

Leeport

力豐（集團）有限公司
LEEPOR (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 0387)



40
Years in
Manufacturing
Technology
四十年製造科技

2007
INTERIM REPORT



Contents	Pages
Management commentary	2
Condensed consolidated balance sheet	10
Condensed consolidated income statement	12
Condensed consolidated statement of changes in equity	13
Condensed consolidated cash flow statement	15
Notes to condensed consolidated financial statements	16



MANAGEMENT COMMENTARY

The directors (the “Directors”) of Leeport (Holdings) Limited (the “Company”) are pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2007, 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 have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

The sales of the Group for the six months ended 30th June 2007 was HK\$396,763,000 (2006: HK\$445,209,000), representing a decrease of 10.9% as compared with the same period in 2006. The profit attributable to equity holders was HK\$11,019,000 (2006: HK\$25,096,000). This represented a decrease of 56.1% as compared with the corresponding period in 2006.

Although the sales of the Group for the six months of the year were lower than the same period of last year, the contract bookings achieved double digit growth from January to end of August this year.

The continuing strong demand in the global market has made it difficult for some major suppliers to improve the delivery lead time. The actual sales for the first half of the year were below expectations. This was due to the longer delivery schedule of some major suppliers.

Administrative expenses in the first six months of the year increased by HK\$7.2 million as compared with the same period last year. The major expense item contributing to this increase was the unfavourable exchange difference of HK\$1.1 million. The Group recorded a favourable exchange difference of HK\$3.5 million in the same period last year. Also staff costs increased by HK\$1.4 million in the first six months of 2007.

However, selling and distribution costs in the first six months of the year were HK\$3.7 million lower than for the same period last year. The savings came from the promotion and exhibition expenses and commission to sales staff. Also the taxation expenses were HK\$1.5 million lower than same period last year due to the lower assessable income in the first half of the year and the write-back of some over-provisions in 2006.



INTERIM DIVIDENDS

The board has resolved to pay an interim dividend of HK4.5 cents per share for the six months ended 30th June 2007 (2006: HK7.5 cents per share) to shareholders whose names appear on the register of members of the Company on 8th October 2007 ("Record Date"). The interim dividend will be payable on or about 12th October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4th October 2007 (Thursday) to 8th October 2007 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the interim dividend, 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 3rd October 2007 (Wednesday).

BUSINESS REVIEW

In the first six months of 2007, the overall manufacturing industry in China grew rapidly, and there is a strong desire for investment in manufacturing equipment in the market. As a consequence, the Group's contract booking achieved double-digit growth for the period from January to August of this year as compared with the same period last year.

The growth in China's economy continues to be encouraging. The GDP growth rate in the first six months of 2007 achieved 11.5%. The growth rate for industrial production achieved 18.5%. Export value also grew 27.6%. The growth rate for Hong Kong's GDP was 6.3% in the first half of the year 2007.

The driving force behind the present economic growth in China has included the domestic consumer market. The retail sales value for consumable goods grew by 15.4% in the first six months of 2007, the highest since 1997. This reflects the increasing buying power of the population. Automobile production continued to grow quickly. The volume of production in first half of 2007 was 4.46 million units and the growth rate was 22.4%.

However, strong demand in the global market has continued to affect the delivery schedule of our major suppliers in Japan. Also the Chinese Government has followed a stricter policy of applying duty-exemption for the imported machine tools, and this has raised the investment costs of the end users.



The machine tool business fell by 16% in the first six months of 2007, as compared with the same period last year. The measuring instruments division was unable to maintain its former level of business due to the export ban imposed on Mitutoyo products by the Japanese government, and recorded a 30% decrease in sales in the first six months of 2007. However, the cutting tools business continued to be successful, achieving a 12% increase and the electronics equipment business achieved an increase of 8%.

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents net of bank overdrafts as at 30th June 2007 were HK\$78,901,000 (31st December 2006: HK\$65,093,000).

