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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 2013, 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

Turnover

The economic situation in China for the first half of 2013 was unsatisfactory. Due to the lack of Government spending on major investment projects and the shortage of sources of funding for small and medium enterprises in the market, domestic consumption did not improve. Also, the global economy has still not recovered yet, so China’s export situation continued to be weak. In the first half of 2013, the machine tool industry in China recorded a double-digit reduction, and this was also reflected in the volume of imports of machine tools. The demand for manufacturing equipment was generally weak, which affected the Group’s results.

The Group’s sales in the first half of 2013 amounted to HK\$352,162,000, compared with HK\$446,335,000 in the same period last year, representing a decrease 21.1%.

The Group’s gross profit amounted to HK\$67,519,000, compared with HK\$68,789,000 in the same period last year, representing a decrease of 1.8%.

The gross profit percentage was 19.2%, compared with 15.4% in the same period last year. The weaker Japanese Yen had a favourable impact on the gross profit percentage.

Other Income and Gains

The total of other income and gains in the first half of 2013 amounted to HK\$8,508,000, compared with HK\$8,040,000 in the same period last year. Service income was HK\$4,091,000 in the first half of 2013, slightly higher than the amount of HK\$3,717,000 in the same period last year. There was an exchange gain of HK\$975,000 for forward contract bookings in the first half of this year and it was HK\$686,000 in the same period of last year.

Operating Expenses

Selling and distribution costs were HK\$17,783,000 in the first half of 2013, compared with HK\$15,411,000 in the same period last year, representing an increase of 15.4%. Higher selling and distribution costs were mainly due to exhibition and promotion expenses. In early 2013, the Group participated in the CIMT exhibition in Beijing. The event is held every two years and is the most important machine tool exhibition in China.

Administrative expenses amounted to HK\$67,791,000 in the first half of 2013, compared with HK\$70,988,000 in the same period last year, representing a decrease of 4.5%. The reduction in administrative expenses was mainly attributed to lower travelling expenses and professional fees. Professional fees in 2012 were higher due to the acquisition of an equity shareholding in OPS-Ingersoll Funkenerosion GmbH.

Finance costs in the first half of 2013 were HK\$2,664,000, compared with HK\$2,840,000 in the same period last year. On the other hand, due to the higher level of Renminbi pledge deposits in the first half of 2013, the Company earned more finance income for the deposit as compared with the same period last year. The loan to OPS-Ingersoll Funkenerosion GmbH was effective from the second quarter of 2012. Interest income for the loan in the first half of 2013 was higher than interest income for the loan in the same period last year.

The share of profit of associated companies was HK\$7,719,000, compared with HK\$2,378,000 in the same period of last year. Both associated companies (Mitutoyo Lleeport Metrology Corporation and OPS-Ingersoll Funkenerosion GmbH) performed satisfactorily in the first half of 2013.

The income tax provision write back was HK\$172,000, compared with a provision of HK\$1,315,000 in the same period last year. In general, most of the subsidiaries were in a loss position and no tax provision is required.

Loss Attributable to Owners of the Company

The financial result of the Group in the first half of 2013 was adversely affected by the Group's lower sales volume. However, the better gross profit percentage alleviated the loss result. The associated companies contributed HK\$7,719,000 shared profit to the Group in the first half of 2013. In the first half of 2012, there was a profit of HK\$20,963,000 from discontinued operations due to the disposal of the equity shareholding in Mitutoyo Leeport Metrology Corporation to Mitutoyo Corporation.

The loss attributable to owners of the Company was HK\$2,847,000 in the first half of 2013, compared with HK\$9,780,000 profit attributable to owners of the Company in the same period last year. The loss per share was HK1.28 cents, compared with earnings per share of HK4.42 cents in the same period last year.

INTERIM DIVIDENDS

No interim dividend is proposed for the six months ended 30th June 2013 (2012: same).

BUSINESS REVIEW

The new leaders of the Chinese Government, President Xi Jin Ping and Premier Li Ke Qiang, officially took over control of the Government in March 2013. Actually the overall economic situation in China is not satisfactory, and it is clear that the new Government will not implement huge volumes of capital investment for the sake of pushing up the GDP. Instead, the Government will consider investing in some selected industries. The Chinese Government insisted that the GDP growth of 7.6% in the first half of 2013 was acceptable, even though this was the lowest since year 2002.

