

# Leeport

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



**50**  
Years in  
Manufacturing  
Technology  
五十年製造科技

# 1967

## 50 YEARS IN MANUFACTURING TECHNOLOGY

# 2017



Precision  
Measuring  
Instruments



Metalcutting  
Machinery



Metalforming  
Machinery



Equipment for the  
Electronics Industry



Cutting Tools

## 2017 Interim Report

## Contents

## Pages

Management commentary	2
Report on review of interim financial information	15
Condensed consolidated interim balance sheet	16
Condensed consolidated interim statement of profit and loss	18
Condensed consolidated interim statement of comprehensive income	20
Condensed consolidated interim statement of changes in equity	21
Condensed consolidated interim statement of cash flows	23
Notes to condensed consolidated interim financial information	24

## MANAGEMENT COMMENTARY

The Board of Directors (the Directors") of Leeport (Holdings) Limited (the "Company") would like to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2017, 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.

## FINANCIAL PERFORMANCE

### Sales

In the first half of 2017, our equipment sales were considerably lower, despite the improvement in China's economic situation. The reasons were that in the first half of last year there were a number of big orders from key customers in our equipment division, and furthermore there was a delay in a significant number of equipment shipments this year before the end of June 2017. However, the business of the cutting tools division grew significantly, with successful market penetration in the first half of 2017.

In the first six months of 2017, the Group's sales amounted to HK\$266,772,000, compared with HK\$394,735,000 in the same period last year, representing a decrease of 32.4%. The gross profit amounted to HK\$47,454,000, compared with HK\$70,834,000 in the same period last year, representing a decrease of 33.0%. The gross profit percentage was 17.8%, which was about the same as the figure of 17.9% in the same period last year.

### Other Income and Gains

The total value of other income and gains was HK\$14,029,000, compared with HK\$12,514,000 in the same period last year, representing an increase of 12.1%.

The service income was HK\$4,353,000, compared with HK\$5,330,000 in the same period last year. The commission income was HK\$416,000, compared with HK\$1,050,000 in the same period last year. Other income included rental of HK\$813,000, a management fee of HK\$782,000 charged against Mitutoyo Leeport Metrology Corporation, and gains on forward contracts of HK\$916,000.

In the first half of 2017 our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Group received a dividend amounting to HK\$1,091,000. The dividend declared in the same period last year was HK\$690,000.

## Operating Expenses

Selling and distribution costs were HK\$8,593,000, compared with HK\$19,152,000 in the same period last year, representing a decrease of 55.1%. The decrease in selling and distribution costs was due mainly to the lower commissions paid to salespersons and sub-dealers resulting from the lower sales volume. Bank charges and logistics costs were also lower, in line with the reduction in sales volume.

Administrative expenses amounted to HK\$42,536,000, compared with HK\$50,548,000 in the same period last year, representing a decrease of 15.9%. The major cause of the reduction in administrative expenses was an exchange gain of HK\$6,961,000 due to the strong Euro and Japanese Yen in the first half of the year. There were also some savings in staff costs.

## Share of Post-Tax Profits of Associated Companies

The share of post-tax profits of the associated companies in the first half of 2017 was HK\$6,518,000, compared with HK\$3,646,000 in the same period last year, representing an increase of 78.8%.

The share of profit of Mitutoyo Looport Metrology Corporation was HK\$6,114,000, which was significantly better than the figure of HK\$144,000 in the same period last year. In the first half of last year, Mitutoyo Looport Metrology Corporation incurred a significant amount of exchange loss due to the fluctuating Japanese Yen in the period.

The share of profit of OPS Ingersoll Funkenerosion GmbH was only breakeven, compared with HK\$3,491,000 in the same period last year. We were expecting that the business situation of OPS Ingersoll Funkenerosion GmbH would be better than during the same period last year, however the profit situation was affected by the fact that a number of shipments were delayed beyond the end of June 2017.

The joint-venture plant, Prima Power Suzhou Company Limited, recorded some profits at the end of June 2017. The business of the plant was not favourable in the first quarter of 2017, however there was some improvement in the second quarter of 2017.

## Finance Costs – Net

Finance costs net of interest income were HK\$1,148,000, compared with HK\$769,000 in the same period last year.

Finance income in the first half of 2017 was HK\$816,000, compared with HK\$961,000 in the same period last year, representing a decrease of 15.1%. This decrease was due to the fact that OPS Ingersoll Funkenerosion GmbH repaid a loan of Euro 1 million to Leeport at the end of August 2016.

Finance costs incurred in the first half of 2017 were HK\$1,964,000, compared with HK\$1,730,000 in the same period last year, representing an increase of 13.5%. This increase was due to the higher average borrowing level in the first half of 2017, compared with the same period last year.

### **Profit Attributable to Owners of the Company and Earnings Per Share**

In the first half of 2017, the profit attributable to owners of the Company was HK\$14,886,000, compared with HK\$15,478,000 in the same period last year, representing a decrease of 3.8%.

The operating profit of the Company was HK\$10,354,000, compared with an operating profit of HK\$13,648,000 in the same period last year, representing a decrease of 24.1%. The lower gross profit of the period was compensated for by the higher amount of other income, and by the lower selling and distribution costs and administrative expenses.

The basic earnings per share were HK6.57 cents, compared with the basic earnings per share of HK6.92 cents in the same period last year, representing a decrease of 5.1%.

