Leeport

LEEPORT (HOLDINGS) LIMITED

力 豐 （集 團） 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 387)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

The Board of Directors (the "Directors") of Leeport (Holdings) Limited (the "Company") would like to present the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2009, together with the comparative figures for the year ended 31st December 2008. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

The turnover of the Group in 2009 amounted to HK$758,562,000 (2008: HK$1,037,212,000), representing a decrease of 26.9% as compared with 2008. The loss attributable to equity holders was HK$34,348,000 (2008: Profit of HK$7,896,000).

The global financial crisis since the last quarter of year 2008 has significantly affected the demand for manufacturing equipment in China and South East Asia and the Group has accordingly recorded a loss for the year 2009.

The Group's gross profit in 2009 was HK$136,759,000 as compared with HK$194,152,000 in 2008. The gross profit percentage was 18.0% in 2009 as compared with 18.7% in 2008.

The recession also affected the Group's service income, which amounted to HK$16,212,000 in 2009 as compared with HK$19,804,000 in 2008.

Selling and distribution costs were HK$35,981,000 in 2009 as compared with HK$39,783,000 in 2008. This decrease of 9.6% was mainly due to savings in logistics and exhibition expenses.

Administrative expenses were HK$155,555,000 in 2009 as compared with HK$166,245,000 in 2008. The decrease of 6.4% was mainly due to the reduction in staff costs, office rental and travelling expenses.

Finance costs in 2009 were HK$5,320,000 as compared with HK$10,550,000 in 2008. The decrease of 49.6% was mainly due to lower trust receipt loans balance.

The Group was successful in reducing its inventory in 2009. The Group's inventory achieved a reasonable level in line with the demand of the latest business situation. It reduced its inventory by HK$112,935,000 by the end of 2009. Its inventory balance was HK$181,803,000 at the end of 2009 as compared with HK$294,738,000 at the end of 2008.

The Group also improved its cash position significantly with its inventory reduction measures, stricter purchasing policy and better credit control and collection procedures. The Group's cash balance net of bank overdrafts on hand at the end of 2009 was HK$57,600,000, a much better position than the cash balance net of bank overdrafts of HK$18,088,000 at the end of 2008.

The net gearing ratio was improved to 43.8% at the end of 2009 as compared with 68.4% at the end of 2008. This was due to a lower balance of loans and a higher balance of cash on hand in 2009.

DIVIDENDS

No final dividend is recommended by the Board of Directors for the year ended 31st December 2009 (2008: no final dividend).

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Sales	2	**758,562**	1,037,212
Cost of goods sold	4	**(621,803)**	(843,060)
Gross profit		**136,759**	194,152
Other income and gains – net	3	**23,900**	28,432
Selling and distribution costs	4	**(35,981)**	(39,783)
Administrative expenses	4	**(155,555)**	(166,245)
Operating (loss)/profit		**(30,877)**	16,556
Finance costs		**(5,320)**	(10,550)
(Loss)/profit before income tax		**(36,197)**	6,006
Income tax credit/(expense)	5	**919**	(85)
(Loss)/profit for the year		**(35,278)**	5,921
Attributable to:			
Equity holders of the Company		**(34,348)**	7,896
Minority interest		**(930)**	(1,975)
		(35,278)	5,921
(Loss)/earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic and diluted	7	**HK(15.94)cents**	HK3.71cents
Dividends	6	**–**	10,772

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2009

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(35,278)**	5,921
Other comprehensive (loss)/income		
Gain/(loss) on revaluation of land and buildings	**33,939**	(18,898)
Movement of deferred tax	**(5,068)**	3,057
Currency translation differences	**(9,142)**	51,842
Other comprehensive income, net of tax	**19,729**	36,001
Total comprehensive (loss)/income for the year	**(15,549)**	41,922
Attributable to:		
– equity holders of the Company	**(16,299)**	43,892
– minority interest	**750**	(1,970)
Total comprehensive (loss)/income for the year	**(15,549)**	41,922