As at 30th June 2007, the Group had net tangible assets of approximately HK\$229,709,000, comprising non-current assets of approximately HK\$110,258,000, net current assets of approximately HK\$127,210,000, and non-current liabilities of approximately HK\$7,759,000. As at the same date, the total liabilities of the Group amounted to approximately HK\$502,001,000, and the total assets of the Group were HK\$731,710,000.

The net gearing ratio, defined as ratio of the Group's total liabilities to its total assets, was approximately 0.69 as at 30th June 2007 (31st December 2006: 0.63).

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2007, the Group had aggregate banking facilities of approximately HK\$654,800,000 of which approximately HK\$339,357,000 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\$163,748,000 (31st December 2006: HK\$95,504,000). The directors are confident that the Group is able to meet its operational and capital expenditure requirements.



FUTURE PLANS AND PROSPECTS

China's economic growth in 2007 continues to look as strong as it was last year. GDP growth for China is expected to be 11.3% for the whole year of 2007. The growth in the value of exports is forecast to be 26%. On the other hand, the growth in Hong Kong's GDP is expected to be 6% for the whole year of 2007. We envisage increasing demand for manufacturing equipment in the Chinese market, as many of our major customers have been expanding their production capacity since early this year.

The problem of the slow delivery of goods from suppliers is unlikely to be resolved in the short term. Nevertheless, our Japanese suppliers are adjusting their production capacity to meet the demand. This year, the Group's measuring instruments business has been significantly affected by the Japanese government's export ban on Mitutoyo products. However, the ban will be lifted in January next year, and the Group anticipates significant growth for measuring instruments business in 2008. On the other hand, most of the customers have now accepted the Chinese Government's stricter policy regarding its application of duty-exemption for imported machine tools. The Group expects the number of contract bookings in 2007 to be satisfactory. We will continue to work with our suppliers to find a solution to meet delivery schedules.

The Group purchased a warehouse in Hong Kong for HKD12.5 million on 13th July 2007. Purchase of the property will reduce the burden of the rising rental costs in the future.

At the beginning of the year, the Group launched its "Service No. 1" campaign in order to improve the Group's service quality. The campaign involves the process re-engineering of service operation, the enhancement of training for service engineers and the implementation of incentive programs for our service team. The Group is sure to benefit from these improvements in terms of sales and service income in the long run.

The recent austerity measures imposed by the Chinese Government are aimed at upgrading the cost-effectiveness of the manufacturing industry, eliminating the low-end industries and reducing the pollution in some industries. The measures will not affect the increase in investment in the country's manufacturing industry. We are confident about the economy of both mainland China and Hong Kong in the near future, and are particularly confident about the manufacturing industry in China in the long run.

We will continue to explore opportunities to take up new product lines and establish joint-ventures with suitable partners.

EMPLOYEES

As at 30th June 2007, the Group had 574 employees (2006: 554), of whom 194 were based in Hong Kong and 342 were based in mainland China, and 38 were based in other offices within Asia. Competitive remuneration packages are 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 and discretionary performance bonuses.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2007, certain land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$163,748,000 (31st December 2006: HK\$95,504,000) 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 2007, the Group spent a total of HK\$739,000 (2006: HK\$11,140,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 30th June 2007, the Group had no material capital commitments and HK\$11,404,000 (31st December 2006: HK\$9,962,000) contingent liabilities in respect of letters of guarantee given to customers.

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's sales and purchase were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign exchange received from the customers to settle the payment 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 minimize the Group's exposure to foreign exchange rate risks.

As at 30th June 2007, the Group had commitments for foreign currency forward contracts amounting to approximately HK\$42,592,000 (31st December 2006: HK\$25,927,000).