### **INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND**

The Directors have resolved to declare an interim dividend of HK2.5 cents per ordinary share and a special interim dividend of HK2 cents per ordinary share for the six months ended 30th June 2017 to celebrate the Group's 50th anniversary to shareholders whose names appear on the register of members of the Company on 31st August 2017 (Thursday) (2016: HK3.5 cents). The interim dividend and special interim dividend will be payable on or around 15th September 2017 (Friday).

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 29th August 2017 (Tuesday) to 31st August 2017 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order for members to qualify for the interim dividend and special 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 28th August 2017 (Monday).

## BUSINESS REVIEW

In the first half of 2017, China's economy made a higher-than-expected improvement. The GDP growth rate was 6.9%, compared with 6.7% in the same period last year. Many indicators show that China's economy is improving at a steady pace. The value of industrial production grew by 6.9%, compared with 6.0% in the same period last year. The export situation was strong, as the value of exports grew by 15% for the first six months of 2017, compared with a drop of 2.1% in the same period last year.

The Group's business for the equipment division was unsatisfactory in the first half of 2017. In the same period last year, a significant number of shipments were made to a number of key customers, however this was not the case in the first half of 2017. Also, there were some delayed shipments in the first half of 2017. By contrast, the cutting tools division achieved a significant increase in business, due to the enhancement of distribution channels and the expansion of the sales team. The business for measuring instruments was about the same as in the same period last year. Actually, most of the manufacturing equipment and tools suppliers achieved a reasonable increase in their business in China in the first half of 2017. The market demand is steadily increasing.

The car manufacturing and mobile phone manufacturing industries continued to be the major customer segments of the Group's business. In the first half of 2017, China produced 13.9 million cars, with a 6.3% growth compared with the same period last year. The production of mobile phones grew by 6.4% in terms of volume.

The value of the Group's outstanding orders as at the end of July 2017 was HK\$171,801,000, compared with HK\$166,212,000 as at the end of July 2016.

The business of the associated company, Mitutoyo Lleeport Metrology Corporation, was about the same compared with the same period last year. However, the net profit was very much improved, because in the first half of 2016 there were significant unfavorable currency impacts due to shifts in the value of the Japanese Yen. The business of OPS Ingersoll Funkenerosion GmbH was still strong in the first half of 2017. The breakeven situation is likely to be a short-term situation, due mainly to a number of delayed shipments in the period. The business of Prima Power Suzhou Company Limited was unsatisfactory in the first quarter of the year, however it improved in the second quarter. Actually, the demand for sheetmetal machinery in China was stronger in the first half of the year.

## LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 30th June 2017 was HK\$51,993,000 (31st December 2016: HK\$53,108,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 30th June 2017 was HK\$58,836,000 (31st December 2016: HK\$60,595,000). The turnover days of inventory was 49 at the end of June 2017, compared with 38 at the end of December 2016. The turnover days of inventory was higher mainly due to some delayed shipment beyond end of June 2017. The balance of trade receivables and bills receivables was HK\$86,671,000 as at 30th June 2017 (31st December 2016: HK\$97,906,000). The turnover days of trade receivables was 59, compared with 50 at the end of December 2016. The turnover days of trade receivables was higher as higher proportion of the business in the first half of 2017 was cutting tools. The credit period for the cutting tools business is relatively longer than the equipment business. The balance of trade payables and bills payables was HK\$81,842,000 as at 30th June 2017 (31st December 2016: HK\$95,105,000). The lower balance of trade payables and bills payables as at 30th June 2017 was in line with the lower business in the first half of 2017. The balance of short-term borrowings was HK\$139,319,000 as at 30th June 2017 (31st December 2016: HK\$133,641,000). The balance of long-term borrowings was HK\$8,889,000 as at 30th June 2017 (31st December 2016: HK\$12,222,000).

The Group's net gearing ratio was approximately 21.6% as at 30th June 2017 (31st December 2016: 23.7%). The net gearing ratio is lower than in 2016. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. The reduction in the gearing ratio is due to the increase of total equity, which mainly comes from the increase of fair value of available-for-sale financial assets.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2017, the Group had aggregate banking facilities of approximately HK\$667,115,000, of which approximately HK\$188,158,000 was utilised, bearing interest at prevailing market rates and secured by certain land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$241,338,000 (31st December 2016: secured by certain leasehold land, land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$244,301,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## FUTURE PLANS AND PROSPECTS

It is clear that the economic situation in China is getting better and better. By the end of July 2017, the manufacturing PMI (Purchase Manager Index) had been in the expansion range (exceeding 50%) for 12 consecutive months. Looking at the GDP growth rate of 6.9% in China's economy in the first half of 2017, domestic consumption was particularly strong, constituting 63.4% of that growth rate. Capital investment constituted 32.7% of the growth rate, and overseas demand constituted only 3.9% of the growth rate. The value of high-tech production and machinery manufacturing in the first half of 2017 grew by 13.1% and 11.5% respectively, while the value of industrial production grew by only 6.9%.

The Group's equipment business in the first half of the year was unsatisfactory. The team will seek more new customers and participate in more exhibitions in order to increase the customer base. The Group has already strengthened its marketing and promotional activities, including advertising and media coverage. The performance of the Group's cutting tools business was outstanding in the first half of the year. The market penetration for Mitsubishi carbide products was successful, thanks to the development of stronger distribution channels. The expansion of the sales team also contributed to the increase in business. The business for cutting tools is expected to continue to be good in the second half of the year. The business for measuring instruments is expected to be better in the second half of the year as incoming orders are increasing.