CONSOLIDATED BALANCE SHEET

As at 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**108,366**	83,779
Leasehold land		**52,321**	53,009
		160,687	136,788
Current assets			
Inventories		**181,803**	294,738
Trade receivables and bills receivables	*8*	**140,470**	188,571
Other receivables, prepayments and deposits		**43,989**	34,742
Derivative financial instruments	*9*	**83**	347
Tax recoverable		**136**	2,062
Restricted bank deposits		**60,027**	33,475
Cash and cash equivalents		**57,813**	27,194
		484,321	581,129
Total assets		**645,008**	717,917
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*10*	**21,544**	21,544
Other reserves	*10*	**146,291**	129,155
Retained earnings	*10*	**93,620**	126,676
		261,455	277,375
Minority interest	*10*	**6,349**	5,599
Total equity		**267,804**	282,974

	Note	2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**12,261**	7,427
Borrowings	*12*	**20,901**	–
		33,162	7,427
Current liabilities			
Trade payables and bills payables	*11*	**103,892**	102,619
Other payables, accruals and deposits received		**85,684**	76,481
Amount due to a director		**–**	27,529
Derivative financial instruments	*9*	**322**	7
Borrowings	*12*	**154,144**	220,880
		344,042	427,516
Total liabilities		**377,204**	434,943
Total equity and liabilities		**645,008**	717,917
Net current assets		**140,279**	153,613
Total assets less current liabilities		**300,966**	290,401

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) ***New and amended standards adopted by the Group***

The Group has adopted the following new and amended HKFRSs that are relevant to the Group as of 1st January 2009:

- HKAS 1 (revised). 'Presentation of financial statements' – effective 1st January 2009. 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 in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1st January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments' (effective 1st January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following standards and amendments to existing standards, that are relevant to the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2010 or later periods, but the Group has not early adopted them:

- HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1st July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1st January 2010.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and company will apply HKAS 1 (amendment) from 1st January 2010. It is not expected to have a material impact on the Group's or the Company's financial statements.

2 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, represented by Board of Directors that are used to make strategic decisions.

The Board considers the business from a geographic region. Geographically, management considers the performance of wholesale in PRC, Hong Kong and other countries.

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 financial statement, excludes Hong Kong, the Republic of China ("Taiwan") and Macau.

The Board assesses the performance of the operating segments based on a measure of segment result, total asset and total capital expenditure. The Group primarily operates in Hong Kong and the PRC. The Group's sales by geographical location is determined by the country in which the customer is located.

	For the year ended 31st December 2009			
	The PRC	**Hong Kong**	**Other countries *(Note (a))***	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**553,882**	**173,604**	**31,076**	**758,562**
Segment results	**(13,080)**	**(11,925)**	**(5,872)**	**(30,877)**
Finance costs				**(5,320)**
Loss before income tax				**(36,197)**
Income tax credits				**919**
Loss for the year				**(35,278)**

	For the year ended 31st December 2008			
			Other countries	
	The PRC	Hong Kong	*(Note (a))*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales	644,971	333,599	58,642	1,037,212
Segment results	19,653	(1,833)	(1,264)	16,556
Finance costs				(10,550)
Profit before income tax				6,006
Income tax expenses				(85)
Profit for the year				5,921

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

	2009	2008
	HK$'000	*HK$'000*
Total assets:		
The PRC	**300,387**	380,363
Hong Kong	**315,539**	290,104
Other countries *(Note (a))*	**29,082**	47,450
	645,008	717,917

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

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

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure:		
The PRC	**2,833**	1,267
Hong Kong	**694**	7,518
Other countries *(Note (a))*	**21**	24
	3,548	8,809

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

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

Notes:

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

The entity is domiciled in Bermuda. The result of its sales from external customers for the year ended 31st December 2009 and 2008 and the total of non-current assets as at 31st December 2009 and 2008 were wholly located in other countries.

3. OTHER INCOME AND GAINS – NET

	2009	2008
	HK$'000	*HK$'000*
Derivative instruments-forward contract:		
– Realised and unrealised net (loss)/gain	**(579)**	70
Interest income	**321**	1,253
Investment (loss)/income	**(258)**	1,323
Service income	**16,212**	19,804
Commission income	**5,585**	5,588
Other income	**2,361**	1,717
	23,900	28,432

