

# Leeport

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



A TOTAL SOLUTION IN  
MANUFACTURING TECHNOLOGY

## 2016 INTERIM REPORT



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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 2016, 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

The economy and business situation of China in the first half of 2016 were uncertain. However, the Group achieved a fair increase in the value of sales as compared with the same period last year. The increase in sales was due mainly to the orders from a number of key customers.

In the first six months of 2016, the Group’s sales amounted to HK\$394,735,000, compared with HK\$339,731,000 in the same period last year, representing an increase of 16.2%. The gross profit amounted to HK\$70,834,000, compared with HK\$65,532,000 in the same period last year, representing an increase of 8.1%. The gross profit percentage was 17.9%, which was lower than the figure of 19.3% in the same period last year. The lower gross profit percentage was due mainly to a provision for some slow-moving stock amounting to HK\$2,636,000 in the first half of 2016. There was a write-back of provision for slow-moving stock amounting to HK\$2,020,000 in the same period last year.

### Other Income and Gains

The total value of other income and gains was HK\$12,514,000, compared with HK\$9,612,000 in the same period last year, representing an increase of 30.2%.

The service income was HK\$5,330,000, compared with HK\$4,563,000 in the same period last year. The commission income was HK\$1,050,000, compared with HK\$1,291,000 in the same period last year. Other income included rental of HK\$876,000, a management fee of HK\$752,000 charged against Mitutoyo Leeport Metrology Corporation, and gains on forward contracts of HK\$1,878,000. Also, there was a gain of HK\$1,750,000 for the disposal of a subsidiary.

In the first half of 2016 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\$690,000.

## **Operating Expenses**

Selling and distribution costs were HK\$19,152,000, compared with HK\$16,120,000 in the same period last year, representing an increase of 18.8%. The increase in selling and distribution costs was due mainly to the higher bank charges and logistics costs resulting from the higher sales volume.

Administrative expenses amounted to HK\$50,548,000, compared with HK\$53,939,000 in the same period last year, representing a decrease of 6.3%. There was a reduction in staff costs due to the weakening Renminbi in the first half of 2016. The re-structuring of the Group's operations also contributed to the reduction in staff costs. Furthermore, there were share option expenses for staff in the same period last year. The centralisation of all the warehouses and offices into one big new premises owned by the Group in Shanghai has contributed to savings in rental expenses since the beginning of 2016. Travelling expenses were also lower as a result of improvements in staff productivity.

## **Share of Profits of Associates**

The share of profits of the associates in the first half of 2016 was HK\$3,646,000, compared with HK\$9,551,000 in the same period last year, representing a decrease of 61.8%.

The share of profit of Mitutoyo Leeport Metrology Corporation was only HK\$144,000, which was significantly lower than the figure of HK\$8,425,000 in the same period last year, representing a decrease of 98.3%. This was due mainly to the currency impact of the strong Japanese Yen as compared with the same period last year.

The share of profit of OPS Ingersoll Funkenerosion GmbH was HK\$3,491,000, compared with HK\$2,587,000 in the same period last year, representing an increase of 34.9%. OPS Ingersoll Funkenerosion GmbH achieved another successful season in the first half of 2016.

The joint-venture plant, Prima Power Suzhou Company Limited, attained a break-even situation by the end of June 2016. There was share of loss of HK\$1,461,000 in the same period last year.

## **Finance Expenses – Net**

Finance costs net of interest income were HK\$769,000, compared with HK\$47,000 in the same period last year.

Finance income in the first half of 2016 was HK\$961,000, as compared with HK\$1,436,000 in the same period last year, representing a decrease of 33.1%. The decrease in finance income was due to the reduction of restricted bank deposits in Renminbi. The Group has exchanged a significant amount of Renminbi to Hong Kong Dollar since the middle of 2015 to avoid the impact of the weakening Renminbi. Also, the interest rate for Renminbi deposits was not as attractive as before.

Finance costs incurred in the first half of 2016 were HK\$1,730,000, compared with HK\$1,483,000 in the same period last year, representing an increase of 16.7%. The higher finance costs was due to the higher average borrowing in the first half of 2016 as compared with the same period last year.

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

In the first half of 2016, the profit attributable to owners of the Company was HK\$15,478,000, compared with HK\$13,175,000 in the same period last year, representing an increase of 17.5%.

