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LEEPORT (HOLDINGS) LIMITED

力 豐 (集 團) 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 387)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2010

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 2010, 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

The Board has resolved to pay an interim dividend of HK3.0 cents per share for the six months ended 30th June 2010 (2009: Nil per share) to shareholders whose names appear on the register of members of the Company on 3rd September 2010 ("Record Date"). The interim dividend will be payable on or about 8th September 2010.

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

		Unaudited	
		Six months ended 30th June	
		2010	2009
	Note	**HK$'000**	HK$'000
Sales	3	**431,011**	374,675
Cost of goods sold	5	**(347,694)**	(308,480)
Gross profit		**83,317**	66,195
Other gains-net	4	**12,671**	14,257
Selling and distribution costs	5	**(13,767)**	(17,281)
Administrative expenses	5	**(69,491)**	(80,116)
Operating profit/(loss)		**12,730**	(16,945)
Finance costs-net		**(1,547)**	(3,230)
Profit/(loss) before income tax		**11,183**	(20,175)
Income tax credits	6	**133**	1,060
Profit/(loss) for the period		**11,316**	(19,115)
Attributable to:			
– equity holders of the Company		**11,424**	(18,545)
– minority interest		**(108)**	(570)
		11,316	(19,115)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company, expressed in cents per share			
– basic	8	**HK5.30cents**	(HK8.61cents)
– diluted		**HK5.27cents**	(HK8.61cents)
Dividends	7	**6,463**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Unaudited Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Profit/(loss) for the period	**11,316**	(19,115)
Other comprehensive income/(loss)		
Movement of deferred tax	**207**	115
Currency translation differences	**(3,534)**	(21,060)
Other comprehensive loss, net of tax	**(3,327)**	(20,945)
Total comprehensive income/(loss) for the period	**7,989**	(40,060)
Total comprehensive income/(loss) for the period attributable to:		
– equity holders of the Company	**8,210**	(39,487)
– minority interest	**(221)**	(573)
	7,989	(40,060)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2010

	Note	**Unaudited 30th June 2010 HK$'000**	31st December 2009 (Restated) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**146,521**	153,481
Leasehold land		**7,103**	7,206
		153,624	160,687
Current assets			
Inventories		**160,017**	181,803
Trade receivables and bills receivables	10	**161,207**	140,470
Other receivables, prepayments and deposits		**65,370**	43,989
Derivative financial instruments	9	**747**	83
Tax recoverable		**2,461**	136
Restricted bank deposits		**43,594**	60,027
Cash and cash equivalents		**77,292**	57,813
		510,688	484,321
Total assets		**664,312**	645,008
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**21,544**	21,544
Other reserves		**142,198**	146,291
Retained earnings			
– Proposed interim dividend		**6,463**	–
– Others		**99,838**	93,620
		270,043	261,455
Minority interest		**6,128**	6,349
Total equity		**276,171**	267,804

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2010

	Note	**Unaudited 30th June 2010 HK$'000**	31st December 2009 (Restated) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**11,800**	12,261
Borrowings	12	**15,875**	20,901
		27,675	33,162
Current liabilities			
Trade payables and bills payables	11	**108,553**	103,892
Other payables, accruals and deposits received		**128,886**	85,684
Derivative financial instruments	9	**1,016**	322
Borrowings	12	**122,011**	154,144
		360,466	344,042
Total liabilities		**388,141**	377,204
Total equity and liabilities		**664,312**	645,008
Net current assets		**150,222**	140,279
Total assets less current liabilities		**303,846**	300,966

NOTES

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 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 2009, 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 2009, 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.

(a) For the six months ended 30th June 2010, the following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1st January 2010 that are relevant for the Group:

HKFRS 3 (Revised)	Business combinations
HKAS 27 (Revised)	Consolidated and separate financial statements
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners
HKAS 17 (Amendment)	Leases

The amendments to HKFRS 3 and HK(IFRIC)-Int 17 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. The impact of the reminder of these standards on the condensed consolidated interim financial information is as follows:

2 Accounting policies (Continued)

- HKAS 27 (Revised). The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the condensed consolidated interim income statement.

- HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The accounting for land interest classified as finance lease is as below:

  If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

2 Accounting policies (Continued)

The effect of the adoption of this amendment is as below:

	30 June 2010 HK$'000	31 December 2009 HK$'000
Decrease in leasehold land	**44,191**	45,115
Increase in property, plant and equipment	**44,191**	45,115

The adoption of this amendment did not result in any change in opening retained earnings as at 1st January 2009.