On the other hand, the business of the associated companies looks promising for the second half of the year. We expect that Mitutoyo Leepport Metrology Corporation will be able to achieve a financial result that is at least as good as in the first half of the year, because the demand in the China market is strong. OPS Ingersoll Funkenerosion GmbH is also likely to achieve a better financial result in the second half of the year, as the global market is improving. Prima Power Suzhou Company Limited will also probably improve its bottom-line result in the second half of the year, as the China market has recovered.

Our investment in Prima Industrie S.p.A., a global leader in sheetmetal processing technologies, is very successful. The business of Prima Industrie S.p.A. increased by 10.4% in the first half of 2017 and the net profit increased by 159% compared with the same period last year. The share value of the investment held by Leepport increased from HK\$56.3 million at the end of December 2016 to HK\$95.8 million at the end of June 2017.



We feel positive about the future of the manufacturing industry in China, as the Chinese Government has set its “Made in China 2025 Goal”. The objective is to become the global leader in “Smart Manufacturing” by 2025. This provides us with enormous opportunities as we integrate all the manufacturing technologies that we have accumulated over the past 50 years, and our aim is to become a high-value-adding manufacturing solutions provider. The Group will continue to explore new products and acquisition opportunities. We are confident that these initiatives will broaden the business scale and investment portfolio of the Group in the future.

The management team will strive to improve the business performance of the Group in the second half of the year, so that the business results for the whole year are satisfactory.

## **EMPLOYEES**

As at 30th June 2017, the Group had 268 employees (31st December 2016: 256). Of these, 79 were based in Hong Kong, 177 were based in mainland China, and 12 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with our employees’ individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies and discretionary performance bonuses.

## **SHARE OPTION SCHEME**

On 15th May 2013, a share option scheme (“the Scheme”) has been adopted in the annual general meeting held to replace the old Scheme. Details of the Scheme are set out in the circular dated 15th April 2013 which was sent to the shareholders.

## DETAILS OF OPTIONS GRANTED BY THE COMPANY

Movements of the share options during the six months ended 30th June 2017 were as follows:

Name and Category of participants	Date of grant	Exercise prices of share options		Exercise periods of share options	At 31st December 2016	Granted during the period	Exercised during the period	Lapsed during the period	At 30th June 2017
		HK\$ per share							
<b>Directors</b>									
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	1,000,000 shares	-	(1,000,000) shares	-	-
Mr. CHU Weiman ("Mr. Chu")	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	1,000,000 shares	-	(1,000,000) shares	-	-
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	1,000,000 shares	-	(1,000,000) shares	-	-
Mr. WONG Man Shun, Michael ("Mr. Wong")	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	1,000,000 shares	-	(1,000,000) shares	-	-
Mr. PIKE, Mark Terence ("Mr. Pike")	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	110,000 shares	-	-	(110,000) shares	-
Dr. LEE Tai Chiu ("Dr. Lee")	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	110,000 shares	-	(110,000) shares	-	-
Mr. ZAVATTI Samuel ("Mr. Zavatti")	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	110,000 shares	-	(110,000) shares	-	-
Sub-total					4,330,000 shares	-	(4,220,000) shares	(110,000) shares	-
<b>Employees</b>									
In aggregate	17/03/2015	1.026		17/12/2015 to 16/6/2017 (Notes 1 & 2)	1,709,000 shares	-	(314,000) shares	(1,395,000) shares	-
Total					6,039,000 shares	-	(4,534,000) shares	(1,505,000) shares	-

Notes:

1. The options, granted on 17th March 2015, are exercisable from 17th December 2015 to 16th June 2017 (both days inclusive).
2. According on the Black-Scholes valuation model, the fair value of the options granted on 17th March 2015 was estimated at HK\$1,508,000. The key parameters used in the model were as follows:

<b>Date of grant</b>	<b>17th March 2015</b>
Number of share options granted	7,907,000
Share price at date of grant (HK\$)	1.01
Exercise price (HK\$)	1.026
Expected life of options	2.25 years
Annualised volatility	40.47%
Risk free interest rate	0.63%
Dividend payout rate	3.47%

Closing price of the shares of the Company immediately before the date on which the options was granted was HK\$1.02.

3. During the period, options for subscribing 1,505,000 shares were lapsed.
4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was approximately HK\$1.45.

## **DETAILS OF THE CHARGES ON THE GROUP'S ASSETS**

As at 30th June 2017, certain land and buildings, investment property and restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK\$241,338,000 (31st December 2016: land and buildings, leasehold land, investment property and restricted bank deposits of approximately HK\$244,301,000), were 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 2017, the Group spent a total of HK\$674,000 (30th June 2016: HK\$21,172,000) in capital expenditure, primarily consisting of equipment. As at 30th June 2017, the Group has no capital commitments regarding property, plant and equipment (31st December 2016: HK\$168,000 on property, plant and equipment). In the meantime, a total of HK\$7,658,000 (31st December 2016: HK\$25,090,000) in contingent liabilities in respect of letters of guarantee was given to customers.

## **EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

A substantial portion of the Group's sales and purchases were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimize the Group's exposure to foreign exchange rate risks.

As at 30th June 2017, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR1,205,000 for HKD10,613,000; JPY379,440,000 for HKD26,500,000 and JPY15,500,000 for RMB998,000; (2016: EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000).

Foreign exchange gains and losses are calculated on the settlement of monetary transactions and on the translation of monetary assets and liabilities at the exchange rates of the end of the period.