The operating profit of the Company was HK\$13,648,000, compared with an operating profit of HK\$5,085,000 in the same period last year, representing an increase of 168.4%. The significant improvement in the operating result is mainly attributable to the higher sales revenue in the period.

The basic earnings per share were HK6.92 cents, compared with the basic earnings per share of HK5.93 cents in the same period last year, representing an increase of 16.7%.

### **INTERIM DIVIDEND**

The Directors have resolved to declare an interim dividend of HK3.5 cents per ordinary share for the six months ended 30th June 2016 to shareholders whose names appear on the register of members of the Company on 7th October 2016 (2015: HK3.5 cents). The interim dividend will be payable on or around 19th October 2016.

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

The register of members of the Company will be closed from 5th October 2016 (Wednesday) to 7th October 2016 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order for members to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 4th October 2016 (Tuesday).

## BUSINESS REVIEW

Since the beginning of 2016, China's economic situation has been facing downward pressure. The GDP growth rate was 6.7%, which was a little lower than the rate of 6.9% for the full year of 2015. The growth rate for the value of industrial production was 6.0%, and it was 5.9% for the full year of 2015. The export situation for China was still weak in the first half of 2016 – the value of exports fell by 2.1%. The value of exports in the full year of 2015 fell by 1.8%.

The Group's sales volume in the first half of 2016 was 16.2% higher than in the same period last year, due mainly to the significant value of the orders placed by some key customers. This was the result of the successful key account management that has been done in the past few years. It has always been the strategy of the Group to work with suppliers to strengthen the support provided to customers, and to enhance the customer relationship.

The car manufacturing and mobile phone manufacturing industries continued to be the major customer segments of the Group's business. Other industries, including lifts and elevators, metal parts machining, home appliances and telecommunications equipment were also important customer segments for the Group in the first half of 2016.

The value of the Group's outstanding orders at the end of July 2016 was HK\$166,212,000, compared with HK\$190,128,000 at the end of July 2015.

The business of an associate, Mitutoyo Lleeport Metrology Corporation was slightly below target in the first half of 2016. However, since the middle of 2016 there have been signs that the business is picking up. Furthermore, the strong Japanese Yen has adversely affected the net profit of Mitutoyo Lleeport Metrology Corporation, due to the impact of differences in the exchange rate.

The joint-venture plant, Prima Power Suzhou Company Limited, has attained a break-even situation at the end of June 2016. This was a good sign, compared with the loss position in the previous two years.

The business of another associate, OPS Ingersoll Funkenerosion GmbH, continued to be outstanding. The business in both the European and the US markets was very successful.

The Group's business also faced the challenge of the strong Japanese Yen and the weakening Renminbi, which have adversely affected customer demand for equipment. Price competition from other suppliers was very keen. The Group's operating profit in the first half of 2016 was HK\$13,648,000, which was more than double the operating profit of HK\$5,085,000 in the same period last year. So the Group's performance in the first half of 2016 was satisfactory, even though the share of profit of Mitutoyo Leepport Metrology Corporation was significantly lower than in the same period last year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The balance of cash net of overdraft of the Group as at 30th June 2016 was HK\$75,488,000 (31st December 2015: HK\$45,228,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 30th June 2016 was HK\$56,673,000 (31st December 2015: HK\$62,231,000). The turnover days of inventory was 32 at the end of June 2016, compared with 41 at the end of December 2015. The inventory level was lower as at 30th June 2016 than as at 31st December 2015 due to the provision for some slow-moving stocks and also some clearance of aged stock. The balance of trade receivables and bills receivables was HK\$154,215,000 as at 30th June 2016 (31st December 2015: HK\$115,055,000). The turnover days of trade receivables was 71, compared with 62 at the end of December 2015. The higher turnover days of trade receivables at the end of June 2016 was due to the significant amount of delivery made in June 2016. The balance of trade payables and bills payables was HK\$164,626,000 as at 30th June 2016 (31st December 2015: HK\$103,702,000). The higher balance of trade payables and bills payables as at 30th June 2016 was in line with the larger business in the first half of 2016. The balance of short-term borrowings was HK\$139,563,000 as at 30th June 2016 (31st December 2015: HK\$134,175,000).

