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FONG'S INDUSTRIES COMPANY LIMITED
立信工業有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2010

The board of directors (the "Board") of Fong's Industries Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2010 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2010

		For the six months ended June 30,	
		2010	2009
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,294,905**	757,767
Cost of sales		**(892,089)**	(675,434)
Gross Profit		**402,816**	82,333
Interest income		**1,222**	1,800
Other income		**26,808**	23,996
Gain (loss) on fair value change of financial assets held for trading		**210**	(54)
Selling and distribution costs		**(73,481)**	(58,236)
General and administrative expenses		**(172,034)**	(164,984)
Other expenses		**(22,848)**	(29,984)
Finance costs	*5*	**(21,474)**	(25,143)
Share of results of an associate		**269**	(1,770)
Share of results of jointly controlled entities		**44,342**	16,066
Profit (loss) before tax	*6*	**185,830**	(155,976)
Income tax (expense) credit	*7*	**(34,200)**	4,407
Profit (loss) for the period		**151,630**	(151,569)

	Notes	For the six months ended June 30, **2010** **(unaudited)** ***HK$'000***	2009 (unaudited) *HK$'000*
Other comprehensive income (expense)			
Exchange difference arising on translation		**(5,246)**	(6,497)
Share of changes in translation reserve of jointly controlled entities		**881**	(303)
Gain on cash flow hedges		**2,801**	6,103
Other comprehensive income and expense for the period		**(1,564)**	(697)
Total comprehensive income and expense for the period		**150,066**	(152,266)
		HK cents	*HK cents*
Earnings (loss) per share			
Basic	*8*	**27.50**	(27.49)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2010

	Notes	At June 30, 2010 (unaudited) HK$'000	At December 31, 2009 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**370,255**	399,441
Prepaid lease payments		**15,452**	15,586
Intellectual property rights		**12,057**	13,439
Interest in an associate		**34,305**	34,036
Interests in jointly controlled entities		**98,509**	78,286
Deposits for acquisition of property, plant and equipment		**1,003**	1,154
Deposits for acquisition of leasehold land		**13,674**	66,886
Deferred tax assets		**5,718**	11,147
		550,973	619,975
Current assets			
Inventories		**821,183**	742,916
Trade and other receivables	9	**376,993**	279,884
Prepaid lease payments		**472**	469
Amounts due from jointly controlled entities		**10,445**	14,295
Tax recoverable		**5,399**	5,392
Bank balances and cash		**397,686**	328,364
		1,612,178	1,371,320
Current liabilities			
Trade and other payables	10	**462,570**	471,371
Warranty provision		**13,899**	11,685
Derivative financial instruments		**–**	210
Tax liabilities		**21,283**	6,947
Bank borrowings – due within one year		**354,014**	206,888
		851,766	697,101
Net current assets		**760,412**	674,219
Total assets less current liabilities		**1,311,385**	1,294,194

	At June 30, 2010 (unaudited) *HK$'000*	At December 31, 2009 (audited) *HK$'000*
Non-current liabilities		
Bank borrowings – due after one year	**366,656**	469,158
Derivative financial instruments	**26,223**	29,024
	392,879	498,182
	918,506	796,012
Capital and reserves		
Share capital	**55,145**	55,145
Share premium and reserves	**863,361**	740,867
	918,506	796,012

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies and the manufacture and sale of stainless steel casting products. There was no change in the principal activities of the Group during the six months ended June 30, 2010.

2. BASIS OF PREPARATION

The 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 the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2009 except as described below.

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after January 1, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after January 1, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate
2 Effective for annual periods beginning on or after February 1, 2010
3 Effective for annual periods beginning on or after July 1, 2010
4 Effective for annual periods beginning on or after January 1, 2011
5 Effective for annual periods beginning on or after January 1, 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the results and the financial position of the Group.