The value of industrial production in the first half of 2013 grew by 9.3%, compared with a growth rate of 10.5% in the same period last year. The value of exports in the first half of 2013 grew by 10.4%, compared with a growth rate of 9.2% in the same period last year. The overall industrial production and export situation was not better than last year.



The value of the Group's contract bookings in the first half of 2013 was HK\$396,436,000 (excluding Mitutoyo Leepport Metrology Corporation), compared with HK\$439,915,000 in the same period last year. The value of the Group's outstanding contracts as at the end of June was HK\$264,015,000. The business in the first half of 2013 was basically worse than in year 2012.


The Group's business in the first half of 2013 was mainly sustained by the automotive, electronic products, power supply equipment, telecommunication equipment and various mould-making industries. The export business situation of customers was unclear, and this is likely to continue in the second half of the year.

However some of the business divisions, for example in the area of sheetmetal equipment, are performing relatively well, because the manufacturing of switchgears and power generators, which are related to infrastructure, are still prosperous in China.

The associated companies (Mitutoyo Leepport Metrology Corporation and OPS-Ingersoll Funkenerosion GmbH) achieved good results even in this difficult economic environment. The Mitutoyo business in Southern China is catching up and has been showing a positive trend since the second quarter of the year. The overall business for OPS-Ingersoll Funkenerosion GmbH around the world, including in China, achieved better results than last year.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 30th June 2013 was HK\$35,909,000 (31st December 2012: HK\$41,590,000). The Group's cash position was at a reasonable level at the end of first half of 2013. The Group's inventory balance as at 30th June 2013 was HK\$82,729,000 (31st December 2012: HK\$93,399,000). The Group has implemented a tighter control on purchase orders since beginning of 2013 and achieved reduction in the inventory level. The turnover days of inventory was 57 and it was 51 at the end of December 2012. The trade receivables and bills receivables balance was HK\$149,558,000 as at 30th June 2013 (31st December 2012: HK\$169,218,000). The turnover days of sales was 81 and was higher than the days at the end of December 2012, i.e 61. It was due to proportion of trade receivables aged over 365 days has increased from 5% at the end of December 2012 to 6% at the end of June 2013. The trade payables and bills payables balance was HK\$113,862,000 as at 30th June 2013 (31st December 2012: HK\$135,124,000). The balance of short-term borrowing was HK\$245,483,000 as at 30th June 2013 (31st December 2012: HK\$226,126,000).



The Group's net gearing ratio was approximately 64.5% as at 30th June 2013 (31st December 2012: 50.8%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2013, the Group had aggregate banking facilities of approximately HK\$765,320,000 of which approximately HK\$350,790,000 was utilized, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$322,242,000 (31st December 2012: HK\$329,880,000). The directors are confident that the Group is able to meet its operational and capital expenditure and requirements.

FUTURE PLANS AND PROSPECTS

The Chinese Government has already fixed the direction for the country's economic development in 2013. Economic growth will not rely on capital spending, and the Government will invest in only a few selected industries. The urbanization strategy for rural areas will continue. Support for energy-saving and environmental products, and the new generation of information technology, will grow. In order to facilitate economic growth, the development and construction of railway systems for the central and western part of the country will also speed up. In addition, the automotive and smart phone manufacturing in China is still active. Basically the demand for high-end manufacturing equipment and tools is still promising.

The Group also completed some re-structuring of its operations in the middle of the year. Some operating units were merged and some headcount reduction was achieved. The re-structuring was aimed at upgrading the cost-effectiveness, productivity and responsiveness of the Group's operations. This is expected to result in some cost savings.

The group will continue to look for business opportunities in taking up more new products and in joint-venture with suitable partners. We are in the process of establishing relationships with more equipment manufacturers and will enter into a partnership with a European supplier to establish a manufacturing plant in China this year.

Business in the second half year of 2013 will be challenging for the Group. However, as there is still momentum in the demand for high-end manufacturing equipment and tools, we will probably achieve better results. The Group is confident that business will improve in the second half of the year.



EMPLOYEES

As at 30th June 2013, the Group had 416 employees (2012: 480), of whom 102 were based in Hong Kong; 287 were based in mainland China, and 27 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the offered staff benefits also include medical schemes, educational subsidies and discretionary performance bonuses.