Some group entities with functional currency of Japanese Yen ("JPY") have recorded exchange gain when Japanese Yen ("JPY") strengthened against Hong Kong dollars ("HKD") over the first half year of 2017 when such entities translate their net monetary liabilities which is mainly denominated in HKD to the functional currency.

Apart from those set out above, the current information in other management discussion and analysis has not changed materially from those information disclosed in the last published 2016 annual report.

## **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 2017, 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 Part XV 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	Share options (Note (b))		
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	22,272,000 shares (Note (a))	Nil	144,529,982 shares (Note (a))	Nil	166,801,982 shares	72.50%
Mr. CHU Weiman ("Mr. Chu")	Long position	1,000,000 shares	Nil	Nil	Nil	1,000,000 shares	0.43%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	1,424,000 shares	Nil	Nil	Nil	1,424,000 shares	0.62%
Mr. WONG Man Shun, Michael ("Mr. Wong")	Long position	1,432,000 shares	Nil	Nil	Nil	1,432,000 shares	0.62%
Mr. PIKE, Mark Terence ("Mr. Pike")	Long position	Nil	Nil	Nil	Nil	Nil	Nil
Dr. LEE Tai Chiu ("Dr. Lee")	Long position	110,000 shares	Nil	Nil	Nil	110,000 shares	0.05%
Mr. ZAVATTI Samuel ("Mr. Zavatti")	Long position	110,000 shares	Nil	Nil	Nil	110,000 shares	0.05%

- (a) The 144,529,982 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 Lisa Marie and Mr. Lee's family members. The aforesaid shares that Mr. Lee and Ms. Tan are deemed to be interested refer to the same parcel of shares. Ms. Tan is deemed to be interested in all the interests held by Mr. Lee, her husband.
- (b) Information relation to the share options held by the directors is disclosed in the "Details of options granted by the Company" section.

Other than as disclosed above, and other than those as disclosed in the "Details of options granted by the Company" section, 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 2017, the register of substantial shareholders required to be kept under Section 336 of Part XV 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**

During the six months ended 30th June 2017, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

### **Code Provision A.2.1**

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and Group Chief Executive Officer 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.

### Code Provision C.2.5

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. This situation will be reviewed annually.

## 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 2017.

## AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu, and Mr. ZAVATTI Samuel 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 2017 with the directors.

As at the date of this report, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHU Weiman, Mr. CHAN Ching Huen, Stanley and Mr. WONG Man Shun, Michael and the independent non-executive directors are Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu and Mr. ZAVATTI Samuel.

On behalf of the Board  
**LEE Sou Leung, Joseph**  
*Chairman*

Hong Kong, 11th August 2017

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF LEEPORT (HOLDINGS) LIMITED**

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 46, which comprises the condensed consolidated interim balance sheet of Leeport (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2017 and the related condensed consolidated interim income statement, and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 11th August 2017



## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2017

	Note	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	201,528	211,102
Leasehold land	8	14,807	16,473
Investment property	7	51,356	43,000
Investments in associates	9	111,700	101,871
Loan to an associate	19(d)	18,078	16,593
Prepayments		–	391
Available-for-sale financial assets		12,863	12,863
		<b>410,332</b>	402,293
<b>Current assets</b>			
Inventories		58,836	60,595
Trade receivables and bills receivables	10	86,671	97,906
Other receivables, prepayments and deposits		23,892	18,917
Available-for-sale financial assets		95,830	56,336
Derivative financial instruments		210	429
Amount due from an associate	19(c)	1,452	213
Restricted bank deposits		24,193	24,680
Cash and cash equivalents		52,296	53,954
		<b>343,380</b>	313,030
<b>Total assets</b>		<b>753,712</b>	715,323

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2017

	Note	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	11	23,007	22,554
Other reserves		213,663	168,483
Retained earnings		208,031	197,200
<b>Total equity</b>		<b>444,701</b>	388,237
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13	8,889	12,222
Deferred income tax liabilities		25,536	26,044
		<b>34,425</b>	38,266
<b>Current liabilities</b>			
Trade payables and bills payables	12	81,842	95,105
Other payables, accruals and deposits received		52,059	57,382
Derivative financial instruments		114	1,150
Borrowings	13	139,319	133,641
Tax payable		1,252	1,542
		<b>274,586</b>	288,820
<b>Total liabilities</b>		<b>309,011</b>	327,086
<b>Total equity and liabilities</b>		<b>753,712</b>	715,323

The notes on pages 24 to 46 form an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Note	Unaudited Six months ended 30th June	
		2017 HK\$'000	2016 HK\$'000
Sales	6	266,772	394,735
Cost of goods sold		(219,318)	(323,901)
<b>Gross profit</b>		<b>47,454</b>	70,834
Other income and gains – net		14,029	12,514
Selling and distribution costs		(8,593)	(19,152)
Administrative expenses		(42,536)	(50,548)
<b>Operating profit</b>	14	<b>10,354</b>	13,648
Finance income		816	961
Finance costs		(1,964)	(1,730)
Finance costs – net		(1,148)	(769)
Share of post-tax profits of associates	9	6,518	3,646
<b>Profit before income tax</b>		<b>15,724</b>	16,525
Income tax expense	15	(838)	(1,047)
<b>Profit for the period</b>		<b>14,886</b>	15,478
<b>Attributable to owners of the Company</b>		<b>14,886</b>	15,478

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

		Unaudited Six months ended 30th June	
	Note	2017 HK cents per Share	2016 HK cents per share
<hr/>			
<b>Earnings per share attributable to owners of the Company</b>			
<b>Basic earnings per share</b>	16	<b>6.57</b>	6.92
<b>Diluted earnings per share</b>	16	<b>6.57</b>	6.88

