LEEPORT (HOLDINGS) LIMITED
力 豐 （集 團） 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 0387)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2009

The Board of Directors (the "Directors") of Leeport (Holdings) Limited (the "Company") would like to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2009, along with the unaudited comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and which have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDENDS

No interim dividend is proposed for the six months ended 30th June 2009 (2008: HK$5.00 cents per share).

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2009

	Note	Unaudited Six months ended 30th June **2009** **HK$'000**	 2008 HK$'000
Sales	3	**374,675**	559,432
Cost of goods sold	5	**(308,480)**	(452,495)
Gross profit		**66,195**	106,937
Other gains – net	4	**14,435**	9,035
Selling and distribution costs	5	**(17,281)**	(21,434)
Administrative expenses	5	**(80,116)**	(72,967)
Operating (loss)/profit		**(16,767)**	21,571
Finance costs		**(3,408)**	(4,419)
(Loss)/profit before income tax		**(20,175)**	17,152
Income tax credits/(expenses)	6	**1,060**	(1,583)
(Loss)/profit for the period		**(19,115)**	15,569
Attributable to:			
– equity holders of the Company		**(18,545)**	15,538
– minority interest		**(570)**	31
		(19,115)	15,569
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company, expressed in cents per share			
– basic and diluted	8	**(HK8.61 cents)**	HK7.40 cents
Dividends	7	**–**	10,772

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2009

	Unaudited	
	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
(Loss)/profit for the period	**(19,115)**	15,569
Other comprehensive (loss)/income		
Movement of deferred tax	**115**	180
Currency translation differences	**(21,060)**	2,795
Other comprehensive (loss)/income, net of tax	**(20,945)**	2,975
Total comprehensive (loss)/income for the period	**(40,060)**	18,544
Total comprehensive (loss)/income attributable to:		
– equity holders of the Company	**(39,487)**	18,510
– minority interest	**(573)**	34
	(40,060)	18,544

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2009

	Note	**Unaudited 30th June 2009 HK$'000**	Audited 31st December 2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**77,415**	83,779
Leasehold land		**50,743**	53,009
		128,158	136,788
Current assets			
Inventories		**231,485**	294,738
Trade receivables and bills receivables	10	**148,055**	188,571
Other receivables, prepayments and deposits		**53,030**	34,742
Derivative financial instruments	9	**1,472**	347
Tax recoverable		**1,499**	2,062
Restricted bank deposits		**48,097**	33,475
Cash and cash equivalents		**23,120**	27,194
		506,758	581,129
Total assets		**634,916**	717,917
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**21,544**	21,544
Other reserves		**107,893**	129,155
Retained earnings		**108,830**	126,676
		238,267	277,375
Minority interest		**5,026**	5,599
Total equity		**243,293**	282,974

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2009

	Note	**Unaudited 30th June 2009 HK$'000**	Audited 31st December 2008 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	12	**20,715**	–
Deferred income tax liabilities		**5,910**	7,427
		26,625	7,427
Current liabilities			
Trade payables and bills payables	11	**112,766**	102,619
Other payables, accruals and deposits received		**59,366**	76,481
Amount due to a director		**19,529**	27,529
Derivative financial instruments	9	**–**	7
Borrowings	12	**173,337**	220,880
		364,998	427,516
Total liabilities		**391,623**	434,943
Total equity and liabilities		**634,916**	717,917
Net current assets		**141,760**	153,613
Total assets less current liabilities		**269,918**	290,401

NOTES

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

For the six months ended 30th June 2009, the following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1st January 2009 that are relevant for the Group.

HKAS 1 (revised)	Presentation of financial statements
HKFRS 8	Operating segments
HKFRS 7	Financial instruments: disclosures
HKAS 23 (amendment)	Borrowing costs
HKFRS 2 (amendment)	Share-based payment

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's consolidated interim financial information as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim report. The impact of the remainder of these standards on the condensed consolidated interim financial information is as follows:

2 Accounting policies (Continued)

HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an Income statement and a statement of comprehensive income. The consolidated interim financial information has been prepared under the revised disclosure requirements.

HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented which are the People's Republic of China (the "PRC"), Hong Kong and other countries. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2009, but are not currently relevant for the Group.