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th June 2007, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company, were as follows:

Director		Number of ordinary shares of HK\$0.10 each held			Total	Percentage
		Personal interests	Family interests	Other interests		
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	2,868,000 shares	816,000 shares (Note (b))	139,523,170 shares (Note (a))	143,207,170 shares	68.22%
	Short position	Nil	Nil	Nil	Nil	—
Ms. TAN, Lisa Marie ("Ms. Tan")	Long position	816,000 shares	2,868,000 shares (Note (c))	139,523,170 shares (Note (a))	143,207,170 shares	68.22%
	Short position	Nil	Nil	Nil	Nil	—
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	200,000 shares	Nil	Nil	200,000 shares	0.10%
	Short position	Nil	Nil	Nil	Nil	—
Mr. NIMMO, Walter Gilbert Mearns ("Mr. Nimmo")	Long position	Nil	154,445 shares (Note (d))	Nil	154,445 shares	0.07%
	Short position	Nil	Nil	Nil	Nil	—

(a) The 139,523,170 shares are held by Peak Power Technology Limited in its capacity as the trustee of The Lee Family Unit Trust holding the same for the benefit of holders of units issued by The Lee Family Unit Trust. HSBC International Trustee Limited is the trustee of the LMT Trust whose discretionary objects are Ms. Tan and Mr. Lees's family members. The aforesaid shares that Mr. Lee and Ms. Tan are deemed to be interested refer to the same parcel of shares.

(b) Mr. Lee is the husband of Ms. Tan. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee.

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- (c) The personal interests of Mr. Lee above are disclosed as the family interest of Ms. Tan.
- (d) The 154,445 shares are beneficially owned by Mr. Nimmo's spouse.

Other than as disclosed above, at no time during the period was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 30th June 2007, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

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 six months ended 30th June 2007 except the following deviation:–

Further Information about Chairman and Chief Executive Officer

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



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

For the six months period to 30th June 2007, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30th June 2007 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

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

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LUI Sun Wing and Mr. NIMMO, Walter Gilbert Mearns, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30th June 2007 with the directors.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2007

	Note	30th June 2007 Unaudited HK\$'000	31st December 2006 Audited HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	76,241	81,164
Leasehold land	5	34,017	34,191
		110,258	115,355
Current assets			
Inventories		155,075	147,793
Trade receivables and bills receivables	7	208,178	179,084
Other receivables, prepayments and deposits		32,914	27,513
Derivative financial instruments	6	9	145
Restricted bank deposits		145,108	72,464
Cash and bank balances		80,168	65,463
		621,452	492,462
Total assets		731,710	607,817
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	20,992	20,992
Other reserves		67,579	67,053
Retained earnings			
– Proposed interim/final dividend		9,446	9,446
– Others		123,758	121,649
		221,775	219,140
Minority interest		7,934	7,888
Total equity		229,709	227,028

The notes on pages 16 to 28 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2007

	Note	30th June 2007 Unaudited HK\$'000	31st December 2006 Audited HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		7,759	8,159
Current liabilities			
Trade payables and bills payables	9	163,367	127,757
Other payables, accruals and deposits received	10	43,125	52,291
Derivative financial instruments	6	831	227
Current income tax liabilities		1,558	2,663
Borrowings, secured	11	285,361	189,692
		494,242	372,630
Total liabilities		502,001	380,789
Total equity and liabilities		731,710	607,817
Net current assets		127,210	119,832
Total assets less current liabilities		237,468	235,187

The notes on pages 16 to 28 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

		Unaudited	
		Six months ended 30th June	
	Note	2007 HK\$'000	2006 HK\$'000
Sales	4	396,763	445,209
Cost of goods sold	13	(309,115)	(345,116)
Gross profit		87,648	100,093
Other gains – net	12	5,601	6,260
Selling and distribution costs	13	(12,316)	(16,005)
Administrative expenses	13	(64,516)	(57,281)
Operating profit		16,417	33,067
Finance costs		(4,610)	(5,278)
Profit before income tax		11,807	27,789
Income tax expense	14	(742)	(2,242)
Profit for the period		11,065	25,547
Attributable to:			
Equity holders of the Company		11,019	25,096
Minority interests		46	451
		11,065	25,547
Earnings per share for profit attributable to the equity holders of the Company, expressed in cents per share			
– basic	15	HK5.25 cents	HK12.31 cents
Dividends	16	9,446	15,291