A new share option scheme was adopted by the Company on 15th May 2013 to replace the old one for a period of 10 years for employees and other eligible participants so as to provide incentives and rewards for their continued contributions to the Group.

SHARE OPTIONS

On 17th June 2003, the Company approved and adopted a share option scheme (the "Old Scheme").

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

Movements in the number of share options during the period and their related exercise prices are set out in Note 13 of the interim report.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2013, certain leasehold land, land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$322,242,000 (31st December 2012: HK\$329,880,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

For the first six months of 2013, the Group spent a total of HK\$457,000 (30th June 2012: HK\$5,148,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 30th June 2013, the Group had no material capital commitments (31st December 2012: same) and HK\$24,626,000 (31st December 2012: HK\$20,381,000) contingent liabilities in respect of letters of guarantee was given to customers.



EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

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

As at 30th June 2013, the Group has outstanding gross-settled foreign currency forward contracts to buy JPY32,000,000 for USD329,000, EUR1,839,000 for HK\$18,577,000 and RMB11,000,000 for HK\$13,828,000 (31st December 2012: buy EUR1,399,000 for HK\$14,049,000, JPY62,750,000 for HK\$5,927,000, JPY73,700,000 for USD929,000, JPY37,400,000 for RMB3,083,000, AUD259,000 for HK\$2,095,000 and GBP23,000 for HK\$288,000).


PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

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

At 30th June 2013, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company, are as follows:

Director		Number of ordinary shares of HK\$0.10 each held			Share options (Note (d))	Total Interests	Percentage
		Personal interests	Family interests	Other Interests			
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	15,400,000 shares	1,396,000 shares (Note (b))	144,529,982 shares (Note (a))	Nil	161,325,982 shares	72.69%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	780,000 shares	Nil	Nil	Nil	780,000 shares	0.35%
Mr. NIMMO, Walter Gilbert Mearns ("Mr. Nimmo")	Long position	100,000 shares	402,445 shares (Note (c))	Nil	Nil	502,445 shares	0.23%
Dr. Lui Sun Wing ("Dr. Lui")	Long position	100,000 shares	Nil	Nil	260,000 shares	360,000 shares	0.16%
Mr. Wong Man Shun Michael ("Mr. Wong") (Appointed on 1st January 2013)	Long position	432,000 shares	Nil	Nil	Nil	432,000 shares	0.19%

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- (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.
- (b) Mr. Lee is the husband of Ms. Tan Lisa Marie. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee and Ms. Tan is deemed to be interested in all the interests held by her husband.
- (c) The 402,445 shares are beneficially owned by Mr. Nimmo's spouse.
- (d) Information relation to the share options held by the directors is disclosed in the share options section in Note 13 to the condensed consolidated interim financial information.

Other than as disclosed above, and other than those as disclosed in the share options section in Note 13 to the condensed consolidated interim financial information, 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 2013, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

CORPORATE GOVERNANCE

During the six months ended 30th June 2013, 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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period ended 30th June 2013.

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Dr. LEE Tai Chiu, 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 2013 with the directors.

As at the date of this report, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHAN Ching Huen, Stanley, Mr. WONG Man Shun, Michael; the non-executive director is Dr. LUI Sun Wing and the independent non-executive directors are Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Dr. LEE Tai Chiu.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTOR UNDER RULE 13.51B(1) OF THE LISTING RULES

Dr. Lui Sun Wing was re-designated from executive director to non-executive director of the Company with effect from 1st July 2013. Details of which have been disclosed in the announcement dated 24th June 2013.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30th JUNE 2013

	Note	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	199,943	225,134
Leasehold land	8	6,668	6,856
Investments in associates	9	60,932	62,182
Loan to an associate	23	30,368	30,805
		297,911	324,977
Current assets			
Inventories		82,729	93,399
Trade receivables and bills receivables	11	149,558	169,218
Other receivables, prepayments and deposits		61,952	49,012
Available-for-sale financial assets		15,214	16,522
Derivative financial instruments	10	52	258
Tax recoverable		518	260
Amount due from an associate	23	2,762	2,567
Restricted bank deposits		144,005	129,852
Cash and cash equivalents		36,407	41,590
		493,197	502,678
Total assets		791,108	827,655

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30th JUNE 2013

	Note	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	13	22,193	22,193
Other reserves		168,726	199,991
Retained earnings			
– Proposed dividend		–	7,768
– Others		133,292	133,233
		324,211	363,185
Total equity		324,211	363,185