The notes on pages 24 to 46 form an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited Six months ended 30th June	
	2017 HK\$'000	2016 HK\$'000
<b>Profit for the period</b>	<b>14,886</b>	15,478
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement of deferred tax	<b>470</b>	440
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets, net of tax	<b>39,494</b>	(5,687)
Currency translation differences	<b>(1,976)</b>	(2,444)
Share of other comprehensive income of associates	<b>5,841</b>	9,428
	<b>43,359</b>	1,297
<b>Other comprehensive income, net of tax</b>	<b>43,829</b>	1,737
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>58,715</b>	17,215

The notes on pages 24 to 46 form an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited							
	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Land and building revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1st January 2017	22,554	33,312	176,565	(66,858)	14,154	11,310	197,200	388,237
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	-	-	14,886	14,886
<b>Other comprehensive income</b>								
Movement of deferred tax	-	-	470	-	-	-	-	470
Transfer of land and building revaluation reserve to retained earnings on depreciation of buildings	-	-	(2,847)	-	-	-	2,847	-
Change of value of available-for-sale financial assets	-	-	-	-	39,494	-	-	39,494
Currency translation differences	-	-	428	(2,404)	-	-	-	(1,976)
Share of other comprehensive income of associates	-	-	-	5,841	-	-	-	5,841
<b>Total comprehensive income for the period ended 30th June 2017</b>	-	-	(1,949)	3,437	39,494	-	17,733	58,715
<b>Transaction with owners</b>								
Employees share option scheme: Share option scheme								
- exercise of options	453	4,198	-	-	-	-	-	4,651
Dividend paid relating to 2016	-	-	-	-	-	-	(6,902)	(6,902)
<b>Total transaction with owners, recognised directly in equity</b>	453	4,198	-	-	-	-	(6,902)	(2,251)
<b>Balance at 30th June 2017</b>	<b>23,007</b>	<b>37,510</b>	<b>174,616</b>	<b>(63,421)</b>	<b>53,648</b>	<b>11,310</b>	<b>208,031</b>	<b>444,701</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited							
	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Land and building revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1st January 2016	22,367	31,582	165,999	(61,301)	9,908	11,310	179,414	359,279
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	-	-	15,478	15,478
<b>Other comprehensive income</b>								
Movement of deferred tax	-	-	440	-	-	-	-	440
Transfer of land and building revaluation reserve to retained earnings on depreciation of buildings	-	-	(2,670)	-	-	-	2,670	-
Change of value of available-for-sale financial assets	-	-	-	-	(5,687)	-	-	(5,687)
Currency translation differences	-	-	353	(2,797)	-	-	-	(2,444)
Share of other comprehensive income of associates	-	-	-	9,428	-	-	-	9,428
<b>Total comprehensive income for the period ended 30th June 2016</b>	-	-	(1,877)	6,631	(5,687)	-	18,148	17,215
<b>Transaction with owners</b>								
Employees share option scheme:								
Share option scheme								
- exercise of options	6	56	-	-	-	-	-	62
Dividend paid relating to 2015	-	-	-	-	-	-	(3,355)	(3,355)
<b>Total transaction with owners, recognised directly in equity</b>	6	56	-	-	-	-	(3,355)	(3,293)
<b>Balance at 30th June 2016</b>	<b>22,373</b>	<b>31,638</b>	<b>164,122</b>	<b>(54,670)</b>	<b>4,221</b>	<b>11,310</b>	<b>194,207</b>	<b>373,201</b>

The notes on pages 24 to 46 form an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Note	Unaudited Six months ended 30th June	
		2017 HK\$'000	2016 HK\$'000
<b>Cash flow from operating activities</b>			
Cash (used in)/generated from operation		(6,511)	38,603
Income tax paid		(1,166)	(424)
Net cash (used in)/generated from operating activities		(7,677)	38,179
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(283)	(2,143)
Prepayment for long term investment		-	(12,970)
Purchase of available-for-sale financial assets		-	(5,254)
Proceeds from disposal of property, plant and equipment		-	42
Proceeds from disposal of a subsidiary		-	1,750
Decrease in restricted bank deposits		487	64
Dividend received from an associate	9	2,530	6,776
Dividend received from available-for-sale financial assets		1,091	690
Other investing cash flow – net		816	961
Net cash generated from/(used in) investing activities		4,641	(10,084)
<b>Cash flows from financing activities</b>			
Dividends paid to the Company's shareholders	17	(6,902)	(3,355)
Proceeds from exercise of share options		4,651	62
Net proceeds from collateralised borrowings and bank loans	13	2,888	5,268
Net cash generated from financing activities		637	1,975
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(2,399)	30,070
Cash, cash equivalents and bank overdrafts at beginning of the period		53,108	45,228
Effect of the exchange rate for the period		1,284	190
Cash, cash equivalents and bank overdrafts at end of the period		51,993	75,488
Bank overdrafts		303	368
<b>Cash and cash equivalents at end of the period</b>		<b>52,296</b>	<b>75,856</b>

The notes on pages 24 to 46 form an integral part of these condensed consolidated interim financial information.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 General information

Leeport (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, 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 is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 11th August 2017.

These condensed consolidated interim financial statements have been reviewed, not audited.