The notes on pages 16 to 28 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Unaudited							Total HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserves HK\$'000	Exchange reserves HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Minority interest HK\$'000	
Balance at 1st January 2007	20,992	20,103	33,432	2,208	11,310	131,095	7,888	227,028
Depreciation transfer on buildings	-	-	(536)	-	-	536	-	-
Movement of deferred tax	-	-	94	-	-	-	-	94
Currency translation	-	-	26	942	-	-	-	968
Net income recognised directly in equity	-	-	(416)	942	-	536	-	1,062
Profit for the period	-	-	-	-	-	11,019	46	11,065
Total recognised income for the period	-	-	(416)	942	-	11,555	46	12,127
Dividends paid relating to 2006	-	-	-	-	-	(9,446)	-	(9,446)
Balance at 30th June 2007	20,992	20,103	33,016	3,150	11,310	133,204	7,934	229,709

The notes on pages 16 to 28 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Unaudited							Total HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserves HK\$'000	Exchange reserves HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Minority interest HK\$'000	
Balance at 1st January 2006	20,388	10,310	28,634	195	11,310	132,805	7,507	211,149
Depreciation transfer on buildings	-	-	(491)	-	-	491	-	-
Movement of deferred tax	-	-	86	-	-	-	-	86
Currency translation	-	-	-	948	-	-	-	948
Net income recognised directly in equity	-	-	(405)	948	-	491	-	1,034
Profit for the period	-	-	-	-	-	25,096	451	25,547
Total recognised income for the period	-	-	(405)	948	-	25,587	451	26,581
Dividends paid relating to 2005	-	-	-	-	-	(18,349)	-	(18,349)
Balance at 30th June 2006	20,388	10,310	28,229	1,143	11,310	140,043	7,958	219,381

The notes on pages 16 to 28 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	19,004	(15,676)
Net cash (used in)/generated from investing activities	(72,686)	17,608
Net cash generated from financing activities	67,490	838
Net increase in cash and cash equivalents	13,808	2,770
Cash and cash equivalents at 1st January	65,093	31,827
Cash and cash equivalents at 30th June	78,901	34,597
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	80,168	39,753
Bank overdrafts	(1,267)	(5,156)
	78,901	34,597

The notes on pages 16 to 28 form an integral part of these condensed consolidated financial statements.



NOTES TO CONDENSED FINANCIAL STATEMENTS

1 General information

Leeport (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the trading, installation and provision of after-sales service of metalworking machineries, measuring instruments, cutting tools and electronic equipment.

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company listed on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements were approved for issue on 13 September 2007.

2 Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements of the Group.

The accounting policies and methods of computation used in preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006 with the addition of the following new standards, amendments and interpretations to existing standards which are relevant to the Group’s operation and are mandatory for the financial year ending 31st December 2007:

2 Basis of preparation and accounting policies (Continued)

HKAS 1 (Amendments)	“Presentation of Financial Statements: Capital Disclosures”
HKFRS 7	“Financial Instruments: Disclosures”
HK(IFRIC)-Int 9	“Reassessment of Embedded Derivatives”
HK(IFRIC)-Int 10	“Interim Financial Reporting and Impairment”

The adoption of the above standards, amendments and interpretations to existing standards did not result in substantial changes to the Group's results of operations and financial position.