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30th JUNE 2013

	Note	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		25,149	25,662
Current liabilities			
Trade payables and bills payables	14	113,862	135,124
Other payables, accruals and deposits received	15	82,269	76,243
Derivative financial instruments	10	134	1,315
Borrowings	16	245,483	226,126
		441,748	438,808
Total liabilities		466,897	464,470
Total equity and liabilities		791,108	827,655
Net current assets		51,449	63,870
Total assets less current liabilities		349,360	388,847

The notes on pages 21 to 46 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30th JUNE 2013

		Unaudited	
		Six months ended 30th June	
	Note	2013	2012
		HK\$'000	HK\$'000
Continuing operations			
Sales	6	352,162	446,335
Cost of goods sold	18	(284,643)	(377,546)
Gross profit		67,519	68,789
Other income and gains – net	17	8,508	8,040
Selling and distribution costs	18	(17,783)	(15,411)
Administrative expenses	18	(67,791)	(70,988)
Operating loss		(9,547)	(9,570)
Finance income		1,473	726
Finance costs		(2,664)	(2,840)
Share of post-tax profits of associates	9	7,719	2,378
Loss before income tax		(3,019)	(9,306)
Income tax credit/(expense)	19	172	(1,315)
Loss for the period from continuing operations		(2,847)	(10,621)
Discontinued operations			
Profit for the period from discontinued operations	12	–	20,963
(Loss)/profit for the period		(2,847)	10,342

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30th JUNE 2013

	Note	Unaudited	
		Six months ended 30th June	
		2013	2012
		HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		(2,847)	9,780
Non-controlling interests		-	562
		<u>(2,847)</u>	<u>10,342</u>
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company (expressed in HK cents per share)			
Basic and diluted (loss)/earnings per share			
From continuing operations	20	HK(1.28) cents	HK(4.80) cents
From discontinued operations		-	HK9.22 cents
From (loss)/profit of the period		<u>HK(1.28) cents</u>	<u>HK4.42 cents</u>
Dividends	21	-	-

The notes on pages 21 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 2013

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
(Loss)/profit for the period	(2,847)	10,342
Other comprehensive loss		
Movement of deferred tax	481	339
Change in value of available-for-sale financial assets, net of tax	(1,308)	(370)
Currency translation differences	(19,445)	(4,167)
Share of other comprehensive loss of associates	(8,087)	–
Other comprehensive loss, net of tax	(28,359)	(4,198)
Total comprehensive (loss)/income for the period	(31,206)	6,144
Attributable to:		
Owners of the Company	(31,206)	6,080
Non-controlling interests	–	64
Total comprehensive (loss)/income for the year	(31,206)	6,144
Total comprehensive (loss)/income attributable to owners of the Company arising from:		
Continuing operations	(31,206)	(12,327)
Discontinued operations	–	18,407
	(31,206)	6,080

The notes on pages 21 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 2013

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Land and building revaluation reserve	Exchange reserve	Other reserves	Merger reserve	Retained earnings	Total equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2013	22,193	29,790	133,028	20,953	4,910	11,310	141,001	363,185
Comprehensive loss								
Loss for the period	-	-	-	-	-	-	(2,847)	(2,847)
Other comprehensive loss								
Movement of deferred tax	-	-	481	-	-	-	-	481
Transfer of land and building revaluation reserve to retained earnings on depreciation of buildings	-	-	(2,906)	-	-	-	2,906	-
Available-for-sale financial assets	-	-	-	-	(1,308)	-	-	(1,308)
Currency translation differences	-	-	(257)	(19,188)	-	-	-	(19,445)
Share of other comprehensive loss of associates	-	-	-	(8,087)	-	-	-	(8,087)
Total comprehensive loss for the period ended 30th June 2013	-	-	(2,682)	(27,275)	(1,308)	-	59	(31,206)
Transaction with owners in their capacity as owners								
Dividend paid relating to 2012	-	-	-	-	-	-	(7,768)	(7,768)
Transaction with owners	-	-	-	-	-	-	(7,768)	(7,768)
Balance at 30th June 2013	22,193	29,790	130,346	(6,322)	3,602	11,310	133,292	324,211