2 Accounting policies (Continued)

HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

The following new standards, amendments to standards and interpretations to existing standard have been issued but are not effective for the financial year beginning 1st January 2009 and have not been early adopted by the Group:

• HKAS 39	Financial instruments: Recognition and measurement [1]
• HKFRS 3 (revised)	Business combinations[1]
• HKFRS 2 (amendment)	Share-based payment[1]
• HK(IFRIC) 17	Distributions of non-cash assets to owners[1]
• HK(IFRIC) 18	Transfers of assets from customers[1]

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

HKICPA's improvements to HKFRS published in May 2009:

HKFRS 2	Share-based payments
HKFRS 5	Non-current Assets held for sale and discontinued operations
HKFRS 8	Operating segments
HKAS 1	Presentation of financial statements
HKAS 7	Statement of cash flows
HKAS 17	Leases
HKAS 36	Impairment of assets
HKAS 39	Financial instruments: Recognition and measurement

3 Segment information

The Group has adopted HKFRS 8 "Operating segment" with effect from 1st January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the Board, in order to allocate resources to segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit and loss.

Segment information is provided on the basis of geographical regions, the basis on which the Group assesses its performance and allocates resources.

The Group is principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the PRC, Hong Kong and other countries (principally Singapore). The PRC, for the purpose of this condensed consolidated interim financial information, excludes Hong Kong, the Republic of China ("Taiwan") and Macau.

The Group primarily operates in Hong Kong and the PRC. The Group's turnover by geographical location is determined by the country in which the customer is located.

3 Segment information (Continued)

	Six months ended 30th June 2009			
	The PRC HK$'000	**Hong Kong HK$'000**	**Other countries (Note(a)) HK$'000**	**Total HK$'000**
Sales	**281,720**	**75,653**	**17,302**	**374,675**
Segment results	**(6,660)**	**(8,072)**	**(2,035)**	**(16,767)**
Finance costs				**(3,408)**
Loss before income tax				**(20,175)**
Income tax credits				**1,060**
Loss for the period				**(19,115)**

	Six months ended 30th June 2008			
	The PRC HK$'000	Hong Kong HK$'000	Other countries (Note(a)) HK$'000	Total HK$'000
Sales	336,360	185,987	37,085	559,432
Segment results	11,809	9,110	652	21,571
Finance costs				(4,419)
Profit before income tax				17,152
Income tax expenses				(1,583)
Profit for the period				15,569

3 Segment information (Continued)

Notes:

(a) Other countries mainly include Taiwan, Singapore, United States, Macau, Greece, United Kingdom, Japan and Malaysia.

There are no sales or other transactions between the geographical segments.

	Unaudited 30th June 2009 HK$'000	Audited 31st December 2008 HK$'000
Total assets:		
The PRC	**229,972**	380,363
Hong Kong	**369,217**	290,104
Other countries	**35,727**	47,450
	634,916	717,917

Total assets are allocated based on where the assets are located.

Segment assets consist primarily of property, plant and equipment, leasehold land and inventories, receivables, derivative financial instruments, operating cash and restricted cash.

3 Segment information (Continued)

	Unaudited 30th June 2009 HK$'000	Audited 31st December 2008 HK$'000
Capital expenditure:		
The PRC	**528**	1,267
Hong Kong	**335**	7,518
Other countries	**225**	24
	1,088	8,809

Capital expenditure is allocated based on where the assets are located.

Capital expenditure comprises mainly additions to property, plant and equipment and leasehold land.

The Company is domiciled in Bermuda. The result of its turnover from external customers for the six months ended 30th June 2009 and 30th June 2008 and the total of non-current assets as at 30th June 2009 and 31st December 2008 were wholly located in other countries.