4 REVENUE AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

1. Dying and finishing machines – manufacture and sale of dyeing and finishing machines

2. Stainless steel supplies – trading of stainless steel supplies

3. Stainless steel casting products – manufacture and sale of stainless steel casting products

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

For the six months ended June 30, 2010 (unaudited)

	Dyeing and finishing machines *HK$'000*	Stainless steel supplies *HK$'000*	Stainless steel casting products *HK$'000*	*Eliminations* *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	819,516	331,699	143,690	–	1,294,905
Inter-segment sales	4,704	156,364	21,182	(182,250)	–
Total	824,220	488,063	164,872	(182,250)	1,294,905
Results					
Segment results	120,279	29,056	11,926		161,261
Interest income					1,222
Gain on fair value change of financial assets held for trading					210
Finance costs					(21,474)
Share of results of an associate					269
Share of results of jointly controlled entities					44,342
Profit before tax					185,830

Inter-segment sales are charged at terms agreed between relevant parties.

For the six months ended June 30, 2009 (unaudited)

	Dyeing and finishing machines *HK$'000*	Stainless steel supplies *HK$'000*	Stainless steel casting products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	487,915	133,772	136,080	–	757,767
Inter-segment sales	7,155	49,315	7,761	(64,231)	–
Total	495,070	183,087	143,841	(64,231)	757,767
Results					
Segment results	(107,072)	(10,893)	(28,910)		(146,875)
Interest income					1,800
Loss on fair value change of financial assets held for trading					(54)
Finance costs					(25,143)
Share of results of an associate					(1,770)
Share of results of jointly controlled entities					16,066
Loss before tax					(155,976)

Inter-segment sales are charged at terms agreed between relevant parties.

5. FINANCE COSTS

	For the six months ended June 30, 2010 (unaudited) *HK$'000*	2009 (unaudited) *HK$'000*
Interest on bank borrowings wholly repayable within five years	**17,992**	22,153
Bank charges	**3,482**	2,990
	21,474	25,143

6. PROFIT (LOSS) BEFORE TAX

	For the six months ended June 30,	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Amortisation of intellectual property rights (included in cost of sales)	**1,460**	1,458
Amortisation of prepaid lease payments	**236**	224
Depreciation of property, plant and equipment	**32,430**	30,002
Total depreciation and amortisation	**34,126**	31,684
Profit on sale of properties	**–**	2,375

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current period	**3,862**	116
Overprovision in prior years	**(25)**	(87)
PRC Enterprise Income Tax:		
Current period	**25,328**	–
Underprovision in prior years	**341**	–
Overseas income tax:		
Current period	**157**	590
Overprovision in prior years	**(892)**	(8)
	28,771	611
Deferred tax	**5,429**	(5,018)
Income tax expense (credit)	**34,200**	(4,407)

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	For the six months ended June 30,	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share	**151,630**	(151,569)
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**551,446**	551,446

9. TRADE AND OTHER RECEIVABLES

	At June 30, 2010	At December 31, 2009
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Trade receivables	**245,579**	194,381
Less: Allowance for doubtful debts	**(6,210)**	(2,454)
	239,369	191,927
Bills receivables	**54,164**	36,407
	293,533	228,334
Other receivables	**83,460**	51,550
Total trade and other receivables	**376,993**	279,884

The Group allows an average credit period of 60 days (2009: 60 days) to its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts and bills receivables presented based on the invoice date at the end of the reporting period:

	At June 30, 2010 (unaudited) *HK$'000*	At December 31, 2009 (audited) *HK$'000*
0-60 days	**209,617**	165,097
61-90 days	**55,863**	41,423
Over 90 days	**28,053**	21,814
	293,533	228,334

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At June 30, 2010 (unaudited) *HK$'000*	At December 31, 2009 (audited) *HK$'000*
0-90 days	**49,325**	35,226
91-120 days	**9,201**	21,181
Over 120 days	**3,930**	6,775
	62,456	63,182

The average credit period on purchase of goods is 90 days (2009: 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to pay an interim dividend of 9 HK cents per share plus an interim special dividend of 6 HK cents per share (2009: Nil) to the shareholders of the Company whose names appear in the Register of Members of the Company on September 17, 2010, amounting to approximately HK$83 million (2009: Nil).

It is expected that dividend warrants will be despatched to the shareholders of the Company on September 30, 2010.

The Register of Members of the Company will be closed from September 13, 2010 to September 17, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and interim special dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Tricor Secretaries Limited, at the 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, September 10, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

With the stabilization and gradual recovery of the global economy, all business segments of the Group reported improved performance and turned from loss to profit as compared to the same period in 2009. In the first half of 2010, the Group recorded a revenue of approximately HK$1,295 million, representing an increase of 71% as compared to the corresponding period last year. At the same time, the profit for the first half of 2010 was approximately HK$152 million demonstrating a solid turnaround versus a loss of approximately HK$152 million for the same period last year and an earnings per share of 27.50 HK cents (For the six months ended June 30, 2009: loss per share was 27.49 HK cents).