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30th JUNE 2013

	Unaudited									
	Attributable to owners of the Company									
	Note	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	Non- controlling interest HK\$'000	Total equity HK\$'000
Balance at 1st January 2012		22,055	29,082	108,540	60,007	2,564	11,310	134,962	14,853	383,373
Comprehensive income										
Profit for the period		-	-	-	-	-	-	9,780	562	10,342
Other comprehensive income										
Movement of deferred tax		-	-	339	-	-	-	-	-	339
Transfer of land and building revaluation reserve to retained earnings on depreciation of buildings		-	-	(2,056)	-	-	-	2,056	-	-
Available-for-sale financial assets		-	-	-	-	(370)	-	-	-	(370)
Currency translation differences		-	-	98	(3,767)	-	-	-	(498)	(4,167)
Total comprehensive income for the period ended 30th June 2012		-	-	(1,619)	(3,767)	(370)	-	11,836	64	6,144
Transaction with owners in their capacity as owners										
Share option scheme										
— value of employee services	13	-	-	-	-	34	-	-	-	34
— proceeds from shares issued		138	708	-	-	-	-	-	-	846
Disposal of a subsidiary with loss of control		-	-	-	(17,821)	-	-	-	(15,057)	(32,878)
Changes in ownership interests in subsidiaries without change of control		-	-	-	-	(340)	-	-	140	(200)
Dividend paid relating to 2011		-	-	-	-	-	-	(13,233)	-	(13,233)
Transaction with owners		138	708	-	(17,821)	(306)	-	(13,233)	(14,917)	(45,431)
Balance at 30th June 2012		22,193	29,790	106,921	38,419	1,888	11,310	133,565	-	344,086

The notes on pages 21 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 2013

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(4,211)	20,649
Net cash used in investing activities	(11,310)	(44,213)
Net cash generated from/(used in) financing activities	11,091	(20,338)
Net decrease in cash, cash equivalents and bank overdrafts, including discontinued operations	(4,430)	(43,902)
Cash, cash equivalents and bank overdrafts at beginning of the period	41,590	86,162
Effect of the exchange rate for the period	(1,251)	(750)
Cash, cash equivalents and bank overdrafts at end of the period, including discontinued operations	35,909	41,510
Bank overdrafts	498	3,520
Cash and cash equivalents at end of the period	36,407	45,030

The notes on pages 21 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 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 15th August 2013.

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 2013 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 2012, 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 2012, 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 first time for the financial year beginning on or after 1st January 2013 that either have no significant impact or are not currently relevant to the Group:

Amendment to HKFRS 1	First Time Adoption of HKFRS
Amendment to HKAS 1	Presentation of Financial Statements
Amendment to HKAS 16	Property, Plant and Equipment
Amendment to HKAS 32	Financial Instruments: Presentation
Amendment to HKAS 34	Interim Financial Reporting
HKAS 1 (Amendment)	Presentation of Financial Statement
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Associates and Joint Ventures
HKAS 19 (Amendment)	Employee Benefits
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

3 Accounting policies (Continued)

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2013 that not currently relevant to the Group and have not been early adopted:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Investment Entities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ¹
HK(IFRIC)-Int 21	Levies ¹
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures ²
HKFRS 9	Financial Instrument ²

¹ Effective for the Group for the annual periods beginning on or after 1st January 2014

² Effective for the Group for the annual periods beginning on or after 1st January 2015

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations that have been issued but are not effective for annual periods beginning on or after 1st January 2013, and does not expect there will be a significant impact to the Group's financial statements.

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 2012.

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 2012.

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.

5.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 30th June 2013.

	Level 1 HK\$'000	Total HK\$'000
Assets		
Financial assets at fair value through profit or loss		
– Trading derivatives	52	52
Available-for-sale financial assets		
– Equity securities	15,214	15,214
Total assets	15,266	15,266
Liabilities		
Financial liabilities at fair value through profit or loss		
– Trading derivatives	134	134
Total liabilities	134	134

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 as at 31st December 2012.

	Level 1 HK\$'000	Total HK\$'000
Assets		
Financial assets at fair value through profit or loss		
– Trading derivatives	258	258
Available-for-sale financial assets		
– Equity securities	16,522	16,522
Total assets	16,780	16,780
Liabilities		
Financial liabilities at fair value through profit or loss		
– Trading derivatives	1,315	1,315
Total liabilities	1,315	1,315

In 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. In 2013, there were no reclassifications of financial assets.