4 Other gains - net

	Unaudited Six months ended 30th June	
	2009 HK$'000	2008 HK$'000
Derivative instruments-forward contracts:		
– Net fair value gain/(loss) (realised and unrealised)	**1,132**	(141)
Interest income	**178**	566
Investment income – net	**1,310**	425
Service income	**8,875**	7,723
Commission income	**3,724**	500
Other income	**526**	387
	14,435	9,035

5 Expenses by nature

Expenses included in cost of goods sold, selling and distribution costs and administrative expenses are analysed as follows:

	Unaudited Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Depreciation on property, plant and equipment	**5,429**	5,555
Amortisation on leasehold land	**399**	363
Provision for slow moving inventories	**2,207**	2,277
Provision for impairment of trade receivables	**998**	171
Employee benefits expenses (including directors' remuneration)	**44,925**	43,029
Costs of inventories sold	**304,442**	446,096
Other expenses	**47,477**	49,405
Total cost of goods sold, selling and distribution costs and administrative expenses	**405,877**	546,896

6 Income tax (credits)/expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2008 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The National People's Congress of the PRC approved the Unified Corporate Income Tax Law (the "New CIT Law") on 16th March 2007. During the period, the PRC tax rate applicable to the Group is 25% (six months ended 30th June 2008: 25%), with certain preferential provisions.

Therefore, the PRC taxation has been provided on the estimated profits of the Group's subsidiaries operating in the PRC and subject to Enterprise Income Tax ("EIT") at a rate of 25%, unless preferential rates are applicable.

6 Income tax (credits)/expenses (Continued)

The amount of income tax (credited)/charged to the condensed consolidated interim income statement represents:

	Unaudited Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Current income tax:		
– Hong Kong profits tax	**–**	1,272
– Overseas taxation	**238**	556
Under/(over)-provision in previous years	**104**	(70)
Deferred income tax	**(1,402)**	(175)
Income tax (credits)/expenses	**(1,060)**	1,583

Income tax (credits)/expenses are recognised based on management's best estimate of the projected annual effective income tax rate which is expected for the full financial year.

7 Dividends

	Unaudited Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Interim, proposed, HK$ nil cents (2008: HK$5.00 cents) per ordinary share	**–**	10,772

8 (Loss)/earnings per share

The calculations of basic and diluted loss per share are based on the Group's loss attributable to equity holders of HK$18,545,000 (2008: Profit of HK$15,538,000).

The basic loss/earnings per share is based on the weighted average number of ordinary shares in issue during the period of 215,444,062 (2008: 209,918,000).

No diluted loss/earnings per share for the six months ended 30th June 2009 and 30th June 2008 are presented as there were no potentially dilutive shares outstanding.

9 Derivative financial instruments

	Unaudited As at 30th June 2009	
	Assets HK$'000	**Liabilities HK$'000**
Forward foreign exchange contracts – non-hedging instruments	**1,472**	**–**

	Audited As at 31st December 2008	
	Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts – non-hedging instruments	347	7

10 Trade receivables and bills receivables

At 30th June 2009 and 31st December 2008, the ageing analysis of the trade receivables and bills receivables is as follows:

	Unaudited 30th June 2009 HK$'000	Audited 31st December 2008 HK$'000
Current	**82,898**	95,554
1-3 months	**40,931**	62,105
4-6 months	**7,256**	15,009
7-12 months	**11,290**	10,513
Over 12 months	**15,165**	13,869
	157,540	197,050
Less: provision for impairment of receivables	**(9,485)**	(8,479)
	148,055	188,571

The Group generally grants credit terms of 30 to 120 days to its customers. Longer payment terms of approximately 180 days might be granted to those customers who have good payment history and long-term business relationship with the Group.

No receivables balance was transferred to banks for cash at period ended 30th June 2009 (31st December 2008: HK$12,494,000 recognised as collateralised borrowings) (Note 12).

11 Trade payables and bills payables

At 30th June 2009 and 31st December 2008, the ageing analysis of the trade payables and bills payables is as follows:

	Unaudited 30th June 2009 HK$'000	Audited 31st December 2008 HK$'000
Current	**98,832**	90,542
1-3 months	**4,712**	6,573
4-6 months	**8,387**	3,744
7-12 months	**273**	1,259
Over 12 months	**562**	501
	112,766	102,619

12 Borrowings

	Unaudited 30th June 2009 HK$'000	Audited 31st December 2008 HK$'000
Current		
Collateralised borrowings	**–**	12,494
Trust receipts loans	**66,500**	130,470
Short-term bank loans	**101,625**	68,810
Bank overdrafts	**5,212**	9,106
	173,337	220,880
Long-term borrowings	**20,715**	–
Total borrowings	**194,052**	220,880

12 Borrowings (Continued)

Certain bank facilities are secured by the leasehold land and buildings and restricted bank deposits of the Group.