The Group's net gearing ratio was approximately 17.1% as at 30th June 2016 (31st December 2015: 24.7%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. This reduction in the gearing ratio was mainly due to increase in cash on hand.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2016, the Group had aggregate banking facilities of approximately HK\$805,199,000, of which approximately HK\$296,069,000 was utilised, bearing interest at prevailing market rates and 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\$237,142,000 (31st December 2015: HK\$234,636,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## **FUTURE PLANS AND PROSPECTS**

According to the statistics announced by the Chinese Government, the growth in the value of high-technology production and machinery manufacturing in the first half of 2016 was 10.2% and 8.17% respectively. These figures were higher than the average growth rate of 6.0% for industrial production. The car manufacturing industry in China still achieved 10% growth in the first half of 2016. In particular, there was significant growth in the sales of sport utility vehicles and new energy cars. According to a research report, global sales of smartphones are expected to grow by 7% in 2016, although this growth rate is lower than in previous years. The above-mentioned industries are related to the business of the Group. We notice that some key customers are receiving substantial orders from the market, so there are still opportunities for the Group's business.

We expect that business for Mitutoyo Leepport Metrology Corporation will improve in the second half of 2016, and business for OPS Ingersoll Funkenerosion GmbH is likely to be maintained. By the end of 2016, Prima Power Suzhou Company Limited will most likely make a contribution to the Group's share of profit after two years' share of loss for the new plant.

The Group has invested in a Finnish high-technology company, Mapvision Limited, which is a global leader in 100% in-line inspection systems. This is a co-investment with our important partner, Mitutoyo Corporation. Leepport has been the sole distributor for Mapvision's products in China since 2011. The benefit of the investment is that it will further enhance the relationship between Leepport, Mapvision and Mitutoyo. We expect that the partnership will generate significant income from sales of the product in the China market in the near future.

The Group expects that business in the second half of 2016 will be challenging. The top management team will continue to recruit new sales staff, enhance training for all staff and maintain a cost-effective operation.

We are confident that we will be able to achieve a better financial performance at the end of 2016 as compared with the result in 2015.

## **EMPLOYEES**

As at 30th June 2016, the Group had 253 employees (31st December 2015: 256). Of these, 81 were based in Hong Kong, 160 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

As at 30th June 2016, options to subscribe for an aggregate of 7,847,000 shares of the Company granted to Directors and certain employees pursuant to the Scheme remained outstanding, details of which were as follows:

Name and Category of participants	Date of grant	Exercise prices of share options HK\$ per share	Exercise periods of share options	At 31st December 2015	Granted during the period	Exercised during the period	At 30th June 2016
<b>Directors</b>							
Mr. LEE Sou Leung, Joseph (Note 1)	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000	-	-	1,000,000
Mr. CHAN Ching Huen, Stanley	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000	-	-	1,000,000
Mr. WONG Man Shun, Michael	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000	-	-	1,000,000
Mr. CHU Weiman	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000	-	-	1,000,000
Mr. PIKE, Mark Terence	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	110,000	-	-	110,000
Dr. LEE Tai Chiu	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	110,000	-	-	110,000
Mr. ZAVATTI Samuel	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	110,000	-	-	110,000
Sub-total				4,330,000	-	-	4,330,000
<b>Employees</b>							
In aggregate	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2, 3 & 5)	3,577,000	-	(60,000)	3,517,000
Total				7,907,000	-	(60,000)	7,847,000

Notes:

1. Mr. LEE Sou Leung, Joseph is substantial shareholder of the Company. As a condition of the grant of options, Mr. Lee undertakes not to exercise any options granted to him to such an extent that the exercise would result in the number of shares held by him and his associates exceeds 75% of the voting rights of the Company.
2. The options, granted on 17th March 2015, are exercisable from 17th December 2015 to 16th June 2017 (both days inclusive).
3. According on the binomial option pricing 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.

4. During the period, no options was cancelled or lapsed.
5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was approximately HK\$1.29.

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

As at 30th June 2016, certain land and buildings, leasehold land, investment property and restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK\$237,142,000 (31st December 2015: HK\$234,636,000), 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 2016, the Group spent a total of HK\$21,172,000 (30th June 2015: HK\$3,431,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 30th June 2016, the Group has settled all capital commitments regarding property, plant and equipment. (31st December 2015: HK\$2,004,000 on property, plant and equipment). In the meantime, a total of HK\$31,780,000 (31st December 2015: HK\$23,870,000) 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 2016, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR3,667,000 for HKD31,969,000; EUR245,000 for USD280,000; USD1,028,000 for CNY6,886,000 and JPY379,700,000 for HKD28,127,000; (31st December 2015: EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; CNY8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000).