## 2 Basis of preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30th June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

### 3 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 2016, 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, amendments to standards and interpretations are mandatory for the financial year beginning on or after 1st January 2017 that either have no significant impact or are not currently relevant to the Group:

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvement Project	Annual Improvement 2014-2016 Cycle

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2017 that not currently relevant to the Group and have not been early adopted:

HKAS 40 Amendment	Transfer of Investment Property <sup>1</sup>
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instrument <sup>1</sup>
HKFRS 10 and HKAS 28 Amendments	Sales or contribution of assets between an investor and its associate or joint venture <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 Amendment	Clarifications to HKFRS 15 <sup>1</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
Annual Improvement Project	Annual Improvement 2014-2016 Cycle <sup>1</sup>

<sup>1</sup> Effective for the Group for the annual periods beginning on or after 1st January 2018

<sup>2</sup> The effective date is to be determined

<sup>3</sup> Effective for the Group for the annual periods beginning on or after 1st January 2019

The Group is currently assessing the impact of the adoption of the above new standards and amendments to standards that have been issued but are not effective for annual periods beginning on 1st January 2017.

## 4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2016.

## 5 Financial risk management

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2016.

There have been no changes in the risk management department since year end or in any risk management policies.

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

## 5 Financial risk management (Continued)

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data.

See Note 7 for disclosure of the property, plant and equipment and investment property that are measured at fair value.

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2017.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	-	210	-	210
Available-for-sale financial assets				
– listed securities	95,830	-	-	95,830
	<u>95,830</u>	<u>210</u>	<u>-</u>	<u>96,040</u>
<b>Liabilities</b>				
Derivative financial instruments	-	114	-	114

## 5 Financial risk management (Continued)

### 5.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2016.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	429	–	429
Available-for-sale financial assets				
– listed securities	56,336	–	–	56,336
	<u>56,336</u>	<u>429</u>	<u>–</u>	<u>56,765</u>
<b>Liabilities</b>				
Derivative financial instruments	–	1,150	–	1,150

There were no transfers between Levels 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

## 5 Financial risk management (Continued)

### 5.4 Valuation techniques used to derive Level 2 fair values

Level 2 trading derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in active market. The effects of discounting are generally insignificant for Level 2 derivatives.

### 5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables and bills receivables
- Other receivables and deposits
- Amount due from an associate
- Restricted bank deposits
- Cash and cash equivalents
- Trade payables and bills payables
- Other payables and accruals
- Borrowings

## 6 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 perspective. Geographically, management considers the performance in the People's Republic of China (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 Taiwan, Singapore, Macau, Malaysia and Indonesia). The PRC, for the purpose of this condensed consolidated interim financial information, excludes Hong Kong, Taiwan and Macau.

## 6 Segment information (Continued)

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

	Unaudited			
	Six months ended 30th June 2017			
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	Total HK\$'000
Sales	<u>226,435</u>	<u>36,045</u>	<u>4,292</u>	<u>266,772</u>
Segment results	<u>9,879</u>	<u>1,314</u>	<u>(839)</u>	<u>10,354</u>
Finance costs – net				(1,148)
Share of post-tax profits of associates				<u>6,518</u>
Profit before income tax				15,724
Income tax expense				<u>(838)</u>
Profit for the period				<u>14,886</u>



## 6 Segment information (Continued)

	Unaudited			Total HK\$'000
	Six months ended 30th June 2016			
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	
Sales	345,917	43,082	5,736	394,735
Segment results	8,703	6,215	(1,270)	13,648
Finance costs – net				(769)
Share of post-tax profits of associates				3,646
Profit before income tax				16,525
Income tax expense				(1,047)
Profit for the period				15,478

During the period ended 30th June 2017, there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue (2016: HK\$90,381,000 or 22.9% of the Group's revenue).

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Total assets:		
The PRC	233,429	236,435
Hong Kong	344,390	346,202
Other countries (Note (a))	175,893	132,686
	753,712	715,323

## 6 Segment information (Continued)

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

Segment assets consist primarily of property, plant and equipment, leasehold land, investment in associates, inventories, receivables, derivative financial instruments, available-for-sale financial assets, operating cash and restricted bank deposits.

	<b>Unaudited 30th June 2017 HK\$'000</b>	Audited 31st December 2016 HK\$'000
Capital expenditure:		
The PRC	<b>58</b>	21,017
Hong Kong	<b>616</b>	1,165
	<b>674</b>	22,182

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

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

Note:

(a) Other countries mainly include Italy, Germany, Finland, Singapore and Macau.

## 7 Property, plant and equipment and investment property

	Unaudited	
	Property, plant and equipment HK\$'000	Investment property HK\$'000
As at 1st January 2017	211,102	43,000
Additions	674	–
Depreciation (Note 14)	(4,364)	–
Transfer to investment property	(6,220)	–
Transfer from owner-occupied property	–	7,924
Exchange differences	336	432
	<b>201,528</b>	<b>51,356</b>
As at 30th June 2017		
As at 1st January 2016	190,522	43,000
Additions	11,740	–
Disposals	(263)	–
Depreciation (Note 14)	(4,414)	–
Exchange differences	277	–
	<b>197,862</b>	<b>43,000</b>
As at 30th June 2016		

The Group's land and buildings and investment property were revalued at 31st December 2016. No valuation was performed during the period as there was no indication of significant changes in the values since previous annual reporting date.

Bank borrowings are secured on land and buildings and investment property with a carrying amount of HK\$217,145,000 (31st December 2016: HK\$217,917,000) (Note 13).