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, Malaysia and Indonesia). The PRC, for the purpose of this condensed consolidated interim financial information, excludes Hong Kong, Taiwan and Macau.

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.

6 Segment information (Continued)

	Unaudited							
	Continuing operations				Discontinued operations			
	Six months ended 30th June 2013				Six months ended 30th June 2013			
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	Total HK\$'000	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	Total HK\$'000
Sales	242,136	69,391	40,635	352,162	-	-	-	-
Segment results	(3,108)	(3,456)	(2,983)	(9,547)	-	-	-	-
Finance costs – net				(1,191)				-
Share of profit of associates				7,719				-
Loss before income tax				(3,019)				-
Income tax credit				172				-
Loss for the period				(2,847)				-

6 Segment information (Continued)

	Unaudited							
	Continuing operations				Discontinued operations			
	Six months ended 30th June 2012				Six months ended 30th June 2012			
	The PRC	HK	Others	Total	The PRC	HK	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales	285,065	88,766	72,504	446,335	2,720	12,877	68	15,665
Segment results	(7,923)	(1,232)	(415)	(9,570)	(107)	1,211	9	1,113
Finance costs – net				(2,114)				-
Share of profit of associates				2,378				-
(Loss)/profit before income tax				(9,306)				1,113
Income tax expense				(1,315)				-
Gain on disposal of discontinued operations				-				19,850
(Loss)/profit for the period				(10,621)				20,963

There is no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenues.

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Total assets:		
The PRC	262,437	306,387
Hong Kong	413,803	412,472
Other countries (Note (a))	114,868	108,796
	791,108	827,655

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.

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Capital expenditure:		
The PRC	96	3,319
Hong Kong	361	2,238
	457	5,557

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

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

Notes:

- (a) Other countries mainly include Taiwan, Singapore, United States, Macau, Greece, Germany, United Kingdom, Italy, Japan and Malaysia.

7 Property, plant and equipment

	Unaudited HK\$'000
As at 1st January 2013	225,134
Additions	457
Disposal	(28)
Depreciation (Note 18)	(6,073)
Exchange differences	(19,547)
As at 30th June 2013	199,943
As at 1st January 2012	207,885
Additions	5,148
Disposal	(478)
Depreciation (Note 18)	(6,138)
Exchange differences	(3,445)
As at 30th June 2012	202,972

The Group's buildings located in the PRC and Singapore and land and buildings located in Hong Kong were revalued at 31st December 2012. Valuations of buildings located in the PRC and land and buildings located in Hong Kong were made on the basis of open market values by Cushman & Wakefield Valuation Advisory Services (HK) Ltd, a member of the Hong Kong Institute of Surveyors. The buildings of the Group located in Singapore were revalued on the basis of their open market values by Associated Property Consultant Pte Ltd., an independent firm of professional valuers. 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 with carrying amounts totalling HK\$176,595,000 (31st December 2012: HK\$198,354,000) (Note 16).

8 Leasehold land

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

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	6,668	6,856

Movements of the lease prepayment for land are as follows:

	Unaudited HK\$'000
As at 1st January 2013	6,856
Exchange differences	(77)
Amortisation (Note 18)	(111)
As at 30th June 2013	6,668
As at 1st January 2012	6,947
Exchange differences	31
Amortisation (Note 18)	(111)
As at 30th June 2012	6,867

Bank borrowings are secured on leasehold land with carrying amounts totalling HK\$1,642,000 (31st December 2012: HK\$1,674,000) (Note 16).

9 Investments in associates

Movements of investments in associates are as follows:

	Unaudited 30th June 2013 HK\$'000
Beginning of the period	62,182
Share of post-tax profits of associates	7,719
Share of other comprehensive loss of associates	(8,087)
Share of dividend of an associate	(882)
End of the period	60,932

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

	Unaudited 30th June 2013	
	Mitutoyo Leeport Metrology Corporation HK\$'000	OPS- Ingersoll Funkenerosion GmbH HK\$'000
Assets	51,375	82,256
Liabilities	10,239	64,034
Revenue	38,044	47,397
Profit	4,979	2,740
Other comprehensive loss	(7,790)	(297)
Percentage held	49.00%	22.34%