4. EXPENSES BY NATURE

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

	2009	2008
	HK$'000	*HK$'000*
Auditor's remuneration	**2,000**	2,446
Cost of inventories sold	**612,023**	831,114
Depreciation of property, plant and equipment	**11,511**	11,699
Amortisation of leasehold land	**794**	770
Operating lease rentals in respect of land and buildings	**7,771**	8,504
Provision for slow moving inventories	**4,403**	4,200
Provision for impairment of trade receivables and bills receivables	**1,713**	1,025
Foreign exchange loss	**10,210**	5,844
Employee benefits expenses (including directors' remuneration)	**82,615**	88,854
Other expenses	**80,299**	94,632
Total cost of goods sold, selling and distribution costs and administrative expenses	**813,339**	1,049,088

5. INCOME TAX (CREDIT)/EXPENSE

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

EIT tax in PRC has been provided at the rate of 25% on the estimated assessable profit for the year, with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2008: 18%) on the estimated assessable profit for the year.

	2009	2008
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**80**	892
– Overseas taxation	**173**	298
Over-provision in previous years		
– Hong Kong profits tax	**(928)**	(70)
– Deferred income tax	**(244)**	(1,035)
	(919)	85

6. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim, paid, of HK Nil cents (2008:HK5.0 cents) per ordinary share	**–**	10,772
	–	10,772

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earning per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(34,348)**	7,896
Weighted average number of ordinary shares in issue (in thousands)	**215,444**	212,680
Basic (loss)/earnings per share (HK cents per share)	**(15.94)**	3.71

(b) Diluted

The conversion of all potential ordinary share arising from share options granted by the Company would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2009. During the year ended 31st December 2009, the diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding in 2009.

8. TRADE RECEIVABLES AND BILLS RECEIVABLES

At 31st December 2009 and 2008, the ageing analysis of trade receivables and bills receivables are as follows:

	2009	2008
	HK$'000	*HK$'000*
Current	**92,925**	95,554
1 – 3 months	**29,533**	62,105
4 – 6 months	**8,231**	15,009
7 – 12 months	**1,444**	10,513
Over 12 months	**17,928**	13,869
	150,061	197,050
Less: provision for impairment of receivables	**(9,591)**	(8,479)
	140,470	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.

Certain subsidiaries of the Group transferred receivables balances amounting to HK$Nil (2008: HK$12,494,000) to certain banks in exchange for cash during the year ended 31st December 2009. These transactions have been accounted for as collateralized borrowings (Note 12).

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward foreign exchange contracts				
– non-hedge instruments	**83**	**322**	347	7

As at 31st December 2009, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR1,042,000 for HKD11,564,000 and buy JPY300,000,000 for HKD25,497,000 (2008: Buy EUR560,000 for HKD5,759,000 and buy SGD95,700 for HKD523,000).

10. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2009

	Attributable to equity holders of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2009	21,544	129,155	126,676	5,599	282,974
Comprehensive income					
Loss	–	–	(34,348)	(930)	(35,278)
Other comprehensive income					
Gain on revaluation of land and buildings	–	33,939	–	–	33,939
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(1,292)	1,292	–	–
Movement of deferred tax	–	(5,068)	–	–	(5,068)
Currency translation differences	–	(10,822)	–	1,680	(9,142)
Total other comprehensive income	–	16,757	1,292	1,680	19,729
Total comprehensive loss	–	16,757	(33,056)	750	(15,549)
Transaction with owners					
Employees share option scheme:					
Share option scheme					
– value of services provided	–	379	–	–	379
Total transaction with owners	–	379	–	–	379
Balance at 31st December 2009	21,544	146,291	93,620	6,349	267,804

	Attributable to equity holders of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2008	20,992	88,193	136,923	7,569	253,677
Comprehensive income					
Profit or loss	–	–	7,896	(1,975)	5,921
Other comprehensive income					
Loss on revaluation of land and buildings	–	(18,898)	–	–	(18,898)
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(2,075)	2,075	–	–
Movement of deferred tax	–	3,057	–	–	3,057
Currency translation differences	–	51,837	–	5	51,842
Total other comprehensive income	–	33,921	2,075	5	36,001
Total comprehensive income	–	33,921	9,971	(1,970)	41,922
Transaction with owners					
Issue of shares	552	6,377	–	–	6,929
Employees share option scheme:					
Share option scheme					
– value of services provided	–	664	–	–	664
Dividend paid relating to 2007	–	–	(9,446)	–	(9,446)
Dividend paid relating to 2008	–	–	(10,772)	–	(10,772)
Total transaction with owners	552	7,041	(20,218)	–	(12,625)
Balance at 31st December 2008	21,544	129,155	126,676	5,599	282,974