Apart from the above, the HKICPA has also issued improvement to HKFRSs 2009* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments are effective for annual periods beginning on or after 1st January 2010 although there is separate transitional provision for each standard.

* Improvements to HKFRSs 2009 contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 7, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 16, HKFRS 3 and HKAS 18.

(b) The following new standards, amendments to standards and its interpretations are mandatory for the first time for the financial year beginning 1st January 2010, but are not relevant for the Group.

HKAS 39 (Amendment)	Financial instrument: Recognition and measurement
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based payment

3 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 the 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 condensed consolidated interim financial information, 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.

	Six months ended 30th June 2010			
	The PRC HK$'000	**Hong Kong HK$'000**	**Other countries (Note (a)) HK$'000**	**Total HK$'000**
Sales	**299,470**	**103,171**	**28,370**	**431,011**
Segment results	**11,482**	**126**	**1,122**	**12,730**
Finance costs-net				**(1,547)**
Profit before income tax				**11,183**
Income tax credits				**133**
Profit for the period				**11,316**

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	(6,838)	(8,072)	(2,035)	(16,945)
Finance costs-net				(3,230)
Loss before income tax				(20,175)
Income tax credits				1,060
Loss for the period				(19,115)

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

	Unaudited 30th June 2010 HK$'000	Audited 31st December 2009 HK$'000
Total assets:		
The PRC	**351,140**	300,387
Hong Kong	**275,824**	315,539
Other countries (Note (a))	**37,348**	29,082
	664,312	645,008

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

3 Segment information (Continued)

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

	Unaudited 30th June 2010 HK$'000	Audited 31st December 2009 HK$'000
Capital expenditure:		
The PRC	**293**	2,833
Hong Kong	**103**	694
Other countries (Note (a))	**13**	21
	409	3,548

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, United Kingdom, Italy and Malaysia.

4 Other gains-net

	Unaudited Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Derivative instruments – forward contracts:		
– Net fair value (loss)/gain (realised and unrealised)	**(30)**	1,132
Service income	**9,511**	8,875
Commission income	**256**	3,724
Other income	**2,934**	526
	12,671	14,257

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	
	2010	2009
	HK$'000	HK$'000
Depreciation on property, plant and equipment	**5,808**	5,721
Amortisation on leasehold land	**107**	107
Provision for slow moving inventories	**2,976**	2,207
Provision for impairment of trade receivables	**1,689**	998
Employee benefits expenses (including directors' remuneration)	**37,139**	44,925
Costs of inventories sold	**341,044**	304,442
Other expenses	**42,189**	47,477
Total cost of goods sold, selling and distribution costs and administrative expenses	**430,952**	405,877

6 Income tax credits

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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 2009: 25%) on the estimated assessable profit for the year, 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.

The amount of income tax credited to the condensed consolidated interim income statement represents:

	Unaudited Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Current income tax:		
– Hong Kong profits tax	**–**	–
– Overseas taxation	**121**	238
Under-provision in previous years	**–**	104
Deferred income tax	**(254)**	(1,402)
Income tax credits	**(133)**	(1,060)

Income tax credits 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	
	2010	2009
	HK$'000	HK$'000
Interim, proposed, HK3.0 cents (2009: HK Nil cents) per ordinary share	**6,463**	–

At a board meeting held on 10th August 2010, the directors proposed HK3.0 cents per ordinary share for the period ended 30th June 2010. This interim dividend, amounting to HK$6,463,000 (2009: Nil), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholder's equity in the year ending 31st December 2010.

8 Earnings/(loss) per share

The calculations of basic and diluted earnings/(loss) per share are based on the Group's profit attributable to equity holders of HK$11,424,000 (2009: Loss of HK$18,545,000).

The basic earnings/(loss) per share is based on the weighted average number of ordinary shares in issue during the period of 215,444,000 (2009: 215,444,000).

The diluted earnings/(loss) per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted, during the period of 216,662,000 (2009: 215,444,000).