10 Derivative financial instruments

	Unaudited	
	As at 30th June 2013	
	Assets	Liabilities
	HK\$'000	HK\$'000
Forward foreign exchange contracts		
– non-hedging instruments	52	134
	<u>52</u>	<u>134</u>
	Audited	
	As at 31st December 2012	
	Assets	Liabilities
	HK\$'000	HK\$'000
Forward foreign exchange contracts		
– non-hedging instruments	258	1,315
	<u>258</u>	<u>1,315</u>

11 Trade receivables and bills receivables

At 30th June 2013 and 31st December 2012, the ageing analysis of trade receivables and bills receivables by due date are as follows:

	Unaudited	Audited
	30th June 2013	31st December 2012
	HK\$'000	HK\$'000
Current	75,978	98,648
1-3 months	48,026	42,869
4-6 months	13,166	16,940
7-12 months	9,820	7,198
Over 12 months	9,232	9,036
	<u>156,222</u>	<u>174,961</u>
Less: provision for impairment of receivables	(6,664)	(5,743)
	<u>149,558</u>	<u>169,218</u>

11 Trade receivables and bills receivables (Continued)

The Group generally grants limited credit terms to its customers. Payment terms of approximately 60 days might be granted to those customers who have good payment history and long-term business relationship with the Group.

12 Discontinued operations

On 28th February 2012, the Group disposed of 31% equity interest of Mitutoyo Leepport Metrology Corporation (“MLMC”) resulting in a loss of control on the subsidiary. As a result, MLMC became a 49% own associated company of the Group. The results of MLMC for the six months ended 30th June 2012 are presented in the condensed consolidated interim financial information as a discontinued operation.

Financial information relating to MLMC for the period to the date of disposal is set out below. The condensed consolidated interim income statement and condensed consolidated interim statement of cash flows distinguish discontinued operations from continuing operations.

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Operating cash flows	-	11,410
Investing cash flows	-	(6,229)
Financing cash flows	-	-
Total cash flows	-	5,181

12 Discontinued operations (Continued)

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Revenue	-	15,665
Expenses – net	-	(14,552)
Profit before income tax of discontinued operations	-	1,113
Income tax expense	-	-
Gain on disposal of discontinued operations	-	19,850
Profit for the period from discontinued operations	-	20,963
Profit for the period from discontinued operations attributable to:		
– Owners of the Company	-	20,401
– Non-controlling interests	-	562
Profits for the period from discontinued operations	-	20,963

13 Share capital

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
221,934,062 ordinary shares of HK\$0.10 each	22,193	22,193

Share options

On 17th June 2003, the Company approved and adopted a share option scheme (the “Old Scheme”).

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

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

13 Share capital (Continued)

Movements in the number of share options outstanding under the Old Scheme and their related exercise price are as follows:

Eligible participants	Date of grant	Exercise period	Exercise Price HK\$	At beginning of the period	Exercised during the period	Lapsed during the period	At end of the period
Director							
LUI Sun Wing (Dr. Lui)	4th July 2011	2nd July 2012- 1st July 2013	0.96	260,000	-	-	260,000
				260,000	-	-	260,000
				260,000	-	-	260,000

The share-based payment recognised in the condensed consolidated interim income statement for these share options granted to directors and employees for the six months ended 30th June 2013 is HK\$Nil (2012: HK\$34,000).

14 Trade payables and bills payables

At 30th June 2013 and 31st December 2012, the ageing analysis of the trade payables and bills payables are as follows:

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Current	111,618	123,949
1-3 months	736	5,186
4-6 months	904	3,564
7-12 months	21	1,738
Over 12 months	583	687
	113,862	135,124
	113,862	135,124

15 Other payables, accruals and deposits received

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

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
At 1st January	4,582	4,363
Provision made during the period/year	2,892	6,839
Provision utilised during the period/year	(2,697)	(6,620)
At the end of the period/year	4,777	4,582

16 Borrowings

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Current		
Trust receipt loans	82,835	75,853
Short-term bank loans	162,150	150,273
Bank overdrafts	498	–
Total borrowings	245,483	226,126

Bank borrowings are secured by the leasehold land, property, plant and equipment and restricted bank deposits of the Group.