## 8 Leasehold land

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	<b>Unaudited HK\$'000</b>
As at 1st January 2017	<b>16,473</b>
Transfer to investment property	<b>(1,704)</b>
Exchange differences	<b>256</b>
Amortisation (Note 14)	<b>(218)</b>
As at 30th June 2017	<b>14,807</b>
As at 1st January 2016	8,332
Additions	9,432
Exchange differences	(190)
Amortisation (Note 14)	(256)
As at 30th June 2016	17,318

No leasehold land was pledged as at 30th June 2017 (31st December 2016: HK\$1,704,000 pledged as security for bank borrowings) (Note 13).

## 9 Investments in associates

Movements of investments in associates are as follows:

	<b>Unaudited</b>	
	<b>30th June 2017 HK\$'000</b>	30th June 2016 HK\$'000
Beginning of the period	<b>101,871</b>	96,996
Share of post-tax profits of associates	<b>6,518</b>	3,646
Share of other comprehensive income of associates	<b>5,841</b>	9,428
Dividend received from an associate	<b>(2,530)</b>	(6,776)
End of the period	<b>111,700</b>	103,294

## 9 Investments in associates (Continued)

The Group's share of the results in associates and their aggregated assets and liabilities are shown below.

	Unaudited 30th June 2017		
	Prima Power Suzhou Co., Ltd. ("Prima") HK\$'000	Mitutoyo Leeport Metrology Corporation ("MLMC") HK\$'000	OPS-Ingersoll Funkenerosion GmbH ("OPS") HK\$'000
Assets	69,710	98,007	80,835
Liabilities	56,938	36,595	46,771
Revenue	22,020	59,895	36,830
Share of profit/(loss)	471	6,114	(67)
Share of other comprehensive income	292	2,750	2,799
Percentage held	30.00%	49.00%	22.34%
	Unaudited 30th June 2016		
	Prima Power Suzhou Co., Ltd. ("Prima") HK\$'000	Mitutoyo Leeport Metrology Corporation ("MLMC") HK\$'000	OPS-Ingersoll Funkenerosion GmbH ("OPS") HK\$'000
Assets	50,195	77,039	80,706
Liabilities	38,079	19,978	50,041
Revenue	25,389	59,936	44,301
Share of profit	11	144	3,491
Share of other comprehensive (loss)/income	(161)	9,005	584
Percentage held	30.00%	49.00%	22.34%

## 10 Trade receivables and bills receivables

At 30th June 2017 and 31st December 2016, the ageing analysis of trade receivables and bills receivables by due date are as follows:

	<b>Unaudited 30th June 2017 HK\$'000</b>	Audited 31st December 2016 HK\$'000
Current	<b>52,495</b>	48,557
1 – 3 months	<b>23,723</b>	31,496
4 – 6 months	<b>5,119</b>	11,858
7 – 12 months	<b>3,586</b>	4,117
Over 12 months	<b>7,014</b>	8,078
	<b>91,937</b>	104,106
Less: provision for impairment of receivables	<b>(5,266)</b>	(6,200)
	<b>86,671</b>	97,906

The Group generally grants limited credit terms to its customers. Longer payment terms might be granted to those customers who have good payment history and long-term business relationship with the Group.

## 11 Share capital

	<b>Unaudited 30th June 2017 HK\$'000</b>	Audited 31st December 2016 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000

## 11 Share capital (Continued)

	Number of shares (in thousand)	Share capital HK\$'000
Issued and fully paid:		
At 1st January 2016	223,674	22,367
Exercise of options (Note a)	60	6
At 30th June 2016	<u>223,734</u>	<u>22,373</u>
At 1st January 2017	<b>225,542</b>	<b>22,554</b>
Exercise of options (Note a)	<b>4,534</b>	<b>453</b>
At 30th June 2017	<b><u>230,076</u></b>	<b><u>23,007</u></b>

Note:

- (a) Employee share option scheme: options exercised during the period ended 30th June 2017 resulted in 4,534,000 shares being issued (2016: 60,000 shares), with exercise proceeds of HK\$4,652,000 (2016: HK\$62,000). The related weighted average price at the time of exercise was HK\$1.45 (2016: HK\$1.29) per share.

No share-based payment expenses is recognised in the condensed consolidated interim statement of profit and loss for these share options granted to directors and employees for the period ended 30th June 2017 (2016: Same).

## 12 Trade payables and bills payables

At 30th June 2017 and 31st December 2016, the ageing analysis of the trade payables and bills payables are as follows:

	<b>Unaudited 30th June 2017 HK\$'000</b>	Audited 31st December 2016 HK\$'000
Current	<b>75,252</b>	87,720
1 – 3 months	<b>1,759</b>	2,553
4 – 6 months	<b>3,419</b>	1,225
7 – 12 months	<b>288</b>	3,541
Over 12 months	<b>1,124</b>	66
	<b>81,842</b>	95,105

## 13 Borrowings

	<b>Unaudited 30th June 2017 HK\$'000</b>	Audited 31st December 2016 HK\$'000
<b>Non-current</b>		
Portions of term loans from banks due for repayment after one year	<b>8,889</b>	12,222
<b>Current</b>		
Trust receipt loans	<b>39,011</b>	24,356
Portions of term loans from banks due for repayment within one year	<b>100,005</b>	102,883
Portions of term loans from banks due for repayment after one year which contain a repayable on demand clause	–	5,556
Bank overdrafts	<b>303</b>	846
	<b>139,319</b>	133,641
<b>Total borrowings</b>	<b>148,208</b>	145,863

As at 30th June 2017, bank borrowings are secured by the property, plant and equipment and investment property (Note 7) and restricted bank deposits of the Group. (31st December 2016: leasehold land (Note 8), property, plant and equipment and investment property (Note 7) and restricted bank deposits).