3 New standards not yet effective

The Group has not early adopted the following new standards or interpretations to existing standards that have been issued but are not yet effective for financial year ending 31st December 2007:

HKAS 23 (Revised)	“Borrowing Costs”
HKFRS 8	“Operating Segments”
HK(IFRIC)-Int 11	“HKFRS 2-Group and Treasury Share Transactions”
HK(IFRIC)-Int 12	“Service Concession Arrangements”

The Group is in the process of making an assessment of the impacts of these new standards or interpretations to existing standards and it is not yet in a position to state what impact all these new standards or interpretations to existing standards would have on its results and financial position.

4 Segment information

(a) Primary reporting format – geographical segments

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

	Unaudited			
	Six months ended 30th June 2007			
	Southeast Asia and other			
	The PRC	Hong Kong	countries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales	243,510	114,617	38,636	396,763
Segment results	11,563	2,909	1,945	16,417
Finance costs				(4,610)
Profit before income tax				11,807
Income tax expense				(742)
Profit for the period				11,065

4 Segment information (Continued)

(a) *Primary reporting format – geographical segments (Continued)*

	Unaudited			Total HK\$'000
	Six months ended 30th June 2006			
	The PRC	Hong Kong	Southeast Asia and other countries	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales	236,443	153,876	54,890	445,209
Segment results	21,391	9,531	2,145	33,067
Finance costs				(5,278)
Profit before income tax				27,789
Income tax expense				(2,242)
Profit for the period				25,547

(b) *Secondary reporting format – business segments*

No business segment analysis is presented as the Group has been operating in a single business segment, which is the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronics equipment, throughout the period.

5 Capital expenditure

	Unaudited	
	Property, plant and equipment	Leasehold land
	HK\$'000	HK\$'000
Opening net book amount as at 1st January 2007	81,164	34,191
Additions	739	–
Depreciation and amortisation (Note 13)	(5,546)	(198)
Disposal	(582)	–
Exchange differences	466	24
	<u>76,241</u>	<u>34,017</u>
Closing net book amount as at 30th June 2007	<u>76,241</u>	<u>34,017</u>
Opening net book amount as at 1st January 2006	74,557	34,462
Additions	8,539	–
Depreciation and amortisation (Note 13)	(5,411)	(223)
Exchange differences	480	21
	<u>78,165</u>	<u>34,260</u>
Closing net book amount as at 30th June 2006	78,165	34,260
Additions	2,601	–
Depreciation and amortisation	(6,356)	(233)
Revaluation surplus	6,504	–
Disposals	(261)	–
Exchange differences	511	164
	<u>81,164</u>	<u>34,191</u>
Closing net book amount as at 31st December 2006	<u>81,164</u>	<u>34,191</u>

6 Derivative financial instruments

	Unaudited	
	As at 30th June 2007	
	Assets	Liabilities
	HK\$'000	HK\$'000
Forward foreign exchange contracts		
– non-hedging instruments	9	(831)
	<u>9</u>	<u>(831)</u>
	Audited	
	As at 31st December 2006	
	Assets	Liabilities
	HK\$'000	HK\$'000
Forward foreign exchange contracts		
– non-hedging instruments	145	(227)
	<u>145</u>	<u>(227)</u>

7 Trade receivables and bills receivables

At 30th June 2007 and 31st December 2006, the ageing analysis of the trade receivables and bills receivables were as follows:

	Unaudited	Audited
	30th June 2007	31st December 2006
	HK\$'000	HK\$'000
Current	111,458	111,055
1 – 3 months	62,421	27,774
4 – 6 months	10,605	21,075
7 – 12 months	11,219	10,102
Over 12 months	20,399	16,853
	<u>216,102</u>	<u>186,859</u>
Less: provision for impairment of receivables	(7,924)	(7,775)
	<u>208,178</u>	<u>179,084</u>

7 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.

