the Group had a workforce of 4,536 employees.

Apart from supplying high volume precision components according to customer specifications, we are providing solutions to our global partners and working very closely with them in implementing new projects. Such projects typically take longer time to come to fruition as they involve development of many metal and plastic parts, and electronic circuits and the necessary know-how in final assembly and testing of the assembled device before shipment to the end customers can take place. The Group has developed a team of high caliber engineers which are able to provide solutions to our global partners.

The Group has also established strategic business partnerships in the form of joint ventures and technical cooperation, with experts from hydraulic industry and metal surface treatment industry which have helped to strengthen our core competences and make sure we stay ahead of our competitors all times.

# GROUP STRUCTURE

Principal subsidiaries and the joint venture of the Company as at 30 June 2008



## CORPORATE MILESTONE

**2008**

Integrated Precision Engineering (Thailand) Co., Ltd (“IPE Thailand”) was accredited with TS16949 certification

**2003**

Acquired additional land of 166,667 square metres to enlarge production facilities of Xing Hao and construction of the new Guangzhou plant commenced

**2007**

IPE (Thailand) accredited with ISO14001:2004

Participated in the Sino-Italian joint venture, Hydraulic Technologies Investments Limited and its wholly owned subsidiary, Guangzhou Bushi Hydraulic Technologies Limited, which is engaged in the assembly of hydraulic valves and devices in China. IPE Group owns 15% interests in this joint venture

**2002**

IPE (Thailand)’s production facility was accredited ISO 9001 certification

The production facility of Dongguan Koda Metal Products Company Limited was accredited ISO 9001 and QS 9000 certifications

Established Xing Hao in Mainland China

**2006**

Guangzhou Xing Hao Precision Metal Products Company Limited (“Xing Hao”) was accredited TS16949 certification

**1997**

Established IPE (Thailand) in Ayutthaya, Thailand

Integrated Precision Engineering Pte. Ltd. (“IPE (Singapore)”) was awarded the “Top 50 outstanding enterprise” by the Singapore Government

**2005**

Qualified by Bosch, Delphi, Siemens VDO and TRW as a qualified automotive components vendor

Xing Hao Factory Phase 1 was put into operation in March 2005

**1994**

Established Integrated Precision Engineering Company Limited in Hong Kong

**2004**

Established IPE Macao Commercial Offshore Limited in Macau

Listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 November 2004

**1990**

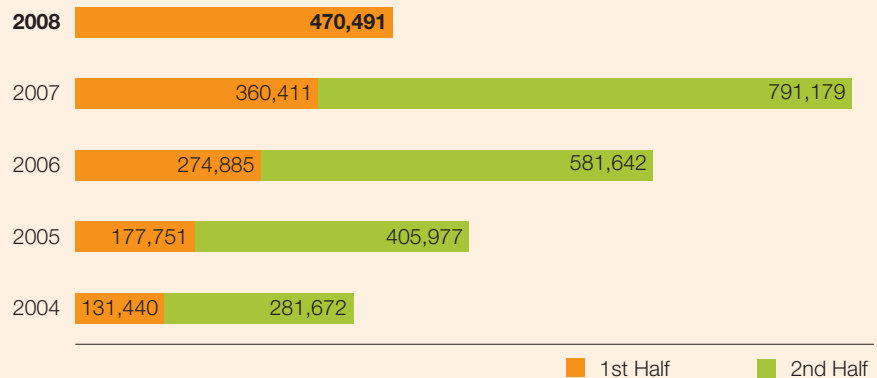
Established IPE (Singapore) in Singapore

## FINANCIAL HIGHLIGHTS

## Revenue

+30.5%  
HK\$470 million

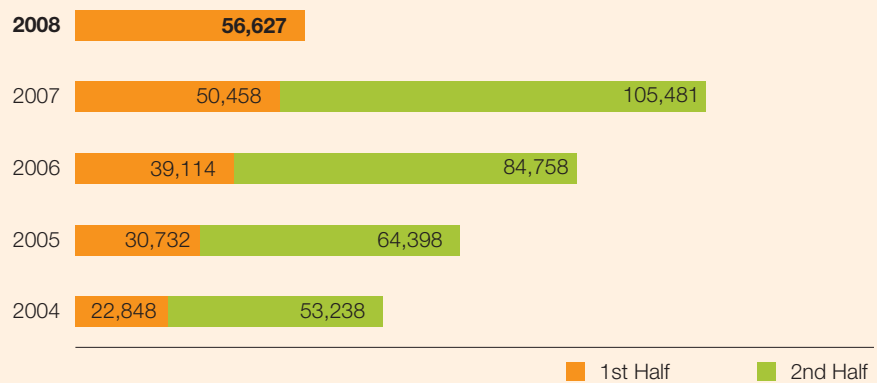
(HK\$'000)



## Profit for the period

+12.2%  
HK\$57 million

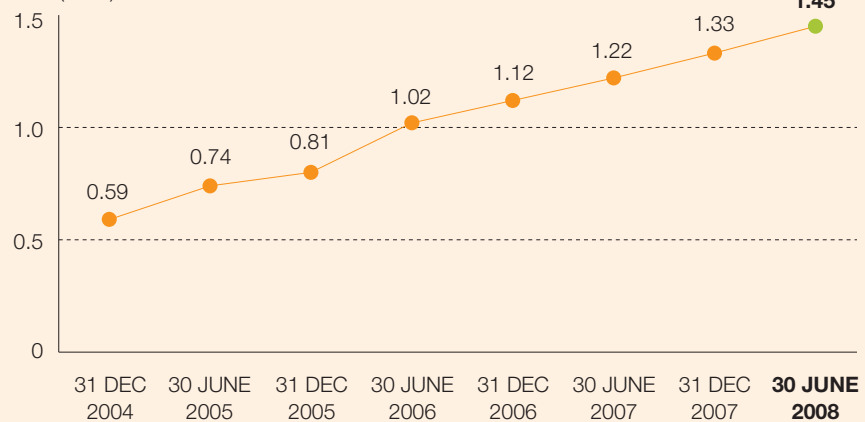
(HK\$'000)



