Leeport

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 2011

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 2011, 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 HK3.5 cents per share for the six months ended 30th June 2011 (2010: HK3.0 cents per share) to shareholders whose names appear on the register of members of the Company on 16th September 2011 ("Record Date"). The interim dividend will be payable on or about 26th September 2011.

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Note	**Unaudited Six months ended 30th June 2011 HK$'000**	2010 HK$'000
Sales	3	**576,540**	431,011
Cost of goods sold	5	**(472,601)**	(347,694)
Gross profit		**103,939**	83,317
Other gains-net	4	**13,128**	12,671
Selling and distribution costs	5	**(23,139)**	(13,767)
Administrative expenses	5	**(74,126)**	(69,491)
Operating profit		**19,802**	12,730
Finance costs		**(1,434)**	(1,547)
Profit before income tax		**18,368**	11,183
Income tax (expense)/credit	6	**(1,895)**	133
Profit for the period		**16,473**	11,316
Attributable to:			
– equity holders of the Company		**16,428**	11,424
– non-controlling interest		**45**	(108)
		16,473	11,316
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents per share)			
-basic	8	**HK7.58 cents**	HK5.30 cents
-diluted		**HK7.54 cents**	HK5.27 cents
Dividends	7	**7,714**	6,463

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Unaudited Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Profit for the period	**16,473**	11,316
Other comprehensive income/(loss)		
Movement of deferred tax	**276**	207
Currency translation differences	**11,321**	(3,534)
Other comprehensive income/(loss), net of tax	**11,597**	(3,327)
Total comprehensive income for the period	**28,070**	7,989
Total comprehensive income for the period attributable to:		
– equity holders of the Company	**27,706**	8,210
– non-controlling interest	**364**	(221)
Total comprehensive income for the period	**28,070**	7,989

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2011

	Note	**Unaudited 30th June 2011 HK$'000**	Audited 31st December 2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**172,498**	171,140
Leasehold land		**7,185**	7,190
		179,683	178,330
Current assets			
Inventories		**140,301**	159,487
Derivative financial instruments	9	**305**	549
Trade receivables and bills receivables	10	**209,508**	254,776
Other receivables, prepayments and deposits		**90,430**	53,420
Financial assets at fair value through profit or loss		**2,379**	–
Tax recoverable		**–**	1,062
Restricted bank deposits		**59,420**	45,014
Cash and cash equivalents		**73,890**	62,525
		576,233	576,833
Total assets		**755,916**	755,163
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**22,039**	21,544
Other reserves		**180,849**	169,016
Retained earnings			
– Proposed dividend		**7,714**	9,695
– Others		**117,121**	105,184
		327,723	305,439
Non-controlling interest		**12,069**	5,781
Total equity		**339,792**	311,220

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2011

	Note	**Unaudited 30th June 2011 HK$'000**	Audited 31st December 2010 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**14,032**	15,284
		14,032	15,284
Current liabilities			
Trade payables and bills payables	11	**150,470**	175,078
Other payables, accruals and deposits received		**132,603**	132,290
Derivative financial instruments	9	**16**	–
Tax payables		**2,933**	–
Borrowings	12	**116,070**	121,291
		402,092	428,659
Total liabilities		**416,124**	443,943
Total equity and liabilities		**755,916**	755,163
Net current assets		**174,141**	148,174
Total assets less current liabilities		**353,824**	326,504

NOTES

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2010, 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2011.

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1st January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transactions; and
- The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

2 Accounting policies (Continued)

Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2011, but are not currently relevant to the Group.

HKAS 32 (Amendment)	Classification of Right Issue
HK(IFRIC) – Int 19	Extinguishing financial Liabilities with Equity Instruments
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HKFRS 1	First time Adoption of Hong Kong Financial Reporting Standards
HKFRS 7	Financial instruments: Disclosures
HKAS 1	Presentation of financial statements
HKAS 27	Consolidated and separate financial statements
HK(IFRC) – Int 13	Customer loyalty programmes

2 Accounting policies (Continued)

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2011 and have not been early adopted:

HKFRS 1 (Amendment)	"Sever Hyperinflation and Removal of Fixed Dates for First-time Adopters", Effective for annual period beginning on or after 1st July 2011
HKFRS 7 (Amendment)	"Disclosure – Transfers of Financial Assets", Effective for annual period beginning on or after 1st July 2011
HKFRS 9	"Financial Instruments", Effective for annual period beginning on or after 1st January 2013
HKFRS 10	"Consolidated financial statements", Effective for annual period beginning on or after 1st January 2013
HKFRS 11	"Joint arrangements", Effective for annual period beginning on or after 1st January 2013
HKFRS 12	"Disclosure of interests in other entities", Effective for annual period beginning on or after 1st January 2013
HKFRS 13	"Fair value measurements", Effective for annual period beginning on or after 1st January 2013
HKAS 12 (Amendment)	"Deferred Tax: Recovery of Underlying Assets", Effective for annual period beginning on or after 1st January 2013
HKAS 19 (Amendment)	"Employee benefits", Effective for annual period beginning on or after 1st January 2013

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2011, on the Group's operations, and is yet in the position to conclude the impact.

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 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.

	Unaudited Six months ended 30th June 2011			
	The PRC HK$'000	Hong Kong HK$'000	Other countries (Note (a)) HK$'000	Total HK$'000
Sales	**420,493**	**106,662**	**49,385**	**576,540**
Segment results	**16,481**	**3,437**	**(116)**	**19,802**
Finance costs				**(1,434)**
Profit before income tax				**18,368**
Income tax expense				**(1,895)**
Profit for the period				**16,473**

3 Segment information (Continued)

	Unaudited 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				(1,547)
Profit before income tax				11,183
Income tax credit				133
Profit for the period				11,316

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

	Unaudited 30th June 2011 HK$'000	Audited 31st December 2010 HK$'000
Total assets:		
The PRC	**423,718**	391,208
Hong Kong	**269,284**	319,044
Other countries (Note (a))	**62,914**	44,911
	755,916	755,163

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 2011 HK$'000	Audited 31st December 2010 HK$'000
Capital expenditure:		
The PRC	**107**	249
Hong Kong	**105**	607
Other countries (Note (a))	**29**	113
	241	969

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.

4 Other gains-net

	Unaudited Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value loss	**(260)**	(30)
Financial assets at fair value through profit or loss		
– Fair value loss	**(211)**	–
Service income	**8,671**	9,511
Commission income	**3,930**	256
Other income	**998**	2,934
	13,128	12,671

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	
	2011	2010
	HK$'000	HK$'000
Depreciation on property, plant and equipment	**5,562**	5,808
Amortisation on leasehold land	**107**	107
(Reversal)/provision for slow moving inventories	**(809)**	2,976
Provision for impairment of trade receivables	**68**	1,689
Employee benefits expenses (including directors' remuneration)	**41,523**	37,139
Costs of inventories sold	**468,747**	341,044
Other expenses	**54,668**	42,189
Total cost of goods sold, selling and distribution costs and administrative expenses	**569,866**	430,952

6 Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.

EIT tax in PRC has been provided at the rate of 25% (2010: 25%) on the estimated assessable profit for the period with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2010: 17%) on the estimated assessable profit for the period.

Taxation on other 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 subsidiaries of the Group operate.

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

	Unaudited Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Current income tax:		
– Hong Kong profits tax	**484**	–
– Overseas taxation	**1,513**	121
Under-provision in previous years	**875**	–
Deferred income tax	**(977)**	(254)
	1,895	(133)

Income tax expense/(credit) 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	
	2011	2010
	HK$'000	HK$'000
Interim, proposed, of HK3.5 cents (2010: HK3.0 cents) per ordinary share	**7,714**	6,463

An interim dividend of HK3.5 cents per ordinary share is proposed for the period ended 30th June 2011 (2010: HK3.0 cents). This interim dividend, amounting to HK$7,714,000 (2010: HK$6,463,000), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognized in shareholders' equity in the year ending 31st December 2011.

8 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to equity holders of HK$16,428,000 (2010: HK$11,424,000).

The basic earnings per share is based on the weighted average number of ordinary shares in issue during the period of 216,781,000 (2010: 215,444,000).

The diluted earnings per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted, during the period of 217,928,000 (2010: 216,662,000).