Movements in borrowings are analysed as follows:

	Unaudited **HK$'000**
Six months ended 30th June 2009	
Opening amount 1st January 2009	**220,880**
Repayments of borrowings	**(332,467)**
Proceeds from borrowings	**306,582**
Exchange differences	**(943)**
Closing amount as at 30th June 2009	**194,052**
Six months ended 30th June 2008	
Opening amount 1st January 2008	223,839
Repayments of borrowings	(292,357)
Proceeds from borrowings	356,414
Exchange differences	(2,239)
Closing amount as at 30th June 2008	285,657

Interest expenses on borrowings and loans for the six months ended 30th June 2009 is HK$3,408,000 (30th June 2008: HK$4,419,000).

13 Share capital

	Unaudited 30th June 2009 HK$'000	Audited 31st December 2008 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
215,444,062 ordinary shares of HK$0.10 each	**21,544**	21,544

	Number of shares (in thousand)	**Share Capital HK$'000**
At 31st December 2008 and 30th June 2009	215,444	21,544

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentives and rewards for their continued contributions to the Group.

On 22nd April 2008 and 20th May 2008, share options in respect of 7,348,000 ordinary shares of HK$0.10 each were offered to and accepted by certain employees and directors respectively at an exercise price of HK$1.25 per share. The closing price of the shares on 21st April 2008 (immediately before 22nd April 2008, the date those options offered) was HK$1.25 per share. The exercise period of the share options is from 22nd April 2009 to 21st April 2010. The share base payment recognised in the consolidated interim income statement for the share options granted to directors and employees for the six months ended 30th June 2009 is HK$379,000 (2008: HK$ Nil).

Pursuant to the share option scheme, the share options are fully vested on 22nd April 2009.

FINANCIAL PERFORMANCE

The turnover of the Group for the six months ended 30th June 2009 was HK$374,675,000 (2008: HK$559,432,000), representing a decrease of 33.0% as compared with the same period in 2008. The loss attributable to equity holders for the six months ended 30th June 2009 was HK$18,545,000 (2008: Profit of HK$15,538,000).

The loss for the period was due mainly to the significant decrease in turnover in the first half of the year 2009. The gross profit percentage of the Group for the six months ended 30th June 2009 was 17.7% as compared with 19.1% for the same period in 2008.

The other gains of the Group increased by 59.8% as compared with the same period last year. The increase was due mainly to more commission income and service income earned for the period.

The selling and distribution costs decreased by 19.4% as compared with the same period last year. The reduction was due mainly to less commission paid to sales staff as a result of decrease in turnover.

The administrative expenses increased by 9.8% as compared with the same period last year, due mainly to the exchange loss of HK$4,822,000 incurred in first half of 2009. On the other hand, there was an exchange gain of HK$5,044,000 incurred in the same period of 2008.

The finance costs decreased by 22.9% as compared with same period last year, due to the lower interest rate of borrowings and a decrease in average trust receipt loans balance on hand in the first half of the year.

In respect of its current assets, the Group has successfully reduced its inventory level by HK$63,253,000 to HK$231,485,000 as at 30th June 2009, as compared with the level of HK$294,738,000 as at 31st December 2008.

BUSINESS REVIEW

In the first six months of 2009, the business situation for most manufacturers in China was very difficult. The value of the country's exports fell by 22% from January to July 2009 as compared with the same period in 2008. Consequently, the manufacturers, in general, tried to explore the domestic sales market in China. However, it took time for the export-oriented manufactures to expand its sales in domestic markets.

The turnover of the Group for customers located in the PRC and Hong Kong recorded a decrease of 16.2% and 59.3% respectively as compared with the same period last year. The turnover of the Group for Eastern China still achieved a significant amount of growth in first six months of 2009 due to some contracts outstanding that were brought forward from the previous year. The turnover for Northern China was less satisfactory as it took longer for enquiries to be converted into contracts. The decision processes for state-owned companies in the North took longer than for customers in Southern and Eastern China. The turnover in Southern China was much lower than that for the same period last year as most of the manufacturers relied heavily on exports. Performance for South East Asia was poor as the economic situation was very weak. In terms of products, the machine tool business recorded a 32.0% decrease as compared with the same period last year; the measuring instruments business recorded a 39.4% decrease as compared with the same period last year; the cutting tools business recorded a 35.1% decrease as compared with the same period last year, and the electronic equipment business recorded a 44.8% decrease as compared with the same period last year.