## Net asset per share

HK\$1.45

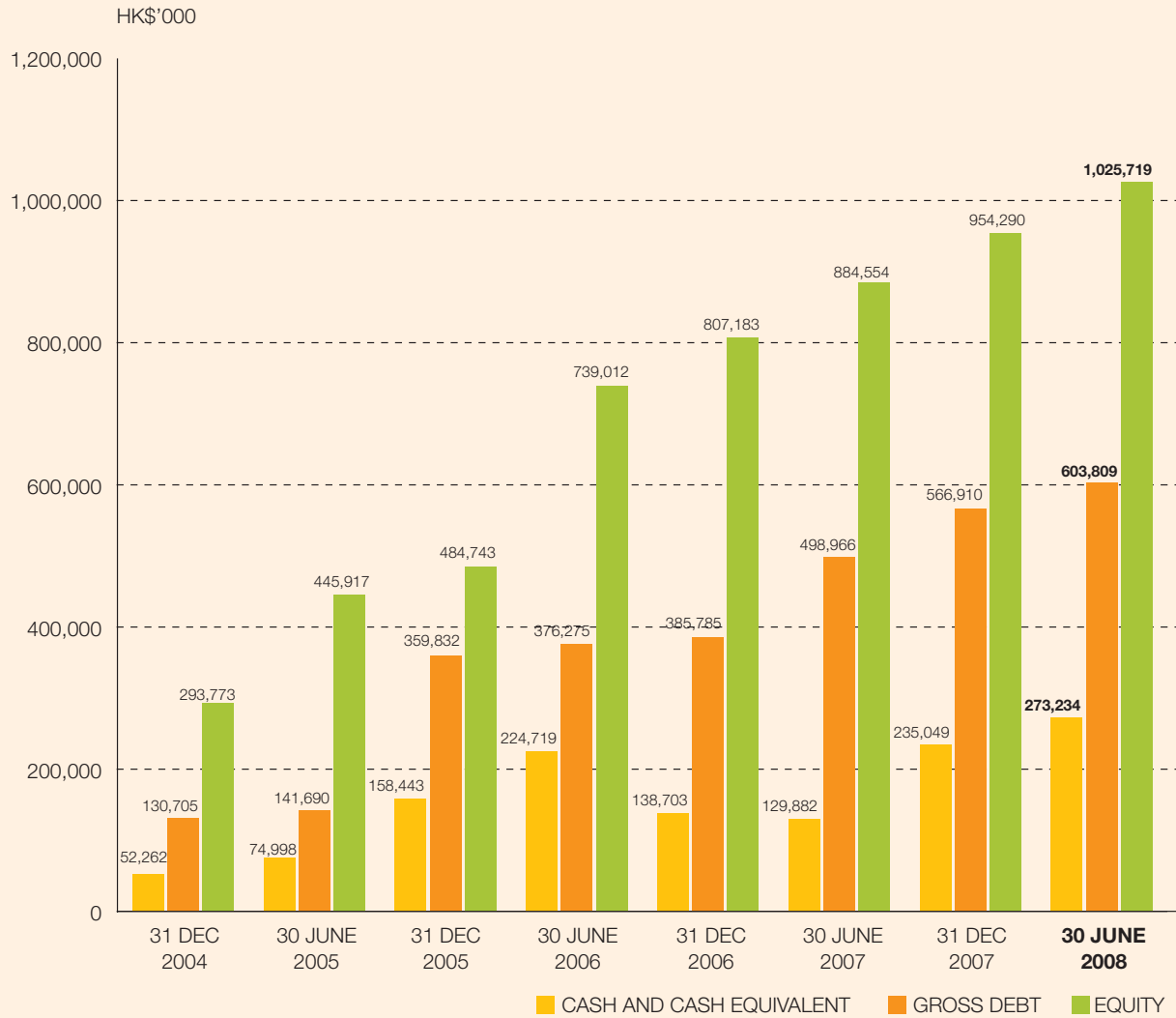
(HK\$)



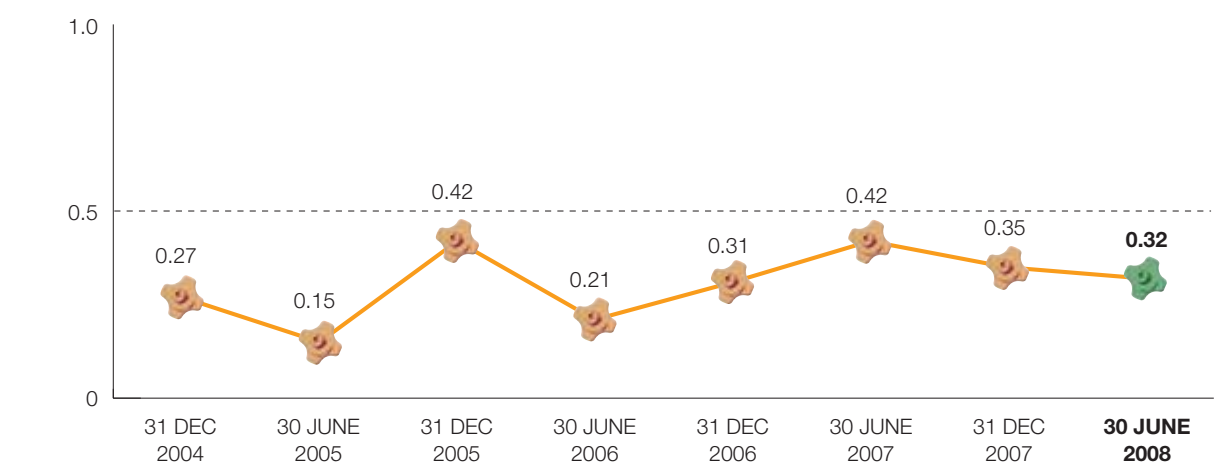


# FINANCIAL HIGHLIGHTS

## EQUITY, DEBT AND CASH AND CASH EQUIVALENT (HK\$'000)



## NET DEBT TO EQUITY RATIO



## FINANCIAL HIGHLIGHTS

## HALF YEARLY RESULTS BREAKDOWN ANALYSIS

	1H 2008		2H 2007		1H 2007		2H 2006		1H 2006	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
REVENUE	470,491	100%	430,768	100%	360,411	100%	306,757	100%	274,885	100%
Cost of sales										
Direct material	(165,808)	35%	(165,698)	38%	(124,718)	35%	(112,654)	37%	(81,447)	30%
Direct labour	(39,244)	8%	(33,704)	8%	(32,795)	9%	(27,497)	9%	(21,221)	8%
Depreciation	(57,412)	12%	(57,037)	13%	(47,674)	13%	(33,950)	11%	(30,238)	11%
Water & electricity	(20,880)	5%	(19,552)	5%	(18,513)	5%	(18,123)	6%	(14,823)	5%
Other manufacturing overheads	(61,905)	13%	(49,122)	11%	(39,793)	11%	(33,338)	11%	(38,136)	14%
	<b>(345,249)</b>	<b>73%</b>	<b>(325,113)</b>	<b>75%</b>	<b>(263,493)</b>	<b>73%</b>	<b>(225,562)</b>	<b>74%</b>	<b>(185,865)</b>	<b>68%</b>
Gross profit	125,242	27%	105,655	25%	96,918	27%	81,195	26%	89,020	32%
Other income and gains	3,403	1%	18,738	4%	6,958	2%	15,210	5%	6,144	2%
Selling and distribution costs	(11,165)	3%	(9,675)	2%	(9,055)	3%	(9,377)	3%	(7,365)	3%
Administrative expenses	(37,885)	8%	(34,455)	8%	(28,065)	8%	(25,573)	8%	(27,684)	10%
Other expenses	(7,380)	2%	(3,392)	1%	(3,371)	1%	(5,969)	2%	(2,955)	1%
Finance costs	(10,832)	2%	(15,221)	4%	(12,202)	3%	(11,377)	4%	(12,120)	4%
<b>PROFIT BEFORE TAX</b>	<b>61,383</b>	<b>13%</b>	<b>61,650</b>	<b>14%</b>	<b>51,183</b>	<b>14%</b>	<b>44,109</b>	<b>14%</b>	<b>45,040</b>	<b>16%</b>
Tax	(4,756)	1%	(6,627)	1%	(725)	0%	1,535	1%	(5,926)	2%
<b>PROFIT FOR THE PERIOD</b>	<b>56,627</b>	<b>12%</b>	<b>55,023</b>	<b>13%</b>	<b>50,458</b>	<b>14%</b>	<b>45,644</b>	<b>15%</b>	<b>39,114</b>	<b>14%</b>

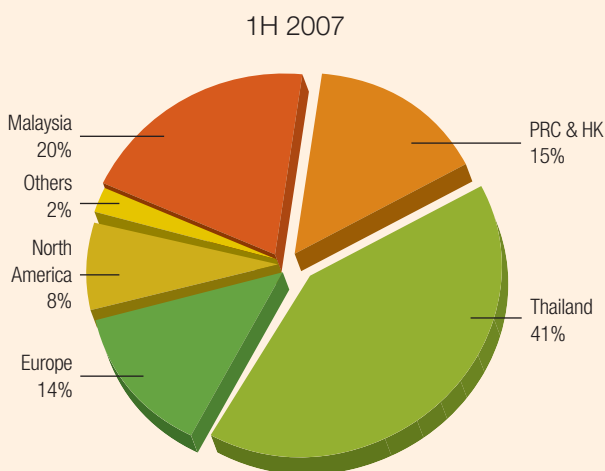
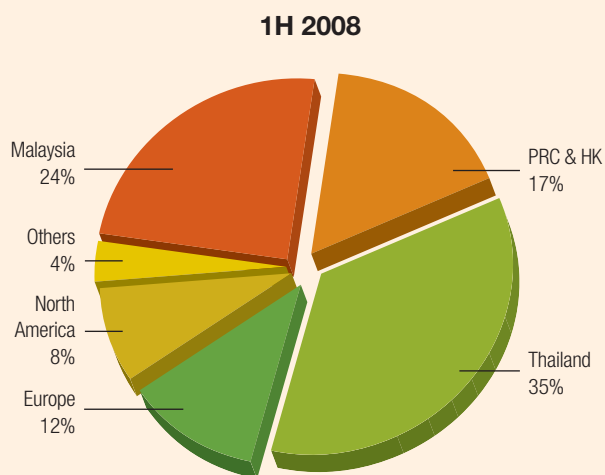
## HALF YEARLY TURNOVER AND SEGMENT INFORMATION