DYEING AND FINISHING MACHINE MANUFACTURING

Fong's National Engineering Company, Limited, Fong's National Engineering (Shenzhen) Co., Ltd., Fong's Europe GmbH, THEN Maschinen (HK) Limited, Goller Textilmaschinen GmbH, Goller (HK) Limited, Goller Textile Machinery (Shenzhen) Co., Ltd., Xorella AG and Xorella Hong Kong Limited

In the first half of 2010, this core manufacturing segment recorded a revenue of approximately HK$819 million (2009: HK$488 million) representing an increase of 68% as compared to the same period last year and accounting for approximately 63% of the Group's revenue, the operating profit was approximately HK$120 million as compared to an operating loss of approximately HK$107 million for the same period last year thus showing a strong turnaround in this business segment.

Benefiting from the economic stimulus measures taken by various governments, the textile industry has improved since the middle of 2009 after the start of the financial crisis in late 2008. During the period under review, the recovery momentum of the PRC economy was particularly notable, our sales in the PRC market (including Hong Kong) amounted to approximately HK$546 million (2009: HK$297 million), representing a significant increase of more than 80% over the corresponding period last year. In addition, our sales from overseas markets in the first half of 2010 have also shown signs of improvement, the sales from overseas markets amounted to approximately HK$273 million (2009: HK$191 million) representing an increase of 43% over the corresponding period last year. Together with the Group's various restructuring efforts to reduce operational costs stemming from the financial crisis, the reduction of raw material costs and the encouraging sales performance as mentioned above during the period under review, the profitability of our core business has consequently demonstrated a remarkable and solid turnaround.

To further strengthen our sales forces and better serve our customers worldwide, the Group is undergoing a restructuring of its two European subsidiaries whereby Goller Textilmaschinen GmbH is set to be merged into Fong's Europe GmbH (formerly known as THEN Maschinen GmbH) in the coming months. Under the new organizational structure, there will only be one sales and marketing base in Germany, with the support of various appointed regional sales agents, responsible for the markets in the Western sales territories covering Europe, Africa, North and South America in respect of the three brands of dyeing and finishing machines of the Group, namely "**FONG'S**", "**THEN**" and "**Goller**", whereas the Eastern sales territories and Chinese markets will continued to be served by the Group's Hong Kong and China-based sales and marketing teams. These changes will enable our sales teams to be closer to our customers and respond more quickly to their individual needs and requirements.

STAINLESS STEEL TRADING

Fong's Steels Supplies Company Limited

For the six months ended June 30, 2010, the sales of this trading segment amounted to approximately HK$332 million (2009: HK$134 million), representing an increase of 148% as compared to the corresponding period last year and accounting for 26% of the Group's revenue. Its operating profit was approximately HK$29 million as compared to an operating loss of approximately HK$11 million for the same period last year.

The stainless steel prices look set to be on a moderate upward trend since a rebound in the second quarter of 2010 and will be expected to stabilize in the last quarter of this year. With the gradual recovery of the global economic environment and the upward trend of the prices of major commodities including nickel, molybdenum and chrome, the management predicts that this trading segment will continue to have a moderate growth due to the increases in sales volume and selling price of stainless steel products in the second half of 2010.

The Group will continue to be responsive to the stainless steel market via timely and appropriate adjustments to selling prices and inventory level based on market analysis and judgment so as to accelerate the turnover ratio of the inventory and to minimize the risk on price fluctuation.

STAINLESS STEEL CASTING

Tycon Alloy Industries (Hong Kong) Co., Ltd. and Tycon Alloy Industries (Shenzhen) Co., Ltd.

During the global financial crisis, new orders for casting products were sluggish and delivery of existing orders were postponed. However, since the second half of 2009, delivery of the postponed orders resumed gradually, and new orders also increased rapidly. The growth in sales for the six months ended June 30, 2010 was mainly attributable to customers increasing their purchases because of the recovery of the economy and restocking due to their low inventory level maintained in 2009 following severe draw down of inventory previously.