11. TRADE PAYABLES AND BILLS PAYABLES

At 31st December 2009 and 2008, the ageing analysis of trade payables and bills payables are as follows:

	2009	2008
	HK$'000	*HK$'000*
Current	**97,158**	90,542
1 – 3 months	**2,058**	6,573
4 – 6 months	**3,380**	3,744
7 – 12 months	**254**	1,259
Over 12 months	**1,042**	501
	103,892	102,619

12. BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Non-current		
Long-term bank loans	**20,901**	–
Current		
Collateralised borrowings	**–**	12,494
Trust receipt loans	**56,514**	130,470
Short-term bank loans	**97,417**	68,810
Bank overdrafts	**213**	9,106
Total borrowings	**175,045**	220,880

Certain bank facilities, are secured by the leasehold land, buildings and restricted bank deposits of the Group. Collateralised borrowings are secured by trade receivables. (Note 8)

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10th May 2010 (Monday) to 11th May 2010 (Tuesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the general meeting on 11th May 2010 (Tuesday), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar at Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 7th May 2010 (Friday).

BUSINESS REVIEW

China achieved a GDP growth rate of 8.7% in 2009. However, the industrial production value increased by 8.3% in 2009 as compared with 9.5% in year 2008. The growth rate of industrial production value in 2009 was in fact the lowest since 2002. The export value fell by 16.0% in 2009 as compared with a 17.2% growth in 2008. The poor commercial situation for manufacturers involved in export has significantly affected the Group's business. Most manufacturers hesitated in acquiring new equipment. The situation, however, has improved since the last quarter of 2009.

In 2009, the Group's business was sustained by the customers involved in China's domestic market. The major customers from automotive industry, telecommunications and machine-makers, especially for the production of agricultural machinery and wind energy equipment, made a significant contribution to the Group's business and compensated to a certain extent for the loss of business from export manufacturers. China became the biggest market for automotives in the world in 2009 and 13,795,000 cars were produced in the year. Total car production in 2009 increased by 48.2% as compared with 2008. The production volume for mobile phones grew by 10.7% in 2009 and the production volume for computers grew by 33.3% in 2009. We believe these industries will continue to be important customer segments of the Group in the near future.

The business in South East Asia decreased by 47.0% as compared with 2008. The global financial crisis has significantly affected the economies of all South East Asian countries.

The Company launched a number of cost-reduction programmes in the second half of 2009. These included staff reductions, controls on travel expenses and reduced participation in exhibitions. The Group also reduced the size of some non-critical offices in China. The full effect of these reductions in operating costs will be seen in 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The cash net of bank overdrafts at the end of the year were HK$57,600,000 compared with HK$18,088,000 in year 2008.

As at 31st December 2009, the Group had net tangible assets of approximately HK$267,804,000, comprising non-current assets of approximately HK$160,687,000, net current assets of approximately HK$140,279,000, and non-current liabilities of approximately HK$33,162,000. On the same date, the total liabilities of the Group amounted to approximately HK$377,204,000. On the other hand, the total assets of the Group were HK$645,008,000. The net gearing ratio of the Group was improved to approximately 43.8% (2008: 68.4%).

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2009, the Group had aggregate banking facilities of approximately HK$733,540,000 of which approximately HK$286,979,000 was utilised, bearing interest at prevailing market rates and were 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$179,802,000 (2008: HK$76,165,000). The directors are confident that the Group is able to meet its operational and capital expenditure requirements in the foreseeable future.

FUTURE PLANS AND PROSPECTS

The poor business situation of the past year has improved since the last quarter of 2009. The Group's order bookings for the first two months of 2010 are encouraging and stand at about HK$200 million. The GDP growth rate of China is forecast to be 8% in 2010, and the value of China's exports is expected to grow again and to increase by 16.6% as compared with 2009. Market sentiment has become more positive and we believe that business will gradually pick up again.