	1H 2008		2H 2007		1H 2007		2H 2006		1H 2006	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
HDD pivot components	199,507	43%	166,646	38%	148,495	41%	174,579	57%	140,684	51%
HDD spindle motor components	127,494	27%	115,465	27%	102,545	29%	72,222	24%	80,343	29%
HDD components	327,001	70%	282,111	65%	251,040	70%	246,801	81%	221,027	80%
Hydraulic equipment components	88,843	19%	91,816	21%	74,116	21%	45,792	15%	45,359	17%
Automotive components	34,605	7%	28,395	7%	15,970	4%	9,577	3%	1,675	1%
Others	20,042	4%	28,446	7%	19,285	5%	4,587	1%	6,824	2%
	<b>470,491</b>	<b>100%</b>	<b>430,768</b>	<b>100%</b>	<b>360,411</b>	<b>100%</b>	<b>306,757</b>	<b>100%</b>	<b>274,885</b>	<b>100%</b>

# FINANCIAL HIGHLIGHTS

## GEOGRAPHICAL SEGMENTS SUMMARY

	1H 2008		2H 2007		1H 2007		2H 2006		1H 2006	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Thailand	165,436	35%	172,739	40%	147,998	41%	139,601	46%	134,558	49%
Malaysia	112,891	24%	83,628	19%	71,657	20%	66,752	22%	64,754	24%
Mainland China and Hong Kong	79,385	17%	46,086	11%	55,816	15%	28,200	9%	25,765	9%
North America	39,828	8%	40,699	10%	27,934	8%	14,605	5%	11,965	4%
Europe	55,488	12%	61,783	14%	48,817	14%	34,502	11%	31,469	12%
Other countries	17,463	4%	25,833	6%	8,189	2%	23,097	7%	6,374	2%
<b>Total</b>	<b>470,491</b>	<b>100%</b>	<b>430,768</b>	<b>100%</b>	<b>360,411</b>	<b>100%</b>	<b>306,757</b>	<b>100%</b>	<b>274,885</b>	<b>100%</b>



## FINANCIAL HIGHLIGHTS

## HALF YEARLY CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	1H 2008 HK\$'000	2H 2007 HK\$'000	1H 2007 HK\$'000	2H 2006 HK\$'000	1H 2006 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>77,898</b>	119,893	20,260	56,545	16,802
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment	(56,143)	(62,884)	(126,734)	(138,772)	(158,896)
Proceeds from disposal of property, plant and equipment	1,133	1,463	724	551	190
Investment in an unlisted equity investment	-	-	-	(150)	-
Net cash outflow from investing activities	(55,010)	(61,421)	(126,010)	(138,371)	(158,706)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares	-	-	-	-	224,400
Share issue expenses	-	-	-	-	(12,073)
Repurchase of shares	(13,392)	(4,900)	(68)	(1,032)	-
Share options exercised	1,147	69	51	-	2,400
New bank loans and other borrowings	255,000	188,326	175,229	71,432	64,637
Repayment of bank loans and other borrowings	(198,024)	(95,504)	(66,694)	(44,441)	(41,166)
Capital element of finance lease rental payments	(15,826)	(15,269)	(15,537)	(16,628)	(14,888)
Dividends paid	(16,991)	(14,459)	(13,013)	(10,857)	(13,028)
Net cash inflow/(outflow) from financing activities	11,914	58,263	79,968	(1,526)	210,282
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>34,802</b>	116,735	(25,782)	(83,352)	68,378
Cash and cash equivalents at beginning of period	233,950	115,758	138,670	221,415	152,340
Effect of foreign exchange rate changes, net	4,427	1,457	2,870	607	697
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>273,179</b>	233,950	115,758	138,670	221,415

## FINANCIAL HIGHLIGHTS

## CONDENSED CONSOLIDATED BALANCE SHEET SUMMARY

	At 30 June 2008 (Unaudited) HK\$'000	At 31 Dec 2007 (Audited) HK\$'000	At 30 June 2007 (Unaudited) HK\$'000	At 31 Dec 2006 (Audited) HK\$'000	At 30 June 2006 (Unaudited) HK\$'000
<b>NON-CURRENT ASSETS</b>	<b>1,124,010</b>	1,004,138	960,854	891,623	811,436
<b>CURRENT ASSETS</b>					
Inventories	237,196	198,232	200,443	196,094	146,642
Trade receivables	247,351	233,704	208,483	166,993	148,974
Derivative financial instruments	–	69	270	–	25
Prepayments, deposits and other receivables	28,347	14,407	15,790	12,970	21,610
Cash and cash equivalents	273,234	235,049	129,882	138,703	224,719
Total current assets	786,128	681,461	554,868	514,760	541,970
<b>CURRENT LIABILITIES</b>					
Trade and bills payables	117,657	95,576	63,722	97,382	78,861
Other payables and accruals	152,294	60,287	61,990	109,039	149,417
Tax payable	8,272	6,073	2,190	4,304	2,033
Derivative financial instruments	478	292	1,459	946	494
Interest-bearing bank and other borrowings	278,307	364,484	291,901	166,121	132,925
Total current liabilities	557,008	526,712	421,262	377,792	363,730
<b>NET CURRENT ASSETS</b>	<b>229,120</b>	154,749	133,606	136,968	178,240
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,353,130</b>	1,158,887	1,094,460	1,028,591	989,676
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing bank and other borrowings	325,502	202,426	207,065	219,664	243,350
Deferred tax liabilities	1,909	2,171	2,841	1,744	7,314
Total non-current liabilities	327,411	204,597	209,906	221,408	250,664
	<b>1,025,719</b>	954,290	884,554	807,183	739,012

## FINANCIAL HIGHLIGHTS

## RATIO ANALYSIS

	1H 2008	2H 2007	1H 2007	Year ended 31 December		
				2007	2006	2005
<b>FINANCIAL POSITION:</b>						
Net current assets	<b>HK\$229 M</b>	HK\$155 M	HK\$134 M	HK\$155 M	HK\$137 M	HK\$16 M
Shareholders' fund	<b>HK\$1,026 M</b>	HK\$954 M	HK\$885 M	HK\$954 M	HK\$807 M	HK\$485 M
Net assets per share (HK\$)	<b>1.45</b>	1.33	1.22	1.33	1.12	0.81
<b>GEARING:</b>						
Total interest-bearing bank and other borrowings	<b>HK\$604 M</b>	HK\$567 M	HK\$499 M	HK\$567 M	HK\$386 M	HK\$360 M
Cash & cash equivalents	<b>HK\$273 M</b>	HK\$235 M	HK\$130 M	HK\$235 M	HK\$139 M	HK\$158 M
Net borrowings	<b>HK\$331 M</b>	HK\$332 M	HK\$369 M	HK\$332 M	HK\$247 M	HK\$202 M
Net debt-to-equity ratio	<b>0.32</b>	0.35	0.42	0.35	0.31	0.42
<b>KEY STATISTICS:</b>						
Gross profit margin	<b>26.6%</b>	24.5%	26.9%	25.6%	29.3%	30.5%
EBITDA margin	<b>28.8%</b>	32.4%	32.1%	32.2%	32.5%	31.0%
Net profit margin	<b>12.0%</b>	12.8%	14.0%	13.3%	14.6%	15.9%
Return on shareholders' equity	<b>5.6%</b>	6.0%	5.7%	12.0%	13.1%	16.5%
Current ratio	<b>1.41</b>	1.29	1.32	1.29	1.36	1.04
Days of inventory turnover (including raw materials, consumables, WIP and finished goods)	<b>115 days</b>	122 days	137 days	122 days	143 days	117 days
Days of inventory turnover (raw materials and consumables only)	<b>67 days</b>	71 days	75 days	71 days	77 days	57 days
Days of inventory turnover (WIP only)	<b>31 days</b>	33 days	45 days	35 days	52 days	45 days
Days of inventory turnover (finished goods only)	<b>17 days</b>	18 days	18 days	16 days	14 days	14 days
Average days of debtor turnover	<b>93 days</b>	92 days	95 days	92 days	92 days	91 days
<b>PER SHARE DATA:</b>						
Earnings per share – basic	<b>HK8.0 cents</b>	HK7.6 cents	HK7.0 cents	HK14.61 cents	HK12.40 cents	HK11.36 cents
Earnings per share – diluted	<b>HK8.0 cents</b>	HK7.6 cents	HK6.9 cents	HK14.47 cents	HK12.11 cents	HK10.63 cents