With improving customer orders, continuous efforts in labour and overhead controls as well as enhancing factory productivity and operating efficiency during the six months ended June 30, 2010, this segment recorded a revenue of approximately HK$144 million (2009: HK$136 million), representing an increase of 6% as compared to the corresponding period last year and accounting for 11% of the Group's revenue. At the same time, this segment made a turnaround from an operating loss of approximately HK$29 million for the first half of last year to an operating profit of approximately HK$12 million for the same period this year.

With reference to the improvement in our order book, the management is optimistic that the revenue and profitability of this business segment are expected to have a moderate growth in the second half of 2010.

JOINTLY CONTROLLED ENTITY

Monforts Fong's Textile Machinery Co. Limited ("Monforts Fong's")

With the policy of expanding domestic demand introduced by the PRC Government, the Chinese market maintained strong growth momentum. Leveraging upon its strong customer base in Mainland China, the revenue of Monforts Fong's for the six months ended June 30, 2010 continued to achieve steady growth, increasing by 122% to approximately HK$442 million (2009: HK$199 million) as compared to the corresponding period last year and the Group's share of profit after tax amounted to approximately HK$44 million (2009: HK$16 million), representing an increase of 175%. The proportionally higher profit was mainly due to its sustained efforts in exploring new markets, successful cost re-engineering derived from efficiencies achieved upon completion of the reorganization of its manufacturing and administrative systems, combined with the implementation of strict cost controls.

To cope with the growing sales of Monforts Fong's, a wholly-owned subsidiary of Monforts Fong's signed an agreement in July 2010 to acquire a piece of land in Zhongshan City, Guangdong Province with a site area of approximately 200 mu (equivalent to 133,000 m^2) at a consideration of approximately RMB51 million for the construction of a new factory plant. The land is scheduled to be delivered in October, 2010 and the construction of the new factory plant is expected to be completed by late 2011. Meanwhile, in order to meet current market demands and to maintain a competitive delivery schedule, Monforts Fong's has leased a four-storey factory premises with a floor area of approximately 7,000 m^2 in Zhongshan City and the production is anticipated to start in the fourth quarter of this year.

BUSINESS OUTLOOK

Externally, following the very volatile period of the recent global financial crisis and of course barring any unforeseeable circumstances, we believe that the textile industry in Asia is entering a golden era. In particular, we have seen that textile exports have now stabilized and even more importantly that the domestic economies and textile consumption patterns of the Asian countries are de-coupling from the Western economies. Furthermore, the markets for textiles in China and Asia are very significant given the size of the population and are growing at double-digit rates. In addition, with countries such as China and India taking the lead in pollution regulations and enforcements of the textile industry, we are also witnessing a period of growth resulting from replacement of old production equipment with more advanced and environmentally friendly machinery which we expect will last beyond the next 12 to 24 months.

Internally, following the various cost reduction efforts made and as demonstrated by the Group's results in the first six months of 2010, the various key businesses of the Group are now much more competitive. Also, with the strategic acquisition of **THEN** branded dyeing machine business and the successful adaptation of its **AIRFLOW** dyeing technology by the textile industry, the Group now has the most technically advanced and largest product offerings for the textile dyeing and finishing industry. This will enable our core business to further capture and consolidate its position as this Golden Era in the Asian textile industry continues to unfold.

Consequently, with sales and profitability recovering and even exceeding pre-crisis levels and with the above-mentioned outlook, we now need to resume our expansion plans which had been deferred because of the financial crisis. As previously disclosed, the Group signed an agreement in May, 2007 for the acquisition of a parcel of land in Zhongshan City, Guangdong Province with an aggregate site area of approximately 1,250 mu (equivalent to 833,000 m^2) for the purpose of construction of a manufacturing complex for its group companies to cater for the anticipated business growth. The Group will speed up the land acquisition and has planned to acquire the land in three lots starting from October, 2010 to June, 2011.

HUMAN RESOURCES

To maintain and boost its competitiveness in the long run, the Group has been implementing tight control on operating expenses and cash flow through reduction of headcount and rationalization of its production facilities.