16 Borrowings (Continued)

Movements in borrowings are analysed as follows:

	Unaudited HK\$'000
As at 1st January 2013	226,126
Repayments of borrowings	(159,259)
Proceeds from borrowings	179,942
Exchange differences	(1,326)
As at 30th June 2013	245,483
As at 1st January 2012	174,884
Repayments of borrowings	(142,254)
Proceeds from borrowings	132,136
Exchange differences	541
As at 30th June 2012	165,307

Interest expenses on borrowings and loans for the period ended 30th June 2013 is HK\$2,664,000 (30th June 2012: HK\$2,840,000).

17 Other income and gains – net

	Unaudited Six months ended 30th June	
	2013 HK\$'000	2012 HK\$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value gain	975	686
Service income	4,091	3,717
Commission income	81	136
Other income	3,361	3,501
	8,508	8,040

18 Expenses by nature

Expenses included in cost of goods sold, selling and distribution costs and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Costs of inventories sold	281,255	374,839
Depreciation on property, plant and equipment	6,073	6,138
Amortisation on leasehold land	111	111
Provision for/(reversal of) slow moving inventories	930	(1,415)
Net provision for impairment of trade receivables and bills receivables	921	822
Employee benefits expenses (including directors' remuneration)	41,386	41,115
Foreign exchange gain	(804)	(1,857)
Operating lease rentals	1,895	2,230
Exhibition and promotion expenses	2,187	926
Travelling expenses	9,244	10,599
Commission expenses	1,213	1,000
Professional fee	2,970	5,729
Other expenses	22,836	23,708
Total cost of goods sold, selling and distribution costs and administrative expenses	370,217	463,945

19 Income tax (credit)/expense

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

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	–	12
– PRC and overseas taxation	100	2,467
– Over-provision in previous years	(240)	(805)
Deferred income tax	(32)	(359)
	(172)	1,315

Income tax (credit)/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% (2012: 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% (2012: 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% (2012: 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.

20 (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2013	2012
Loss from continuing operations attributable to owners of the Company (HK\$'000)	(2,847)	(10,621)
Profit from discontinued operations attributable to owners of the Company (HK\$'000)	-	20,401
	(2,847)	9,780
Weighted average number of ordinary shares in issue (in thousands)	221,934	221,462
Basic (loss)/earnings per share attributable to owners of the Company (HK cents per share)		
- From continuing operations	(1.28)	(4.80)
- From discontinued operations	-	9.22

(b) Diluted

The Group's diluted (loss)/earnings per share is the same as its basic (loss)/earnings per share, as the conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the (loss)/earnings per share for the period ended 30th June 2013.

21 Dividends

No interim dividend is proposed for the period ended 30th June 2013 (2012: same).

22 Contingent liabilities

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Letters of guarantee given to customers	24,626	20,381

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. As at 30th June 2013, the amount of guarantees outstanding was HK\$24,626,000 (2012: HK\$20,381,000).

23 Related party transactions

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 65.12% of the Company's shares. The remaining 34.88% 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 a related party during the period:

23 Related party transactions (Continued)

(a) Transaction with key management

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Rental paid to a director, Mr. LEE Sou Leung, Joseph	42	42

The Group has entered into lease agreements with a director, Mr. LEE Sou Leung, Joseph to lease office spaces in China for the six months ended 30th June 2013 amounted to HK\$42,000 (2012: HK\$42,000). In the opinion of the directors, such transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.

(b) Key management compensation

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:

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	5,627	5,790
Pension costs – defined contribution plans	196	200
Share-based compensation	–	–
	5,823	5,990

23 Related party transactions (Continued)

(c) Sales of goods and services:

	Unaudited	
	Six months ended 30th June	
	2013	2012
	HK\$'000	HK\$'000
Sales of goods to an associate		
– MLMC	–	4,261
Sales of services to an associate		
– MLMC	168	2,562

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

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

	Unaudited	Audited
	30th June	31st December
	2013	2012
	HK\$'000	HK\$'000
Receivables from an associate		
– MLMC	2,762	2,567

(e) Loan to an associate

Since 2012, the Group has made a loan to an associate, OPS – Ingersoll Funkenerosion GmbH, which carries interest at HIBOR plus 4.5% and will not be repaid within twelve months from the reporting date. As at 30th June 2013, the carrying value of the loan to an associate was \$30,368,000 (31st December 2012: \$30,805,000).

On behalf of the Board
LEE Sou Leung, Joseph
Chairman

Hong Kong, 15th August 2013