## 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	<b>199,507</b>	<b>42.4%</b>	148,495	41.2%	34.4%
HDD spindle motor components	<b>127,494</b>	<b>27.1%</b>	102,545	28.5%	24.3%
	<b>327,001</b>	<b>69.5%</b>	251,040	69.7%	30.3%
Hydraulic equipment components	<b>88,843</b>	<b>18.9%</b>	74,116	20.6%	19.9%
Automotive components	<b>34,605</b>	<b>7.4%</b>	15,970	4.4%	116.7%
Others	<b>20,042</b>	<b>4.2%</b>	19,285	5.3%	3.9%
	<b>470,491</b>	<b>100%</b>	360,411	100%	30.5%



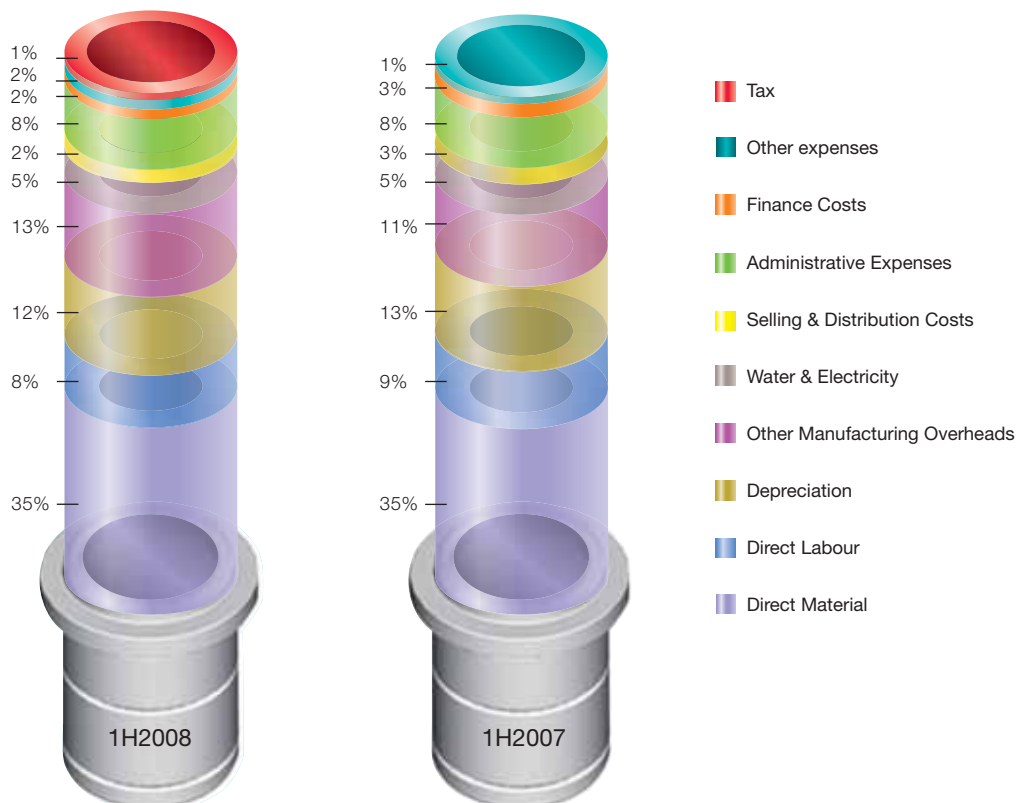
## MANAGEMENT DISCUSSION AND ANALYSIS

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.

### Cost and Expenses Analysis (% of Revenue)





# MANAGEMENT DISCUSSION AND ANALYSIS

## 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	<b>470,491</b>		360,411		30.5%	791,179	
Direct material	<b>165,808</b>	<b>35.2%</b>	124,718	34.6%	32.9%	290,416	36.7%
Direct labour	<b>39,244</b>	<b>8.3%</b>	32,795	9.1%	19.7%	66,499	8.4%
Depreciation	<b>57,412</b>	<b>12.2%</b>	47,674	13.2%	20.4%	104,711	13.2%
Water and electricity	<b>20,880</b>	<b>4.5%</b>	18,513	5.2%	12.8%	38,065	4.8%
Other manufacturing overheads	<b>61,905</b>	<b>13.2%</b>	39,793	11.0%	55.6%	88,915	11.3%
	<b>345,249</b>	<b>73.4%</b>	263,493	73.1%	31.0%	588,606	74.4%
Gross Profit	<b>125,242</b>		96,918		29.2%	202,573	
Gross Profit Margin	<b>26.6%</b>		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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors

**Mr. Chui Siu On**, aged 48, is the Chairman, an executive and managing director and the chairman of both the executive committee and remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, he is the director and shareholder of Tottenhill Limited, the controlling shareholder of the Company. Mr. Chui is one of the founders of the Group. He is responsible for the overall strategic planning of the Group and establishes operational objectives and assignments. He has over 32 years of experience in the field of mechanical engineering and precision automation and has extensive experience in design and manufacture of automation equipment, precision mechanical components and machinery parts. He is the elder brother of Mr. Chui Siu Hung, the Deputy General Manager of Guangzhou Xing Hao Precision Metal Products Company Limited, a wholly owned subsidiary of the Group. Mr. Chui also holds positions in the following associations:

Association	Position
Guangdong Chamber of Foreign Investors (廣東外商公會)	Director
Guangdong Commercial Chamber of High-Technology Estate (廣東高科技產業商會)	Vice Chairman

**Mr. Ho Yu Hoi, Mark**, aged 44, is an executive director and a member of the executive committee of the Company and a director of certain subsidiaries of the Company. Besides, he is a director and shareholder of Tottenhill Limited, the controlling shareholder of the Company. He joined the Group in 1992 and has 25 years of experience in the field of computer aided design and manufacturing. Mr. Ho is currently responsible for overall marketing strategies and implementation of the strategic plans and goals of the Group. He also oversees the personnel and administration affairs of the Group.

**Mr. Lai Man Kit**, aged 48, is an executive director and a member of both the executive committee and remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, he is a director and shareholder of Tottenhill Limited, the controlling shareholder of the Company. Mr. Lai joined the Group in 1992 and is currently based in Mainland China headquarters responsible for the overall management of the production facilities in Mainland China. He has 33 years of experience in the field of machine augmentation and manufacturing automation.

**Mr. Li Chi Hang**, aged 38, is an executive director and a member of the executive committee of the Company and a director of certain subsidiaries of the Company. Besides, he is a director and shareholder of Tottenhill Limited, the controlling shareholder of the Company. Mr. Li joined the Group in 1992 and is currently based in Mainland China headquarters responsible for the Group's product development and new projects implementation. He has over 19 years of experience in the field of machine augmentation and manufacturing automation.