Some industries, e.g. automobiles, infrastructure and telecommunications, are still showing an appetite for acquiring equipment despite the present financial crisis. The Group's service income has also continued to grow, and the Group now has a long-term strategy to increase its service income to complement its total turnover.

LIQUIDITY AND FINANCIAL RESOURCES

The cash net of bank overdrafts as at 30th June 2009 was HK$17,908,000 (31st December 2008: HK$18,088,000).

As at 30th June 2009, the Group had net tangible assets of approximately HK$243,293,000, comprising non-current assets of approximately HK$128,158,000, net current assets of approximately HK$141,760,000, and non-current liabilities of approximately HK$26,625,000. On the same date, the total liabilities of the Group amounted to approximately HK$391,623,000. On the other hand, the total assets of the Group were HK$634,916,000. The net gearing ratio of the Group was approximately 70.3% (31st December 2008: 68.4%).

The Group generally finances its operation with internally generated resources and banking facilities provided by banks. As at 30th June 2009, the Group had aggregate banking facilities of approximately HK$756,305,000 of which approximately HK$298,290,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, buildings and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$119,120,000 (31st December 2008: HK$76,165,000). The directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

The business for the second half of 2009 will probably still be a challenge. However, there are signs of improvement after the second quarter of the year. Customers' orders and enquiries are becoming more active.

In order to improve the bottom line, the Group must be very cautious in its operational spending. The Group has implemented some cost-reduction programs since the beginning of the year, including the restructuring of the organization with reductions in its headcount and other operating expenses.

The inventory level has been reduced by HK$63 million compared with the level as at 31st December 2008. Further reduction in inventory will be achieved by end of the year.

The Group has also established metrology solution centres in Beijing, Shanghai and Dongguan. These measuring centers provide measuring services and solutions including retrofits, calibration, software upgrade, digitizing, customer training and consultancy. The centers will contribute additional income for the Group's metrology division as there are still great opportunities for developing measuring services in the China market.

Management will continue to tighten its control over operating expenses and enhance the productivity of sales and service people. As the market situation improves and the operating expenses of the Group are reduced, the overall result for second half of the year is likewise expected to improve.

EMPLOYEES

As at 30th June 2009, the Group had 587 employees (2008: 649), of whom 177 were based in Hong Kong; 381 were based in mainland China, and 29 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies and discretionary performance bonuses.

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentives and rewards for their continued contributions to the Group.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2009, certain land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$119,120,000 (31st December 2008: HK$76,165,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

For the first six months of 2009, the Group spent a total of HK$1,088,000 (30th June 2008: HK$1,121,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 30th June 2009, the Group had no material capital commitments and HK$40,841,000 (31st December 2008: HK$44,113,000) contingent liabilities in respect of letters of guarantee given to customers.

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's sales and purchases were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign currencies received from customers to settle the payments to overseas suppliers. In the event that any material payment which cannot be fully matched, the Group will enter into foreign currency contracts with its bankers to minimise the Group's exposure to foreign exchange rate risks.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on the Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th June 2009 except the following deviation:

FURTHER INFORMATION ABOUT CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board is of the view that although Mr. LEE Sou Leung, Joseph is the Chairman and the Managing Director of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company. The Company has no such title as the chief executive officer.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

For the six months period to 30th June 2009, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30th June 2009 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LUI Sun Wing and Mr. NIMMO, Walter Gilbert Mearns, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 with the directors.

2009 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2009 containing all the information required by the Listing Rules will be published on the Stock Exchange's website and dispatched to the shareholders by the end of September 2009.

On behalf of the Board
LEE Sou Leung, Joseph
Chairman

Hong Kong, 8th September 2009

As at the date of this announcement, the board of directors comprises 3 executive directors, namely Mr. LEE Sou Leung, Joseph, Ms. TAN Lisa Marie and Mr. CHAN Ching Huen, Stanley and 3 independent non-executive directors, namely Dr. LUI Sun Wing, Mr. PIKE, Mark Terence and Mr. NIMMO, Walter Gilbert Mearns.