### 13 Borrowings (Continued)

Movements in borrowings are analysed as follows:

	<b>Unaudited HK\$'000</b>
As at 1st January 2017	<b>145,863</b>
Repayments of borrowings	<b>(36,086)</b>
Proceeds from borrowings	<b>39,011</b>
Net repayments of bank overdrafts	<b>(543)</b>
Exchange differences	<b>(37)</b>
As at 30th June 2017	<b>148,208</b>
As at 1st January 2016	134,175
Repayments of borrowings	(42,890)
Proceeds from borrowings	48,089
Net proceeds from bank overdrafts	120
Exchange differences	69
As at 30th June 2016	<b>139,563</b>

### 14 Operating profit

The following items have been charged to the operating profit during the period:

	<b>Unaudited Six months ended 30th June</b>	
	<b>2017 HK\$'000</b>	2016 HK\$'000
Cost of inventories sold	<b>219,375</b>	319,169
Depreciation on property, plant and equipment	<b>4,364</b>	4,414
Amortisation on leasehold land	<b>218</b>	256
Employee benefits expenses (including directors' remuneration)	<b>27,552</b>	30,074
Foreign exchange gain	<b>(6,961)</b>	(408)
Operating lease rentals	<b>491</b>	960
(Write back of)/provision for slow moving inventories	<b>(927)</b>	2,636
Provision for impairment of trade and bills receivables	<b>1,108</b>	37
Professional fee	<b>2,339</b>	2,409

## 15 Income tax expense

The amount of taxation charged to the condensed consolidated interim statement of profit and loss represents:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current income tax:		
– Hong Kong profits tax	<b>79</b>	927
– PRC and overseas taxation	<b>1,063</b>	103
– Over-provision in previous years	<b>(266)</b>	–
Deferred income tax	<b>(38)</b>	17
	<b>838</b>	1,047

Income tax expense are recognised based on management's best estimate of the projected annual effective income tax rate which is expected for the full financial year.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

Enterprise income tax ("EIT") in the PRC has been provided at the rate of 25% (2016: 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% (2016: 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.

## 16 Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30th June	
	2017	2016
Profit from continuing operations attributable to owners of the Company (HK\$'000)	<b>14,886</b>	15,478
Weighted average number of ordinary shares in issue (in thousands)	<b>226,444</b>	223,678
Basic earnings per share attributable to owners of the Company (HK cents per share)	<b>6.57</b>	6.92

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

## 16 Earnings per share (Continued)

(b) Diluted (Continued)

	Unaudited Six months ended 30th June	
	2017	2016
Profit attributable to owners of the Company (HK\$'000)	<b>14,886</b>	15,478
Weighted average number of ordinary shares in issue (in thousands)	<b>226,444</b>	223,678
Adjustments for:		
– Share options (in thousands)	–	1,259
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<b>226,444</b>	224,937
Diluted earnings per share attributable to owners of the Company (HK cents per share)	<b>6.57</b>	6.88

## 17 Dividends

A dividend of HK\$6,902,000 that relates to the year ended 31st December 2016 was paid in June 2017 (2016: HK\$3,355,000).

On 11th August 2017, the Board has resolved to declare an interim dividend of HK2.5 cents per share (2016: HK3.5 cents per share) and a special interim dividend of HK2 cents per share, which is payable on 15th September 2017 to shareholders who are on the register of members on 31st August 2017. This interim dividend and special interim dividend amounting to a total of HK\$10,353,000 (2016: HK\$7,870,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31st December 2017.

## 18 Contingent liabilities

	<b>Unaudited 30th June 2017 HK\$'000</b>	Audited 31st December 2016 HK\$'000
Letters of guarantee given to customers	<b>7,658</b>	25,090

Certain subsidiaries have given undertakings to banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided letters of guarantee to third parties on behalf of these subsidiaries.

## 19 Related party transactions

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Islands), which owns 62.8% of the Company's shares. The remaining 37.2% of the shares are widely held.

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

### (a) Key management compensation

Key management includes directors (executive and non-executive), members of Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee service is shown below:

	<b>Unaudited Six months ended 30th June 2017 HK\$'000</b>	2016 HK\$'000
Salaries and other short-term employee benefits	<b>4,388</b>	4,165
Pension costs – defined contribution plans	<b>157</b>	159
	<b>4,545</b>	4,324

## 19 Related party transactions (Continued)

(b) Sales and purchase of goods and services:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Purchase of goods from associates		
– MLMC	<b>1,219</b>	97
– Prima	<b>8,198</b>	23,855
	<b>9,417</b>	23,952
Management fee income from an associate		
– MLMC	<b>782</b>	752

The transaction price was determined by the directors and agreed with the related parties.

(c) Period/year-end balance arising from sales of goods/services

	<b>Unaudited</b>	Audited
	<b>30th June</b>	31st December
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Receivables from an associate		
– MLMC	<b>1,452</b>	213

## 19 Related party transactions (Continued)

### (d) Loan to an associate

The balance represents a loan effectively made to OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5%. The balance will not be repaid within twelve months but within five years from the reporting date. During the period, interest received from OPS amounted to HK\$415,000 (2016: HK\$617,000).

As at 30th June 2017, the carrying value of the loan to an associate was HK\$18,078,000 (31st December 2016: HK\$16,593,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.