	Unaudited Six months ended 30th June	
	2010	2009
	HK cents per share	
Earnings/(loss) per share attributable to the equity holders of the Company		
– basic	**5.30**	(8.61)
– diluted	**5.27**	(8.61)

9 Derivative financial instruments

	Unaudited As at 30th June 2010 Assets HK$'000	Unaudited As at 30th June 2010 Liabilities HK$'000
Forward foreign exchange contracts		
– non-hedging instruments	**747**	**1,016**

	Audited As at 31st December 2009 Assets HK$'000	Audited As at 31st December 2009 Liabilities HK$'000
Forward foreign exchange contracts		
– non-hedging instruments	83	322

10 Trade receivables and bills receivables

At 30th June 2010 and 31st December 2009, the ageing analysis of the trade receivables and bills receivables based on due date is as follows:

	Unaudited 30th June 2010 HK$'000	Audited 31st December 2009 HK$'000
Current	**103,005**	92,925
1-3 months	**38,032**	29,533
4-6 months	**7,395**	8,231
7-12 months	**8,032**	1,444
Over 12 months	**8,567**	17,928
	165,031	150,061
Less: provision for impairment of receivables	**(3,824)**	(9,591)
	161,207	140,470

10 Trade receivables and bills receivables (Continued)

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.

11 Trade payables and bills payables

At 30th June 2010 and 31st December 2009, the ageing analysis of the trade payables and bills payables based on due date is as follows:

	Unaudited 30th June 2010 HK$'000	Audited 31st December 2009 HK$'000
Current	**101,659**	97,158
1-3 months	**3,658**	2,058
4-6 months	**99**	3,380
7-12 months	**1,996**	254
Over 12 months	**1,141**	1,042
	108,553	103,892

12 Borrowings

	Unaudited 30th June 2010 HK$'000	Audited 31st December 2009 HK$'000
Current borrowings		
Trust receipts loans	**56,914**	56,514
Short-term bank loans	**62,475**	97,417
Bank overdrafts	**2,622**	213
	122,011	154,144
Long-term borrowings	**15,875**	20,901
Total borrowings	**137,886**	175,045

12 Borrowings (Continued)

Certain bank facilities are secured by the leasehold land, 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 2010	
Opening amount as at 1st January 2010	**175,045**
Repayments of borrowings	**(157,436)**
Proceeds from borrowings	**120,199**
Exchange differences	**78**
Closing amount as at 30th June 2010	**137,886**
Six months ended 30th June 2009	
Opening amount as at 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

Interest expenses on borrowings and loans for the six months ended 30th June 2010 is HK$1,547,000 (30th June 2009: HK$3,230,000).

13 Share capital

	Unaudited 30th June 2010 HK$'000	Audited 31st December 2009 HK$'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 30th June 2010 and 31st December 2009	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 selected employees in 2008 and all non-exercised share options granted in 2008 were expired during the period. On 29th March 2010, 7,980,000 new share options have been offered and granted to employees and directors with an exercise price of HK$0.61 per share. The closing price of the shares on 26th March 2010 (immediately before 29th March 2010, the date those options granted) was HK$0.60 per share.

13 Share capital (Continued)

The Company has been using the Black-Scholes Valuation model to value the share options granted. The key parameters used in the model and the corresponding fair value of the options granted during 2010 are as follows:

	Unaudited 30th June 2010
Date of granted	**29th March 2010**
Number of share options granted	**7,980,000**
Total option value (HK$)	**1,915,200**
Share price at date of grant (HK$)	**0.61**
Exercise price (HK$)	**0.61**
Expected life of options	**2 years**
Annualised volatility	**76%**
Risk free interest rate	**0.72%**
Dividend payout rate	**0%**

The exercise period of the above share options is from 29th March 2011 to 28th March 2012 (both dates inclusive).

The share based payment recognised in the condensed consolidated interim income statement for the share options granted to directors and employees for the six months ended 30th June 2010 is HK$378,000 (2009: HK$379,000).

Pursuant to the share option scheme, the share options will be fully vested on 29th March 2011.