8 Share capital

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
209,917,695 ordinary shares of HK\$0.10 each	20,992	20,992
	Number of shares (thousands)	Share Capital HK\$'000
At 31st December 2006 and 30th June 2007	209,918	20,992

9 Trade payables and bills payables

At 30th June 2007 and 31st December 2006, the ageing analysis of the trade payables and bills payables were as follows:

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
Current	125,931	101,513
1 – 3 months	30,321	9,521
4 – 6 months	2,397	11,433
7 – 12 months	4,454	4,833
Over 12 months	264	457
	163,367	127,757

10 Other payables, accruals and deposits received

Included in other payables, accruals and deposits received is a warranty provision for repairs or replacement of products which are still under warranty at the period reporting date. The Group normally provides one-year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Movements in warranty provision are set out below:

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
At the beginning of the period/year	4,443	4,474
Charged in the condensed consolidated income statement:		
– Additional provision	3,952	12,075
– Utilised during the period/year	(4,653)	(12,106)
At the end of the period/year	3,742	4,443

11 Borrowings, secured

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
Current		
Bank overdrafts	1,267	370
Collateralised borrowings	12,675	599
Trust receipt loans	100,724	82,888
Bank loans	170,695	105,835
Total borrowings	285,361	189,692

12 Other gains – net

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Derivative instruments-forward contracts		
– net fair value (loss)/gain (realised and unrealised)	(740)	163
Interest income	698	489
Investment (loss)/income, net	(42)	652
Service income	4,590	4,893
Commission income	949	433
Other income	104	282
	5,601	6,260

13 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	
	2007	2006
	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	5,546	5,411
Amortisation on leasehold land	198	223
Provision for slow moving inventories	1,438	1,412
Provision for bad and doubtful debts	149	464
Employee benefits expenses (including directors' remuneration)	36,425	34,982
Cost of inventories sold	298,065	342,154
Other expenses	44,126	33,756
Total cost of goods sold, selling and distribution costs and administrative expenses	385,947	418,402

14 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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 amount of income tax charged to the condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,281	2,390
– Overseas taxation	387	30
Over-provisions in previous years	(620)	(8)
Deferred income tax	(306)	(170)
	<u>742</u>	<u>2,242</u>

15 Earnings per share

The calculations of basic earnings per share are based on the Group's profit attributable to equity holders of HK\$11,019,000 (2006: HK\$25,096,000).

The basic earnings per share is based on the weighted average number of 209,918,000 (2006: 203,880,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30th June 2007 and 30th June 2006 are presented as there were no potentially dilutive shares outstanding.

16 Dividends

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Interim, proposed, of HK 4.5 cents (2006: HK 7.5 cents) per ordinary share	9,446	15,291

Note:

At a board meeting held on 13th September 2007, the directors proposed an interim dividend of HK4.5 cents per ordinary share for the year ending 31st December 2007. This declared dividend is not reflected as a dividend payable in the condensed consolidated balance sheet, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

17 Contingent liabilities

	Unaudited	Audited
	30th June	31st December
	2007	2006
	HK\$'000	HK\$'000
Letters of guarantee given to customers	11,404	9,962

18 Capital commitments

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
Commitments for available-for-sale financial assets:		
Contracted obligations for available-for-sale financial assets	775	775

19 Related party transactions

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 66.47% of the Company's shares. The remaining 33.53% of the shares are widely held.

Other than those as disclosed in other notes to the condensed consolidated financial statements, the Group has entered into the following significant transactions with related parties during the period:

	Unaudited Six months ended 30th June 2007 HK\$'000	2006 HK\$'000
	Note	
Rental paid to a director, Mr LEE Sou Leung, Joseph	(a)	72

19 Related party transactions (Continued)

- (a) One of the subsidiaries of the Group have entered into lease agreements with a director, Mr LEE Sou Leung, Joseph to lease office spaces for the six months ended 30th June 2007 and 2006 amounted to HK\$72,000. In the opinion of the directors, the transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.
- (b) Key management compensation

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	4,961	4,482
Pension costs – defined contribution plans	156	159
	5,117	4,641

On behalf of the Board
Lee Sou Leung Joseph
Chairman

Hong Kong, 13th September 2007