**Mr. Wong Kwok Keung**, aged 45, is an executive director and a member of the executive committee of the Company. He joined the Group in 1996 and is now responsible for the Group's new projects implementation and handling all technical issues arising from daily operation. He completed his study in Haking Wong Technical Institute in 1982 and has over 28 years of experience in the manufacturing industry.

## DIRECTORS AND SENIOR MANAGEMENT

### Non-Executive Director

**Mr. Ng Kin Nam**, aged 49, is a non-executive director and the Vice Chairman and a director of certain subsidiaries of the Company. Besides, he is a director and shareholder of Tottenhill Limited, the controlling shareholder of the Company. He joined the Group in 1990. Mr. Ng does not involve in the day-to-day management of the Group. He has 33 years of experience in the electrical product manufacturing industry and is the founder of "Reputed Industrial Company Limited", a manufacturer of connectors for electronic devices. Mr. Ng has been an executive director of Peaktop International Holdings Limited (Stock Code: 925), a company listed on the Main Board of the Stock Exchange engaging in design, manufacture and sale of decorative products, since August 2002. He also holds positions in a number of associations as follows:

Association	Position
Eastern District Industries & Commerce Association (東區工商業聯會)	Honorable President
Jin Jiang Clans Association (H.K.) Limited (香港晉江同鄉會有限公司)	Life Honorable President
Ng Clan's Association (香港吳氏宗親總會)	Vice President
The Hong Kong Fujian Charitable Education Fund (香港福建希望工程基金會)	Honorable President
Guangdong Chamber of Foreign Investors (廣東外商公會)	Director

### Independent Non-Executive Directors

**Dr. Cheng Ngok**, aged 62, is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of the Company. He joined the Group in 2003. Dr. Cheng graduated from the National Taiwan University with a Bachelor of Science degree in Medical Technology in 1970 and then obtained a Doctor degree of Medicine, Surgery and Obstetrics, a Diploma certification in Orthopaedic Surgery and a PH.D. degree (Doctor of Biomedical Science) from Catholic University of Leuven, Belgium in 1978, 1983 and 1984 respectively. After graduation, he worked as an Orthopaedic Surgeon in Europe between 1978 and 1984. Then, he returned to Hong Kong and took up the position of a lecturer in the Department of Orthopaedics and Traumatology in the Chinese University of Hong Kong until 1986. Dr. Cheng has been a member of the Hospital Governing Committee of Alice Ho Miu Ling Nethersole Hospital since April 1997 and a member of the Cluster Tender Board in New Territories East Cluster, Hospital Authority since 2003. In addition, he is also a medical practitioner in Hong Kong and holds directorship in two private companies engaging in medical diagnostic laboratory and manufacturing of medical devices.

**Mr. Choi Hon Ting, Derek**, aged 39, is an independent non-executive director and a member of both the audit committee and remuneration committee of the Company. He joined the Group in 2004. Mr. Choi graduated from Purdue University in the US with a Bachelor degree in Engineering in Food Processing in 1991. After graduation, he worked as project manager, deputy general manager and executive director of Balama Prima Engineering Company Limited, the businesses of which included highway construction, underground construction and environmental engineering. He was a director of C&C Technology Inc. (a company listed on the Toronto Stock Exchange). Mr. Choi was also a former vice-chairman, chairman and executive secretary of the China Hong Kong Society for Trenchless Technology. Mr. Choi was elected as executive sub-committee member of International Society for Trenchless Technology in 2004.

**Mr. Wu Karl Kwok**, aged 44, is an independent non-executive director and a member of both the audit committee and remuneration committee of the Company. He joined the Group in 2004. Mr. Wu holds a Bachelor of Arts degree in business administration from the University of Washington and is a Certified Public Accountant (USA). He has over 20 years of international working experience in accounting, financial planning and control, business development, logistic, project management and contract administration in various industries. Mr. Wu currently works in an international trust company. Prior to that, he had been a financial controller and company secretary for UDL Holdings Limited, a company listed on the Main Board of the Stock Exchange, and the chief financial officer and company

## DIRECTORS AND SENIOR MANAGEMENT

secretary of Innovis Holdings Limited (currently known as Sino Haijing Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Wu also used to be a project director of a private engineering and construction company in Hong Kong and served there for seven years. Before that, he worked for a private trading company, an international architectural and interior consultancy firm and a manufacturing company for a total of nine years principally responsible for financial controlling and business development.

### SENIOR MANAGEMENT

**Mr. Yip Mie Leong, Chester**, aged 46, is the Business Development Director of the Group. Mr. Yip joined the Group in September 2006 and is responsible for the implementation of new projects and formulation of quality assurance strategies of the Group. Mr. Yip holds a Bachelor Degree in Engineering. He has served 18 years in Storage and OEM Industries and has accumulated extensive marketing and technical knowledge in mechanical component manufacturing process and assembly of electro-mechanical components.

**Mr. Lim Koy Cheong**, aged 42, is the Manufacturing Director of the Group. Mr. Lim joined the Group in 1994 and is responsible for the overall management of IPE (Thailand). He graduated from Singapore Ngee Ann Polytechnic with a diploma in Mechanical Engineering and has over 20 years of experience in the manufacturing industry.

**Mr. Lau Siu Chung**, aged 43, is the Sales and Marketing Director of the Group. Mr. Lau joined the Group in 1997 and has over 13 years of experience in marketing and sales of precision components and industrial equipments.

**Ms. Chiu Tak Chun**, aged 43, is the General Manager of Integrated Precision Engineering Company Limited. Ms. Chiu joined the Group in 1996. She was granted a graduate diploma in management from the International Professional Managers Association, United Kingdom and has over 14 years of experience in office administration. Ms. Chiu is a fellow member of the International Professional Managers Association.

**Mr. Chui Siu Hung**, aged 39, is the Deputy General Manager of Guangzhou Xing Hao. He joined the Group in 1994 and is responsible for the supervision of engineering department in China and implementation of special hydraulic components projects. He graduated from the Hong Kong Institute of Vocational Education with a certificate in Communication and Computer Studies and has over 15 years of experience in the manufacturing industry. He is the younger brother of Mr. Chui Siu On, the Chairman of the Group.

**Mr. Jiang Fei**, aged 36, is the Manager supervising the Group's heat treatment division in the Mainland China headquarters. He joined the Group in 1995 after graduation from 華南理工大學 (South China University of Technology) with a graduate diploma in Mechanical Engineering. He has over 11 years of experience in the manufacturing industry and is now the manager in charge of the heat treatment projects in Mainland China headquarters.

**Mr. Lei Ting Yong**, aged 33, is the Manager supervising the Group's research and product development department. He joined the group in 1995 and is responsible for projects development and the development of automation control devices for production efficiency.

**Mr. Long Wen Tin**, aged 43, is the Manager supervising the Group's mechanical engineering division. He joined the group in 1996 and has accumulated 21 years experience in the mechanical engineering manufacturing industry.

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

**Mr. Wan Tak Wing, Gary**, aged 41, is the Chief Financial Officer, Company Secretary and Qualified Accountant of the Company. He joined the Group in October 2003 and is responsible for the Group's financial, investor relationship, company secretarial and legal affairs. Mr. Wan holds a Bachelor degree in Accountancy and Finance from City of Birmingham Polytechnic of England and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Wan was an executive director of two publicly listed companies in Hong Kong and has over 19 years of experience in audit, corporate finance, business development and investor relationship.

## OTHER INFORMATION

### 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.

### GENERAL DISCLOSURE PURSUANT TO RULE 13.09(1) OF THE LISTING RULES

As detailed in the Company's announcement dated 24 June 2008, the syndicated loan facility in the sum of HK\$200,000,000 made available to the Group for a term of three years from 24 June 2005 ("Old Loan Facility") was fully repaid by another new loan facility (the "New Loan Facility") on 24 June 2008 arranged by Standard Chartered Bank (Hong Kong) Limited as coordinating arranger in the sum of HK\$225,000,000 made available to the Group for a term of four years. Following the full repayment of the Old Loan Facility, controlling shareholders of the Company have no more specific obligation to maintain a specified minimum holding in the share capital of the Company.