13 Share capital (Continued)

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,	22nd April 2008	1.25	500,000	–	–	(500,000)	–
Joseph (Mr. Lee)	29th March 2010	0.61	–	580,000	–	–	580,000
Ms. TAN, Lisa Marie	22nd April 2008	1.25	500,000	–	–	(500,000)	–
(Ms. Tan)	29th March 2010	0.61	–	580,000	–	–	580,000
Mr. CHAN Ching Huen,	22nd April 2008	1.25	500,000	–	–	(500,000)	–
Stanley (Mr. Chan)	29th March 2010	0.61	–	580,000	–	–	580,000
Dr. LUI Sun Wing	22nd April 2008	1.25	100,000	–	–	(100,000)	–
(Dr. Lui)	29th March 2010	0.61	–	100,000	–	–	100,000
Mr. PIKE, Mark	22nd April 2008	1.25	100,000	–	–	(100,000)	–
Terence (Mr. Pike)	29th March 2010	0.61	–	100,000	–	(100,000)	–
Mr. NIMMO, Walter	22nd April 2008	1.25	100,000	–	–	(100,000)	–
Gilbert Mearns (Mr. Nimmo)	29th March 2010	0.61	–	100,000	–	–	100,000
Employees	22nd April 2008	1.25	5,548,000	–	–	(5,548,000)	–
(excluding directors)	29th March 2010	0.61	–	5,940,000	–	–	5,940,000
			7,348,000	7,980,000	–	(7,448,000)	7,880,000

FINANCIAL PERFORMANCE

Turnover

As the economic situation in China has improved, the business of the Group also showed significant growth in the first half of year 2010. The turnover of the Group for the six months ended 30th June 2010 was HK$431,011,000 (2009: HK$374,675,000), representing an increase of 15.0% as compared with the same period in 2009. Most business divisions achieved reasonable growth in turnover, especially the cutting tools, sheetmetal and electronics divisions, which showed outstanding growth in the first half of year 2010. The gross profit amount for the six months ended 30th June 2010 was HK$83,317,000 (2009: HK$66,195,000), representing an increase of 25.9% as compared with the same period in 2009. The growth in gross profit was attributed to the turnover growth of 15.0% and also to the increase in gross profit percentage, i.e. 19.3% in the first half of year 2010 as compared with 17.7% in the same period last year.

Other Gains

The service income of the Group was HK$9,511,000 for the six months ended 30th June 2010, 7.2% higher than the service income of HK$8,875,000 in the same period last year. On the other hand, there was commission income of HK$256,000 only in the first six months of 2010, compared with commission income of HK$3,724,000 in the same period last year.

Operating Expenses

Selling and distribution costs were HK$13,767,000 in the first half of 2010, lower than the figure of HK$17,281,000 in the same period last year, even though turnover increased by 15.0%. The saving was mainly due to lower advertising, exhibition and logistics expenses. Even though the business situation has improved, the Group still has a prudent attitude to participating in exhibitions and promotional activities.

Administrative expenses were HK$69,491,000 in the first half of 2010, as compared with HK$80,116,000 in the same period last year. There was a drop of HK$10,625,000 in administrative expenses. The re-structuring of the Group since last year has contributed significantly to the savings in staff costs and related expenses in the first half of 2010. The reduction in the size of some non-critical offices and warehouses also contributed to the savings in administrative expenses. Finance costs were only HK$1,547,000 in the first half of 2010, as compared with HK$3,230,000 in the same period last year. The lower finance costs were attributed to the Group's lower gearing ratio and the lower lending rates as compared with the first six months of 2009. The Group's gearing ratio as at 30th June 2010 was 21.9%, as compared with 43.8% as at 31st December 2009.

Profit Attributable to Equity Holders of the Group and Earnings Per Share

The profit attributable to equity holders of the Group was HK$11,424,000 for the six months ended 30th June 2010 (2009: Loss of HK$18,545,000). The earnings per share for the first six months of 2010 was HK5.30 cents, as compared with a loss of HK8.61 cents in the same period last year.

BUSINESS REVIEW

During this period of global recession, China has definitely become the most important country in the world in terms of contributing to the recovery of the world's economy. China's GDP growth for the first half of 2010 was 11.1%. China's exports were 35.2% higher than in the same period last year. The value of industrial output also grew 17.6% compared with the same period last year.

Market sentiment in the first half of 2010 was very good. The business of our customers was satisfactory and recovered rapidly. Many customers were able to make speedy and easy decisions about acquiring equipment. Customers are expecting faster delivery times, and our suppliers are facing pressure to improve their delivery lead times. The order-taking situation of the Group was very encouraging. The Group had outstanding contracts valued at about HK$500 million as at the end of July 2010, which is exceptionally good if we look at the business performance over the past few years.

The infrastructure, telecommunication, energy-saving lighting, automotive and industrial machinery industries continued to be the Group's most important customer segments in China. These industries were booming in the first half of the year. China is the biggest consumer of machine tools in the world (in 2009, 35% of the world's production of machine tools were installed in China). The value of imported machine tools was USD3.9 billion in the first half of 2010, an increase of 24.4% compared with the same period in 2009. The production of automotives was 8.9 million units in the first half of 2010, a 49% increase compared with the same period in 2009. The telecommunication industry grew 21.4% in first half of 2010 compared with the same period in 2009.