China's domestic consumption market continues to be a major driver for the country's economy, and an improvement in its export market is likely to further enhance its economy. The Group believes that business in 2010 will return to a reasonable level as compared with 2009. Furthermore, the effect of the Group's cost-reduction programmes started in 2009 will be fully reflected in the Group's accounts in 2010, indicating that the operation and structure of the Group has become more cost-effective. Total cost savings in 2010 should reach a double-digit percentage as compared with the operating expenses in 2009. The Group aims to return to profit in year 2010.

As part of a long-term strategy, the Group is increasing its investment in South East Asia. A stronger team is being built to expand its metalforming business in the region. By establishing metrology centres in Beijing, Shanghai and Dongguan together with the support from our suppliers, we also expect significant growth in our metrology division in the whole of China.

The Group will continue to enhance its internal management on cost control, cash management, credit control and inventory control in order to produce the best possible result in the present challenging climate.

We are confident that as the global economy improves and China's economy continues to be strong, the Group's performance will likewise improve.

EMPLOYEES

As at 31st December 2009, the Group had 502 employees (2008: 679). Of these, 151 were based in Hong Kong, 322 were based in mainland China, and 29 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with our 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, 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.

SHARE CAPITAL

	2009	2008
	HK$'000	*HK$'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	**Share Capital**
	(thousands)	*HK$'000*
At 31st December 2009 and 2008	215,444	21,544

Share Options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme"). Share options were granted to directors and to selected employees in 2008. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing one year's service (the vesting period). The options are exercisable starting one year from the grant date. No other contractual obligation for the exercise of share option.

Movements in the number of share options outstanding and their related exercise prices are as follows:

Eligible participants	Date of Grant	Exercise Price *HK$*	At Beginning of period	Granted during the period	Exercised during the period	Expired/ Lapsed/ Cancelled during the period	At end of period
Director							
Mr. Lee Sou Leung, Joseph (Mr. Lee)	22nd April 2008	1.25	500,000	–	–	–	500,000
Ms. TAN, Lisa Marie (Ms. Tan)	22nd April 2008	1.25	500,000	–	–	–	500,000
Mr. CHAN Ching Huen, Stanley (Mr. Chan)	22nd April 2008	1.25	500,000	–	–	–	500,000
Dr. LUI Sun Wing (Dr. Lui)	22nd April 2008	1.25	100,000	–	–	–	100,000
Mr. PIKE, Mark Terence (Mr. Pike)	22nd April 2008	1.25	100,000	–	–	–	100,000
Mr. NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	22nd April 2008	1.25	100,000	–	–	–	100,000
Employees (excluding directors)	22nd April 2008	1.25	5,548,000	–	–	–	5,548,000
			7,348,000	–	–	–	7,348,000

All the outstanding share options of 7,348,000 were exercisable as at 31st December 2009 (2008: Nil). The exercisable period of the above share option is from 22nd April 2009 to 21st April 2010 (both dates inclusive). No options are forfeited, exercised during the year. All the outstanding share options of 7,348,000 have an expiry date on 21st April 2010.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2009, certain leasehold land, buildings and bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$179,802,000 (2008: HK$76,165,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

In 2009, the Group spent a total of HK$3,548,000 (2008: HK$8,809,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 31st December 2009, the Group had no material capital commitments and HK$24,425,000 (2008: HK$44,113,000) contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE OF FLUCTUATIONS IN 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 exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimize the Group's exposure to foreign exchange rate risks.

As at 31st December 2009, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR1,042,000 for HKD11,564,000 and buy JPY300,000,000 for HKD25,497,000 (2008: Buy EUR560,000 for HKD5,759,000 and buy SGD95,700 for selling HKD523,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has complied with 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 year ended 31st December 2009 except the following deviation.

Code Provision A.2.1

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 year ended 31st December 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 year ended 31st December 2009 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTTEE

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 condensed consolidated financial statements for the year ended 31st December 2009 with the directors.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31st December 2009. The figures in respect of the preliminary announcement of the Group's results for the year have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year 2009. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2010 ANNUAL GENERAL MEETING

It is proposed that the 2010 Annual General Meeting of the Company will be held on 11th May 2010 (Tuesday). A notice convening the 2010 Annual General Meeting will be published on the websites of the Stock Exchange and the Company in due course and will be dispatched to the shareholders of the Company accordingly.

On behalf of the Board
Lee Sou Leung, Joseph
Chairman

Hong Kong, 25th March 2010

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.

* *for identification purpose only*