Under the agreement for the New Loan Facility, save for the requirement of Mr. Chui Siu On, being the Chairman and an executive Director, to actively involve in and control the management and business of the Group, there is no other specific performance obligation on any controlling shareholder to maintain a specified minimum holding in the share capital of the Company.

### 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		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
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
	<u>14,095,000</u>			<u>13,392</u>

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.



## OTHER INFORMATION

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2008, the interests of the directors, in the share capital and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

**(A) Long position in ordinary shares of the Company:**

Name of director	Capacity and nature of interest	Notes	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
Mr. Chui Siu On	Through controlled corporation	1	353,100,000	50.028%
	Directly beneficially owned		5,505,000	0.780%
	Through spouse	2	100,000	0.014%
			358,705,000	50.822%
Mr. Ng Kin Nam	Directly beneficially owned		7,670,000	1.087%
	Through spouse	3	800,000	0.113%
			8,470,000	1.200%
Mr. Ho Yu Hoi	Directly beneficially owned		4,550,000	0.645%

## Notes:

- These shares were owned by Tottenham Limited, the entire issued share capital of which was owned as to 51.3% by Mr. Chui Siu On, 25.0% by Mr. Ng Kin Nam, 13.9% by Mr. Ho Yu Hoi, 6.0% by Mr. Lai Man Kit and 3.8% by Mr. Li Chi Hang. By virtue of his 51.3% shareholding in Tottenham Limited, Mr. Chui Siu On was deemed to be interested in the entire 353,100,000 shares of the Company owned by Tottenham Limited pursuant to Part XV of the SFO.
- These shares held by Ms. Leung Wing Yi, the wife of Mr. Chui Siu On, were also disclosed as Ms. Leung's personal interest in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" below. Mr. Chui Siu On was deemed to be interested in these 100,000 shares of the Company held by his wife pursuant to Part XV of the SFO.
- These shares, held by Ms. Angeleslao, Jocelyn O, the wife of Mr. Ng Kin Nam. Accordingly, Mr. Ng Kin Nam was deemed to be interested in these 800,000 shares of the Company held by his wife pursuant to Part XV of the SFO.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(B) Long position in the ordinary shares of associated corporation – Tottenham Limited, the Company's holding company:

Name of director	Capacity and nature of interest	Number of ordinary shares in Tottenham Limited	Percentage of Tottenham Limited's issued share capital
Mr. Chui Siu On	Directly beneficially owned	180,832,500	51.3%
Mr. Ng Kin Nam	Directly beneficially owned	88,125,000	25.0%
Mr. Ho Yu Hoi	Directly beneficially owned	48,997,500	13.9%
Mr. Lai Man Kit	Directly beneficially owned	21,150,000	6.0%
Mr. Li Chi Hang	Directly beneficially owned	13,395,000	3.8%

(C) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives:

Name of director	Capacity and nature of interest	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Mr. Chui Siu On	Directly beneficially owned	3,000,000	0.425%
Mr. Ng Kin Nam	Directly beneficially owned	500,000	0.071%
Mr. Ho Yu Hoi	Directly beneficially owned	5,000,000	0.708%
Mr. Lai Man Kit	Directly beneficially owned	5,000,000	0.708%
Mr. Li Chi Hang	Directly beneficially owned	5,000,000	0.708%
Mr. Wong Kwok Keung	Directly beneficially owned	3,550,000	0.503%
Dr. Cheng Ngok	Directly beneficially owned	500,000	0.071%
Mr. Choi Hon Ting, Derek	Directly beneficially owned	500,000	0.071%
Mr. Wu Karl Kwok	Directly beneficially owned	500,000	0.071%

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

In addition to the above, as at 30 June 2008, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

Save as disclosed above, as at 30 June 2008, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; nor there had been any grant or exercise of rights during the period ended 30 June 2008.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## OTHER INFORMATION

## SHARE OPTION SCHEME

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

The following share options were outstanding under the Scheme during the period:

Name or category of participant	Number of share options			At 30 June 2008	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
	At 1 January 2008	Exercised during the period***	Forfeited during the period				
<b>Directors</b>							
Mr. Chui Siu On	800,000	–	–	800,000	27-07-05	27-07-05 to 31-12-08	1.41
	800,000	–	–	800,000	27-07-05	01-07-06 to 31-12-08	1.41
	1,400,000	–	–	1,400,000	27-07-05	01-07-07 to 31-12-08	1.41
	<u>3,000,000</u>	<u>–</u>	<u>–</u>	<u>3,000,000</u>			
Mr. Ho Yu Hoi	1,400,000	–	–	1,400,000	27-07-05	27-07-05 to 31-12-08	1.41
	1,400,000	–	–	1,400,000	27-07-05	01-07-06 to 31-12-08	1.41
	2,200,000	–	–	2,200,000	27-07-05	01-07-07 to 31-12-08	1.41
	<u>5,000,000</u>	<u>–</u>	<u>–</u>	<u>5,000,000</u>			
Mr. Lai Man Kit	1,400,000	–	–	1,400,000	27-07-05	27-07-05 to 31-12-08	1.41
	1,400,000	–	–	1,400,000	27-07-05	01-07-06 to 31-12-08	1.41
	2,200,000	–	–	2,200,000	27-07-05	01-07-07 to 31-12-08	1.41
	<u>5,000,000</u>	<u>–</u>	<u>–</u>	<u>5,000,000</u>			
Mr. Li Chi Hang	1,400,000	–	–	1,400,000	27-07-05	27-07-05 to 31-12-08	1.41
	1,400,000	–	–	1,400,000	27-07-05	01-07-06 to 31-12-08	1.41
	2,200,000	–	–	2,200,000	27-07-05	01-07-07 to 31-12-08	1.41
	<u>5,000,000</u>	<u>–</u>	<u>–</u>	<u>5,000,000</u>			
Mr. Wong Kwok Keung	400,000	–	–	400,000	30-11-04	30-11-04 to 31-12-08	0.78
	450,000	–	–	450,000	30-11-04	01-01-06 to 31-12-08	0.78
	450,000	–	–	450,000	30-11-04	01-01-07 to 31-12-08	0.78
	450,000	–	–	450,000	30-11-04	01-01-08 to 31-12-08	0.78
	280,000	–	–	280,000	27-07-05	01-01-06 to 31-12-08	1.41
	600,000	–	–	600,000	27-07-05	01-01-07 to 31-12-08	1.41
	920,000	–	–	920,000	27-07-05	01-01-08 to 31-12-08	1.41
	<u>3,550,000</u>	<u>–</u>	<u>–</u>	<u>3,550,000</u>			
Mr. Ng Kin Nam	<u>500,000</u>	<u>–</u>	<u>–</u>	<u>500,000</u>	27-07-05	27-07-05 to 26-07-10	1.41
Dr. Cheng Ngok	<u>500,000</u>	<u>–</u>	<u>–</u>	<u>500,000</u>	27-07-05	27-07-05 to 26-07-10	1.41
Mr. Wu Karl Kwok	<u>500,000</u>	<u>–</u>	<u>–</u>	<u>500,000</u>	27-07-05	27-07-05 to 26-07-10	1.41
Mr. Choi Hon Ting, Derek	<u>500,000</u>	<u>–</u>	<u>–</u>	<u>500,000</u>	27-07-05	27-07-05 to 26-07-10	1.41
	<u>23,550,000</u>	<u>–</u>	<u>–</u>	<u>23,550,000</u>			