	Unaudited Six months ended 30th June	
	2011	2010
	HK cents per share	
Earnings per share attributable to the equity holders of the Company		
– basic	**7.58**	5.30
– diluted	**7.54**	5.27

9 Derivative financial instruments

	Unaudited As at 30th June 2011	
	Assets	**Liabilities**
	HK$'000	**HK$'000**
Forward foreign exchange contracts		
– non-hedging instruments	**305**	**16**

	Audited As at 31st December 2010	
	Assets	Liabilities
	HK$'000	HK$'000
Forward foreign exchange contracts		
– non-hedging instruments	549	–

10 Trade receivables and bills receivables

At 30th June 2011 and 31st December 2010, the ageing analysis of the trade receivables and bills receivables by due dates are as follows:

	Unaudited 30th June 2011 HK$'000	Audited 31st December 2010 HK$'000
Current	**128,722**	171,426
1-3 months	**52,444**	64,762
4-6 months	**15,483**	7,762
7-12 months	**8,142**	7,307
Over 12 months	**9,660**	8,394
	214,451	259,651
Less: provision for impairment of receivables	**(4,943)**	(4,875)
	209,508	254,776

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 2011 and 31st December 2010, the ageing analysis of the trade payables and bills payables by due dates are as follows:

	Unaudited 30th June 2011 HK$'000	Audited 31st December 2010 HK$'000
Current	**146,818**	168,961
1-3 months	**2,641**	5,133
4-6 months	**243**	14
7-12 months	**–**	1
Over 12 months	**768**	969
	150,470	175,078

12 Borrowings

	Unaudited 30th June 2011 HK$'000	Audited 31st December 2010 HK$'000
Current		
Trust receipts loans	**40,570**	56,668
Short-term bank loans	**72,074**	61,071
Bank overdrafts	**3,426**	3,552
Total borrowings	**116,070**	121,291

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

12 Borrowings (Continued)

Movements in borrowings are analysed as follows:

	Unaudited HK$'000
Six months ended 30th June 2011	
Opening amount as at 1st January 2011	**121,291**
Repayments of borrowings	**(93,180)**
Proceeds from borrowings	**87,580**
Exchange differences	**379**
Closing amount as at 30th June 2011	**116,070**
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

Interest expenses on borrowings and loans for the six months ended 30th June 2011 is HK$1,434,000 (30th June 2010: HK$1,547,000).

13 Share capital

	Unaudited 30th June 2011 HK$'000	Audited 31st December 2010 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000

Issued and fully paid:

	Number of shares (in thousand)	**Share Capital HK$'000**
At 1st January 2011		
215,444,062 ordinary shares of HK$0.10 each	215,444	21,544
4,942,000 ordinary shares of HK$0.10 each issued on exercise of share option	4,942	495
At 30th June 2011		
220,386,062 ordinary shares of HK$0.10 each	220,386	22,039

During the six months ended 30th June 2011, 4,942,000 shares of the Company were issued upon the exercise of share options at exercise price of HK$0.61, and resulting in approximately HK$2,521,000 share premium.

13 Share capital (Continued)

Share options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme"). On 29th March 2010, 7,980,000 share options have been offered and granted to employees and directors with an exercise price of HK$0.61 per share.

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

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 2011 is HK$379,000 (2010: HK$378,000).

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

13 Share capital (Continued)

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

Eligible participants	Date of grant	Exercise Price HK$	At beginning of period	Exercised during the period	At end of period
Director					
Mr. LEE Sou Leung, Joseph (Mr. Lee)	29th March 2010	0.61	580,000	(580,000)	–
Ms. TAN, Lisa Marie (Ms. Tan)	29th March 2010	0.61	580,000	–	580,000
Mr. CHAN Ching Huen, Stanley (Mr. Chan)	29th March 2010	0.61	580,000	(580,000)	–
Dr. LUI Sun Wing (Dr. Lui)	29th March 2010	0.61	100,000	(100,000)	–
Mr. NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	29th March 2010	0.61	100,000	–	100,000
Employees (excluding directors)	29th March 2010	0.61	5,940,000	(3,682,000)	2,258,000
			7,880,000	(4,942,000)	2,938,000

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$0.99.

During the period, no share options were granted, cancelled or lapsed.

13 Share capital (Continued)

Further information about grant of share options

On 4th July 2011, 260,000 share options have been offered and granted to a director namely Dr. Lui Sun Wing with an exercise price of HK$0.96 per share. The closing price of the shares on the date grant was HK$0.96 per share and the average closing price of the shares for the five business days immediately preceding the date of grant was HK$0.93 per share. The exercise period of his share options is from 2nd July 2012 to 1st July 2013. (both dates inclusive). The closing price of the shares on 30th June 2011 (immediately before 4th July 2011, the date his options granted) was HK$0.97 per share.