As at June 30, 2010, the Group employs approximately 3,900 employees (December 31, 2009: 3800 employees) worldwide spreading among mainland China, Hong Kong, Macau, Germany, Switzerland, Thailand, India, Turkey, and Central-South America. In the first half of 2010, staff costs, including directors' remuneration, were approximately HK$102 million (2009: HK$116 million).

The Group believes the success of its business hinges on employee commitment, thus it strives for providing a harmonious working environment to employees to encourage dedication to work. Employees are remunerated according to remuneration benchmarks in the industry as well as prevailing market conditions and their experience and performance. The Group's remuneration policies and packages were reviewed by its management on a regular basis. Bonus and rewards may also be awarded to employees based on performance evaluation, with an aim to encourage and reward staff to achieve better performance. Other employee benefits available for eligible employees include medical insurance, retirement benefits scheme, and share option scheme.

The Group recognizes the importance of having a high caliber and competent staff; hence, in order to equip with the workforces to face the challenges ahead, the Group will continue to offer training programs to staff in different levels and positions on an ongoing basis. The aim of these programs is to cultivate a dynamic corporate culture and develop effective communication and customer service skills among staff members. Moreover, system controls will also be reinforced to ensure high operational efficiency and performance.

LIQUIDITY AND CAPITAL RESOURCES

The Group met its funding requirements in its usual course of business by cash flows from operations, as well as long-term and short-term bank borrowings. The Board is in the opinion that the Group will be in a healthy financial position and has sufficient resources and stand-by credit facilities in support of its working capital requirements and meet its foreseeable capital expenditures.

As at June 30, 2010, bank borrowings amounted to approximately HK$721 million. Most bank borrowings were sourced from Hong Kong, of which 98% were denominated in Hong Kong dollars and 2% were denominated in United States dollars. The Group's bank borrowings are predominantly subject to floating interest rates. The Group adopted interest rate swaps for the interest payables on the aggregate principal amount of HK$560 million to hedge interest rate fluctuation.

As at June 30, 2010, the bank balances and cash amounted to approximately HK$398 million of which 47% were denominated in Renminbi, 28% in United States dollars, 17% in Hong Kong dollars and 7% in Euro and 1% in Swiss France.

As at June 30, 2010, the gearing ratio, defined as net borrowings (other than payables in ordinary course of business) over total equity, was further reduced to 35% (December 31, 2009: 44%) and the current ratio was 1.9 (December 31, 2009: 2.0). These ratios were at reasonable and adequate levels.

As the Group's sales were principally denominated in Renminbi or United States dollars while purchases were transacted mainly in United States dollars, Renminbi and Hong Kong dollars, the Group does not foresee significant exposure to exchange rate risk and does not have a fixed and regular foreign currency hedging policy. However, the Board will monitor the Group's overall foreign exchange exposures and consider hedging significant foreign currency exposures should the need arises.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code for securities transactions. Having made specific enquiry with all directors, the Company confirmed that all directors have complied with the required standards set out in the Model Code during the six months ended June 30, 2010.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended June 30, 2010 with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has set up an Audit Committee with written terms of reference based upon the provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting system and internal control procedures of the Group. At present, members of the Audit Committee comprise Mr. Cheung Chiu Fan (committee chairman), Dr. Yuen Ming Fai and Dr. Keung Wing Ching, being the three Independent Non-executive Directors of the Company.

The Group's unaudited condensed consolidated financial statements for the six months ended June 30, 2010 have been reviewed by the Audit Committee, who is of the opinion that such statements complied with the applicable accounting standards, Listing Rules and legal requirements, and that adequate disclosures have been made.

DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk and the Company's website at www. fongs.com. The Interim Report of the Company for the six months ended June 30, 2010 will be despatched to the shareholders and published on the website of the HKEX and the Company's website in due course.

On behalf of the Board
Fong Sou Lam
Chairman

Hong Kong, August 23, 2010

As at the date of this announcement, the Board comprises ten directors, of which seven are Executive Directors, namely Mr. Fong Sou Lam (Chairman), Mr. Wan Wai Yung (Chief Executive Officer), Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill, Mr. Tou Kit Vai, Dr. Tsui Tak Ming, William and Ms. Poon Hang Sim, Blanche and three are Independent Non-executive Directors, namely Mr. Cheung Chiu Fan, Dr. Yuen Ming Fai and Dr. Keung Wing Ching.

* *For identification purpose only*