## OTHER INFORMATION

## SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options			At 30 June 2008	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
	At 1 January 2008	Exercised during the period***	Forfeited during the period				
<b>Members of senior management and other employees of the Group</b>							
In aggregate	2,935,000	(700,000)	–	2,235,000	30-11-04	30-11-04 to 31-12-08	0.78
	4,120,000	(230,000)	(125,000)	3,765,000	30-11-04	01-01-06 to 31-12-08	0.78
	4,940,000	(270,000)	(140,000)	4,530,000	30-11-04	01-01-07 to 31-12-08	0.78
	5,000,000	(270,000)	(140,000)	4,590,000	30-11-04	01-01-08 to 31-12-08	0.78
	1,215,000	–	(125,000)	1,090,000	27-07-05	27-07-05 to 31-12-08	1.41
	3,055,000	–	(155,000)	2,900,000	27-07-05	01-01-06 to 31-12-08	1.41
	4,665,000	–	(215,000)	4,450,000	27-07-05	01-01-07 to 31-12-08	1.41
	6,135,000	–	(245,000)	5,890,000	27-07-05	01-01-08 to 31-12-08	1.41
	3,000,000	–	–	3,000,000	13-09-06	01-01-08 to 31-12-12	1.35
	700,000	–	–	700,000	28-09-07	01-01-08 to 31-12-10	1.20
	<u>35,765,000</u>	<u>(1,470,000)</u>	<u>(1,145,000)</u>	<u>33,150,000</u>			
<b>Suppliers of services</b>							
In aggregate	350,000	–	–	350,000	30-11-04	30-11-04 to 31-12-08	0.78
	450,000	–	–	450,000	30-11-04	01-01-06 to 31-12-08	0.78
	450,000	–	–	450,000	30-11-04	01-01-07 to 31-12-08	0.78
	450,000	–	–	450,000	30-11-04	01-01-08 to 31-12-08	0.78
	500,000	–	–	500,000	27-07-05	27-07-05 to 31-12-08	1.41
	280,000	–	–	280,000	27-07-05	01-01-06 to 31-12-08	1.41
	420,000	–	–	420,000	27-07-05	01-01-07 to 31-12-08	1.41
	550,000	–	–	550,000	27-07-05	01-01-08 to 31-12-08	1.41
	2,000,000	–	–	2,000,000	28-09-07	01-01-08 to 31-12-12	1.20
	3,000,000	–	–	3,000,000	28-09-07	01-01-09 to 31-12-12	1.20
	<u>8,450,000</u>	<u>–</u>	<u>–</u>	<u>8,450,000</u>			
	<u>67,765,000</u>	<u>(1,470,000)</u>	<u>(1,145,000)</u>	<u>65,150,000</u>			

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

- \* The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$1.02.

During the six months ended 30 June 2008, no share options were granted or cancelled by the Company.

## OTHER INFORMATION

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

As at 30 June 2008, the following parties (not being directors or chief executives of the Company) had interests of more than 5% of the shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

**(A) Long position in the ordinary shares of the Company:**

Name of substantial shareholder	Notes	Capacity and nature of interest	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
Tottenham Limited	(a)	Directly beneficially owned	353,100,000	50.028%
Ms. Leung Wing Yi	(b)	Directly beneficially owned	100,000	0.014%
		Through spouse	358,605,000	50.808%
			358,705,000	50.822%
DJE Investment S.A.	(c)	Investment manager	57,155,755	8.098%
Fidelity International Limited		Investment manager	36,440,000	5.163%

Notes:

- (a) The interest of Tottenham Limited was also disclosed as the interest of Mr. Chui Siu On in the section headed "Directors' interests and short positions in shares and underlying shares" above.
- (b) These shares were disclosed as the personal and corporate interests of Mr. Chui Siu On, the husband of Ms. Leung Wing Yi, in the section headed "Directors' interests and short positions in shares and underlying shares" above. Ms. Leung Wing Yi was deemed to be interested in these shares owned by her husband pursuant to Part XV of the SFO.
- (c) Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt were deemed to be interested in these shares pursuant to Part XV of the SFO.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(B) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives:

Name of substantial shareholder	Capacity and nature of interest	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Ms. Leung Wing Yi	Through spouse	3,000,000	0.425%

Note: Ms. Leung Wing Yi was deemed to be interested in the 3,000,000 share options of the Company owned by her husband, Mr. Chui Siu On, pursuant to Part XV of the SFO. Details of the above share options as required to be disclosed by the Listing Rules have been disclosed in the section "Share option scheme" above.

Save as disclosed above, as at 30 June 2008, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### 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.

## OTHER INFORMATION

### COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES

The Company has also established written guidelines on no less exacting terms than the Model Code (the “Employees Written Guidelines”) 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 and Managing Director*

Hong Kong

26 August 2008

# CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2008 – unaudited

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



## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008 – unaudited

	Notes	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
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
<b>CURRENT ASSETS</b>			
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
<b>CURRENT LIABILITIES</b>			
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
<b>NET CURRENT ASSETS</b>		229,120	154,749
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,353,130	1,158,887
<b>NON-CURRENT LIABILITIES</b>			
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
<b>EQUITY</b>			
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
<b>TOTAL EQUITY</b>		1,025,719	954,290

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2008 – unaudited

	Attributable to equity holders of the Company												
	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Statutory				Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Minority interests HK\$'000	Total HK\$'000
				Statutory	public	Capital	Share						
				surplus reserve HK\$'000	welfare fund HK\$'000	redemption reserve HK\$'000	fluctuation reserve 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 2007 final dividend	-	-	-	-	-	-	-	-	23	(23)	-	-	-
2008 interim dividend proposed	-	-	-	-	-	-	-	-	(16,916)	16,916	-	-	-
<b>At 30 June 2008</b>	<b>70,580</b>	<b>337,150*</b>	<b>(1,116)*</b>	<b>10,236*</b>	<b>287*</b>	<b>1,966*</b>	<b>12,528*</b>	<b>160,516*</b>	<b>415,204*</b>	<b>16,916</b>	<b>1,024,267</b>	<b>1,452</b>	<b>1,025,719</b>
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	-	-	-
<b>At 30 June 2007</b>	<b>72,297</b>	<b>352,509*</b>	<b>(1,116)*</b>	<b>8,045*</b>	<b>287*</b>	<b>92*</b>	<b>12,928*</b>	<b>84,467*</b>	<b>338,636*</b>	<b>14,459</b>	<b>882,604</b>	<b>1,950</b>	<b>884,554</b>

\* These reserve accounts comprise the consolidated reserves of HK\$936,771,000 (30 June 2007: HK\$795,848,000) in the condensed consolidation balance sheet.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2008 – unaudited

	Notes	Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash inflow from operating activities		<u>77,898</u>	<u>20,260</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(56,143)	(126,734)
Proceeds from disposal of property, plant and equipment		<u>1,133</u>	<u>724</u>
Net cash outflow from investing activities		<u>(55,010)</u>	<u>(126,010)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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		<u>(16,991)</u>	<u>(13,013)</u>
Net cash inflow from financing activities		<u>11,914</u>	<u>79,968</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<u>34,802</u>	<u>(25,782)</u>
Cash and cash equivalents at beginning of period		233,950	138,670
Effect of foreign exchange rate changes, net		<u>4,427</u>	<u>2,870</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
		<u><u>273,179</u></u>	<u><u>115,758</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	17	81,521	67,868
Non-pledged time deposits with original maturity of less than three months when acquired	17	<u>191,713</u>	<u>62,014</u>
		<u>273,234</u>	129,882
Bank overdrafts	19	<u>(55)</u>	<u>(14,124)</u>
		<u><u>273,179</u></u>	<u><u>115,758</u></u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION

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

### 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 <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HK(IFRIC)–Int 13	Customer Loyalty Programmes <sup>2</sup>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Notes:

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2008
- <sup>3</sup> 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)							Total HK\$'000	
	Thailand HK\$'000	Malaysia HK\$'000	Mainland		North America HK\$'000	Europe HK\$'000	Other countries HK\$'000		Elimination HK\$'000
			China and Hong Kong 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	<u>207,152</u>	<u>112,891</u>	<u>80,919</u>	<u>39,828</u>	<u>55,488</u>	<u>17,463</u>	<u>(40,857)</u>	<u>472,884</u>	
Segmental results	<u>46,584</u>	<u>29,287</u>	<u>21,585</u>	<u>10,333</u>	<u>14,395</u>	<u>4,530</u>	<u>(10,780)</u>	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								<u>56,627</u>	

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 4. TURNOVER AND SEGMENTAL INFORMATION (Continued)

### (a) Geographical segments (Continued)

	Six months ended 30 June 2007 (Unaudited)							Total HK\$'000
	Thailand HK\$'000	Malaysia HK\$'000	Mainland	North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	Elimination HK\$'000	
			China and Hong Kong 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	<u>176,689</u>	<u>71,657</u>	<u>57,876</u>	<u>27,934</u>	<u>48,817</u>	<u>8,189</u>	<u>(24,305)</u>	<u>366,857</u>
Segmental results	<u>50,353</u>	<u>16,348</u>	<u>14,337</u>	<u>6,373</u>	<u>11,137</u>	<u>1,868</u>	<u>(6,535)</u>	93,881
Interest income								512
Unallocated expenses								(31,436)
Interest expenses								(11,774)
Profit before tax								51,183
Tax								(725)
Profit for the period								<u>50,458</u>

### (b) Business segments

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 4. TURNOVER AND SEGMENTAL INFORMATION (Continued)

## (b) Business segments (Continued)

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

## 5. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of goods and materials	<u>470,491</u>	<u>360,411</u>
<b>Other income</b>		
Bank interest income	<u>1,010</u>	512
Sundry income	<u>1,855</u>	<u>574</u>
	<u>2,865</u>	<u>1,086</u>
<b>Gains</b>		
Foreign exchange gains, net	–	5,872
Gain on disposal of property, plant and equipment	<u>538</u>	–
	<u>538</u>	<u>5,872</u>
	<u>3,403</u>	<u>6,958</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) 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
	<u>10,832</u>	<u>12,202</u>

## 7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) 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
	<u>256</u>	<u>243</u>
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.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

**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 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Group:		
Current – Hong Kong		
Over-provision in prior years	–	(3,254)
Current – Elsewhere		
Charge for the period	<b>4,895</b>	2,912
	<b>4,895</b>	(342)
Deferred tax	<b>(139)</b>	1,067
Total tax charge for the period	<b>4,756</b>	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 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Profit before tax	<b>61,383</b>	51,183
Tax at the applicable tax rates	<b>8,678</b>	13,398
Lower tax rate for local authorities	<b>(848)</b>	(3,889)
Expenses not deductible for tax	<b>6,376</b>	4,903
Income not subject to tax	<b>(9,881)</b>	(15,274)
Over-provision in the prior year	–	(3,254)
Tax losses not recognised	<b>435</b>	4,841
Adjustment in respect of current tax of previous year	<b>(4)</b>	–
Tax charge at the Group's effective rate of 7.7% (2007: 1.4%)	<b>4,756</b>	725

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 8. TAX (Continued)

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 (15% for the six months ended 30 June 2007).

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 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interim dividend of HK\$0.024 (2007: HK\$0.020) per ordinary share	<b>16,916</b>	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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 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 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	<u><u>57,053</u></u>	<u><u>50,458</u></u>
	Number of shares (in thousands)	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u><u>709,543</u></u>	722,947
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u><u>3,445</u></u>	<u><u>9,535</u></u>
	<u><u>712,988</u></u>	<u><u>732,482</u></u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Freehold	Leasehold	Plant and	Furniture	Motor	Con-	Total
	land and buildings	improvement	machinery	and fixtures	vehicles	struction in progress	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
<b>At 30 June 2008</b>	<b>290,526</b>	<b>6,405</b>	<b>1,074,625</b>	<b>29,073</b>	<b>17,138</b>	<b>87,164</b>	<b>1,504,931</b>
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)
<b>At 30 June 2008</b>	<b>(48,897)</b>	<b>(4,146)</b>	<b>(369,508)</b>	<b>(12,215)</b>	<b>(11,358)</b>	<b>-</b>	<b>(446,124)</b>
<b>At 30 June 2008:</b>							
<b>Cost</b>	<b>290,526</b>	<b>6,405</b>	<b>1,074,625</b>	<b>29,073</b>	<b>17,138</b>	<b>87,164</b>	<b>1,504,931</b>
<b>Accumulated depreciation</b>	<b>(48,897)</b>	<b>(4,146)</b>	<b>(369,508)</b>	<b>(12,215)</b>	<b>(11,358)</b>	<b>-</b>	<b>(446,124)</b>
<b>Net carrying amount</b>	<b>241,629</b>	<b>2,259</b>	<b>705,117</b>	<b>16,858</b>	<b>5,780</b>	<b>87,164</b>	<b>1,058,807</b>

## 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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 13. AVAILABLE-FOR-SALE INVESTMENT

	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Unlisted equity investment, at cost	<b>150</b>	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	<b>90,319</b>	81,078
Consumables	<b>39,861</b>	42,414
Work in progress	<b>77,417</b>	46,915
Finished goods	<b>35,810</b>	32,837
	<b>243,407</b>	203,244
Less: Provision for obsolete and slow-moving inventories	<b>(6,211)</b>	(5,012)
	<b>237,196</b>	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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

### 15. TRADE RECEIVABLES *(Continued)*

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
	<u>247,351</u>	<u>233,704</u>

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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 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	<u>273,234</u>	<u>235,049</u>

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
	<u>117,657</u>	<u>95,576</u>

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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 19. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	At 30 June 2008 (Unaudited)			At 31 December 2007 (Audited)		
	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
			<u>278,307</u>			<u>364,484</u>
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
			<u>325,502</u>			<u>202,426</u>
			<u>603,809</u>			<u>566,910</u>

	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.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 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:

	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
Group				
Amounts payable:				
Within one year	<b>22,160</b>	31,370	<b>21,445</b>	29,636
In the second year	<b>6,543</b>	14,518	<b>6,428</b>	14,063
Total minimum finance lease payments	<b>28,703</b>	45,888	<b>27,873</b>	43,699
Future finance charges	<b>(830)</b>	(2,189)		
Total net finance lease payables	<b>27,873</b>	43,699		
Portion classified as current liabilities (note 19)	<b>(21,445)</b>	(29,636)		
Non-current portion (note 19)	<b>6,428</b>	14,063		

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 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	<u>120,000</u>	<u>120,000</u>
Issued and fully paid:		
705,800,000 (31 December 2007: 718,425,000) ordinary shares of HK\$0.1 each	<u>70,580</u>	<u>71,843</u>

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)	<u>(4,700,000)</u>	<u>(470)</u>	<u>(4,498)</u>	<u>(4,968)</u>
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)	<u>(14,095,000)</u>	<u>(1,410)</u>	<u>(11,982)</u>	<u>(13,392)</u>
<b>At 30 June 2008</b>		<u><b>705,800,000</b></u>	<u><b>70,580</b></u>	<u><b>337,150</b></u>	<u><b>407,730</b></u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

## 21. SHARE CAPITAL (Continued)

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
	<b>100,276</b>	<b>86,788</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2008 – unaudited

### 23. OPERATING LEASE ARRANGEMENTS

#### As lessee

The Group leases certain of its office equipment under operating lease arrangements. Leases for office equipment are negotiated for terms ranging from one to three years. None of these leases include contingent rentals.

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Within one year	943	231
In the second to fifth years, inclusive	600	63
	<u>1,543</u>	<u>294</u>

### 24. 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).

### 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 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Guarantees given to an electricity company	<u>1,081</u>	<u>1,208</u>

### 26. COMPARATIVE FIGURES

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

### 27. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements on pages 30 to 50 were approved and authorised for issue by the board of directors on 26 August 2008.