FINANCIAL PERFORMANCE

Turnover

Due to the strong economic activities in China, the business of the Group achieved a substantial increase of turnover in the first half of 2011. The turnover of the Group for the six months ended 30th June 2011 was HK$576,540,000, representing an increase of 33.8% over the same period in 2010. (2010: HK$431,011,000) The gross profit amount for the six months ended 30th June 2011 was HK$103,939,000 (2010: HK$83,317,000), representing an increase of 24.8% over the same period in 2010. The gross profit percentage was 18.0% in the first half of 2011, compared with 19.3% in the same period last year.

Other Gains

The Group's service income was HK$8,671,000 for the six months ended 30th June 2011, compared with HK$9,511,000 for the same period in 2010. Commission income was HK$3,930,000 for the six months ended 30th June 2011, compared with HK$256,000 in the same period in 2010.

Operating Expenses

Selling and distribution costs were HK$23,139,000 in the first half of 2011, compared with HK$ 13,767,000 in the same period in 2010. In the first half of 2011, the Group actively participated in some exhibitions in China, Malaysia and Indonesia. The exhibition costs and marketing expenses in the first half of 2011 were much higher than that in the same period last year. Logistic charges also increased, in line with the increase in turnover in the first six months of 2011.

Administrative expenses were HK$74,126,000 in the first half of 2011, compared with HK$69,491,000 in the same period in 2010. Travelling expenses and professional fees increased, in line with more business activities during the period.

FINANCIAL PERFORMANCE (CONTINUED)

Finance costs were HK$1,434,000 in the first half of 2011, compared with HK$1,547,000 in the same period last year. The Group's bank borrowing level as at 30th June 2011 was HK$116,070,000, a little lower than the level of HK$121,291,000 as at 31st December 2010. The Group's gearing ratio was further lower due to more cash on hand. The Group's gearing ratio was 12.4% as at 30th June 2011, compared with 18.9% as at 31st December 2010. Income tax expenses were HK$1,895,000 in the first half of 2011, and there was tax credit of HK$133,000 in the same period last year. The increase in tax expenses was due mainly to the profit situation of the subsidiaries in China, which faced a higher income tax rate.

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

The profit attributable to equity holders of the Group was HK$16,428,000 for the six months ended 30th June 2011, compared with HK$11,424,000 in the same period in 2010, representing an increase of 43.8%. The earnings per share for the first six months of 2011 were HK7.58 cents, compared with HK5.30 cents in the same period last year, representing an increase of 43.0%.

BUSINESS REVIEW

Most developed countries experienced a moderate recovery in their economy in 2010, however this economic growth has shown a lack of momentum since the beginning of 2011. By contrast, China has maintained its economic energy even though the country has also faced the challenges of high inflation, a bubble in the property market and a weakening export market. The country's newly announced GDP growth for the first half of 2011 was 9.6%, which was very close to the GDP growth rate in the last quarter of 2010. The value of industrial production was 14.3% higher than for the first half of 2010, and it was quite stable for the last four quarters. The value of exports was 24% higher than that for the first half of 2010, but it fell for four consecutive months from March 2011.

The Group's business in the first half of 2011 was very strong. Most of the Group's business divisions recorded better contract booking results compared with the same period last year. Customers involved in serving the domestic market still showed a strong need to acquire equipment. The Group's biggest customer segments in the first half of 2011 were: electric machinery, molds and dies, environmental lighting, switchgear and telecommunications equipment. The business in Taiwan and South East Asia also recorded better results. In particular, the sheetmetal machinery business showed good progress in the region.

BUSINESS REVIEW (CONTINUED)

The negative impact of the tsunami disaster in March in Japan on the supply of equipment and tools lasted only a short time. Deliveries by the Group's Japanese suppliers were disturbed only from March to May. The delivery of goods has returned to normal since June. The faster delivery of goods is expected to improve the Group's business performance even more in the second half of 2011.