Most of the business divisions of the Group achieved significant growth in the first half of the year. Business in the South Asia region also improved. As the result of the increase in turnover in the first half of the year and the cost reduction programmes implemented since last year, the Group returned to profit in the first half of 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The figure for cash and bank balances was HK$77,292,000 as at 30th June 2010, HK$19,479,000 higher than the figure of HK$57,813,000 as at 31st December 2009. The Group's cash position was very strong in the first half of 2010. The improvement in the cash position was attributed to the Group's strict purchase order policy, which has greatly improved the Group's inventory position. The Group's inventory balance was HK$160,017,000 as at 30th June 2010, compared with HK$181,803,000 as at 31st December 2009.

The trade receivables and bills receivables balance was HK$161,207,000 as at 30th June 2010, compared with HK$140,470,000 as at 31st December 2009. The trade payables and bills payables balance was HK$108,553,000 as at 30th June 2010, compared with HK$103,892,000 as at 31st December 2009. The increase was not significant, even though the Group's business increased. This was attributed to the Group's strict purchase order policy.

The balance of short-term borrowing was HK$122,011,000 as at 30th June 2010, compared with the figure of HK$154,144,000 as at 31st December 2009. The Group repaid almost HK$35 million in short-term loans and HK$5 million in long-term loans in the first half of the year.

The Group's net gearing ratio was approximately 21.9% (31st December 2009: 43.8%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2010, the Group had aggregate banking facilities of approximately HK$682,040,000, of which approximately HK$232,608,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$160,968,000 (31st December 2009: HK$179,802,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

Currently, it is generally believed that China will continue to enjoy high growth, high employment and low inflation. The strong economic growth in the first half of 2010 is likely to enable the Government to achieve its overall yearly GDP growth target of 8%.

The export situation of the country is improving, but the trend for the second half of the year is still not certain. The domestic consumption market is likely to continue to be strong. Overall, the country's economy is consistently strong. The demand for manufacturing equipment will probably significantly exceed that of last year. However, sentiment in the manufacturing industry seems to be slowing down a bit since the middle of the year. Some potential customers will probably monitor the economic situation carefully before they place any orders.

Basically, the Group has received a highly satisfactory number of orders since early in the year. Due to the quick recovery of orders to our suppliers as compared with last year, the delivery lead-time has become longer. If delivery times can be improved, the Group's results for the second half of the year will be ensured. The Group will therefore work with suppliers to improve the delivery lead-time.

In line with the improvements in the business situation, we will consider recruiting additional sales and service engineers in order to increase our income and market share.

We are confident that the overall business in the second half of year 2010 will continue the momentum of the first half of the year. The Group's financial performance is likely to improve significantly in 2010 as compared with 2009.

EMPLOYEES

As at 30th June 2010, the Group had 507 employees (2009: 587), of whom 147 were based in Hong Kong; 334 were based in mainland China, and 26 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 2010, certain leasehold land, land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$160,968,000 (31st December 2009: HK$179,802,000) 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 2010, the Group spent a total of HK$409,000 (30th June 2009: HK$1,088,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 30th June 2010, the Group had no material capital commitments and HK$59,984,000 (31st December 2009: HK$24,425,000) contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's sales and purchase 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.

The Group is committed to buy the following foreign currency under forward contracts:

	At end 30th June 2010		At end 31st December 2009	
	Buy	**For**	Buy	For
		HK$		HK$
JPY	**147,700,000**	**12,227,974**	300,000,000	25,497,000
EUR	**2,695,500**	**26,674,133**	1,042,000	11,564,000
		38,902,107		37,061,000

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1st September 2010 (Wednesday) to 3rd September 2010 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30p.m. on 31st August 2010 (Tuesday).

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 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 2010 except the following:

CODE PROVISION A.2.1

Mr. LEE Sou Leung, Joseph is the Chairman and the Managing Director of the Company but the daily operation and management of the Company are monitored by executive directors as well as the senior management to ensure the balance of power and authority.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period ended 30th June 2010.

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 2010 with the directors.

2010 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2010 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 August 2010.

On behalf of the Board
LEE Sou Leung, Joseph
Chairman

Hong Kong, 10th August 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.