The Group participated in the 12th China International Machine Tool Show in Beijing in April 2011. This show is now the third-biggest machine tool show in the world, and world-leading manufacturers in machine tools, measuring instruments and cutting tools all participated. The enthusiasm of the participation demonstrates the importance and the scale of the China market. It is forecast that global demand for machine tools will grow by 9.4% per year until 2014, and will reach US$121 billion. The China market is likely to have a higher growth rate than the global average. China's consumption of machine tools was 25% of the world total in 2010.

The Group's contract bookings in the first half of 2011 were valued at HK$790,000,000, and was 17% higher than that in the first half of 2010 (HK$677,074,000). This shows that the China market is still full of opportunities. We are confident that the Group's contract bookings in 2011 will be higher than that in 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 30th June 2011 was HK$70,464,000 (31st December 2010: HK$58,973,000). The Group has maintained a good level of cash position. The Group's inventory balance as at 30th June 2011 was HK$140,301,000 (31st December 2010: HK$159,487,000). The turnover days of the inventory as at 30th June 2011 was 57 (31st December 2010:70). The trade receivables and bills receivables balance was HK$209,508,000 as at 30th June 2011 (31st December 2010: HK$254,776,000). The turnover days of sales was 73 as at 30th June 2011 (31st December 2010: 67). The trade payables and bill payables balance was HK$150,470,000 as at 30th June 2011 (31st December 2010: HK$175,078,000).

The Group's net gearing ratio was approximately 12.4% as at 30th June 2011 (31st December 2010: 18.9%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2011, the Group had aggregate banking facilities of approximately HK$804,176,000, of which approximately HK$267,492,000 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$200,460,000 (31st December 2010: HK$186,447,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

The high GDP growth in the first half of 2011 looks likely to continue in the second half of 2011 in China. China is still maintaining a strong momentum in its economic activity. As 2011 is the first year of the country's 12th Five-Year Plan, many capital investments and projects are likely to be launched in the short term and in the long term. The target to build a significant number of low-cost residential apartments for low-income citizens will also support the construction industry in 2011. Overall capital investment is predicted to grow by 25% in 2011, which will sustain the country's high economic growth.

The Group's business situation is still strong in the middle of the year. The automotive and high-speed train industries may slow down, but the telecommunication equipment, power-supply equipment, electronic products and general machinery industries are still growing fast. The overall sentiment of the market remains positive. However, customers involved in export business have faced a difficult situation of fewer orders but higher production costs, including the cost of raw materials and labour. Only customers involved in the production of high-end products are likely to be able to purchase equipment.

The Group is discussing with a German machine manufacturer for investment opportunities. This collaboration will broaden the Group's product range and improve the Group's business results in the near future. The Group will further explore joint-venture opportunities with suitable partners. In order to grasp the growing market in Asia, especially in China, the Group will speed up its investment in the region. The Group will also continue to recruit new staff in order to enhance its management team and business structure.

Given the trend in contract bookings, the Group's performance in the second half of 2011 is likely to be better than in first half of the year. We are confident that the energetic China market will continue to support the growth of the Group's business, and that the proper implementation of its long-term strategies will enable the Group to expand quickly and achieve greater success in the near future.

EMPLOYEES

As at 30th June 2011, the Group had 535 employees (2010: 507), of whom 150 were based in Hong Kong; 352 were based in mainland China, and 33 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 2011, certain leasehold land, land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$200,460,000 (31st December 2010: HK$186,477,000) 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 2011, the Group spent a total of HK$241,000 (30th June 2010: HK$409,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 30th June 2011, the Group had no material capital commitments and HK$49,452,000 (31st December 2010: HK$41,507,000) 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 2011			At end 31st December 2010	
	Buy	**For USD**	**For HK$**	Buy	For HK$
JPY	**74,000,000**	**624,000**	**2,326,000**	267,200,000	25,085,000
EUR	**140,000**	**–**	**1,564,000**	539,000	5,523,000
SGD	**36,000**	**–**	**222,000**	500,000	2,961,000
AUD	**460,000**	**–**	**3,553,000**	–	–
		624,000	**7,665,000**		33,569,000

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14th September 2011 (Wednesday) to 16th September 2011 (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 12th September 2011 (Monday).

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 2011 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 2011.

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, Mr. NIMMO, Walter Gilbert Mearns and Professor Tai-Chiu LEE, 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 2011 with the directors.

2011 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2011 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders by the end of September 2011.

On behalf of the Board
LEE Sou Leung, Joseph
Chairman

Hong Kong, 29th August 2011

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