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 2015 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 2016, 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			Share options (Note (c))	Total interests	Percentage
		Personal interests	Family interests	Other interests			
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	19,580,000 shares	1,396,000 shares (Note (b))	144,529,982 shares (Note (a))	1,000,000 shares	166,505,982 shares	74.42%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	500,000 shares	-	-	1,000,000 shares	1,500,000 shares	0.67%
Mr. WONG Man Shun, Michael ("Mr. Wong")	Long position	432,000 shares	-	-	1,000,000 shares	1,432,000 shares	0.64%
Mr. CHU Weiman ("Mr. Chu")	Long position	-	-	-	1,000,000 shares	1,000,000 shares	0.45%
Mr. PIKE, Mark Terence ("Mr. Pike")	Long position	-	-	-	110,000 shares	110,000 shares	0.05%
Dr. LEE Tai Chiu ("Dr. Lee")	Long position	-	-	-	110,000 shares	110,000 shares	0.05%
Mr. ZAVATTI Samuel ("Mr. Zavatti")	Long position	-	-	-	110,000 shares	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.
- (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) 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 2016, the register of substantial shareholders maintained 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 2016, 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 the Managing Director of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the company. The Company has no such title as the chief executive officer.

## 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 2016.

## 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 2016 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 and Mr. CHU Weiman 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, 19th August 2016

# 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 15 to 44, which comprises the condensed consolidated interim balance sheet of Leeport (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2016 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, 19th August 2016

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30th JUNE 2016

	Note	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	197,862	190,522
Leasehold land	8	17,318	8,332
Investment property	7	43,000	43,000
Investments in associates	9	103,294	96,996
Loan to an associate	19(d)	17,312	25,430
Prepayments		12,970	19,029
		<b>391,756</b>	383,309
<b>Current assets</b>			
Inventories		56,673	62,231
Trade receivables and bills receivables	10	154,215	115,055
Other receivables, prepayments and deposits		27,269	20,236
Available-for-sale financial assets		33,583	34,016
Derivative financial instruments		702	320
Amount due from an associate	19(c)	222	–
Loan to an associate	19(d)	8,655	–
Tax recoverable		–	357
Restricted bank deposits		24,087	24,151
Cash and cash equivalents		75,856	45,476
		<b>381,262</b>	301,842
<b>Total assets</b>		<b>773,018</b>	685,151



## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30th JUNE 2016

	Note	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	11	22,373	22,367
Other reserves		156,621	157,498
Retained earnings		194,207	179,414
<b>Total equity</b>		<b>373,201</b>	359,279
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		24,155	24,578
<b>Current liabilities</b>			
Trade payables and bills payables	12	164,626	103,702
Other payables, accruals and deposits received		70,337	62,454
Derivative financial instruments		617	458
Borrowings	13	139,563	134,175
Tax payable		519	270
Amount due to an associate	19(c)	–	235
<b>Total liabilities</b>		<b>375,662</b>	301,294
<b>Total equity and liabilities</b>		<b>773,018</b>	685,151

The notes on pages 23 to 44 form an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30th JUNE 2016

	Note	Unaudited Six months ended 30th June	
		2016 HK\$'000	2015 HK\$'000
Sales	6	394,735	339,731
Cost of goods sold		(323,901)	(274,199)
<b>Gross profit</b>		<b>70,834</b>	65,532
Other income and gains – net		12,514	9,612
Selling and distribution costs		(19,152)	(16,120)
Administrative expenses		(50,548)	(53,939)
<b>Operating profit</b>	14	<b>13,648</b>	5,085
Finance income		961	1,436
Finance costs		(1,730)	(1,483)
Finance costs – net		(769)	(47)
Share of post-tax profits of associates	9	3,646	9,551
<b>Profit before income tax</b>		<b>16,525</b>	14,589
Income tax expense	15	(1,047)	(1,414)
<b>Profit for the period</b>		<b>15,478</b>	13,175
<b>Attributable to owners of the Company</b>		<b>15,478</b>	13,175

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30th JUNE 2016

		Unaudited Six months ended 30th June	
	Note	2016 HK cents per share	2015 HK cents per share
<hr/>			
<b>Earnings per share attributable to owners of the Company</b>			
<b>Basic earnings per share</b>	16	<b>6.92</b>	5.93
<b>Diluted earnings per share</b>	16	<b>6.88</b>	5.88

The notes on pages 23 to 44 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 2016

	Unaudited Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
<b>Profit for the period</b>	<b>15,478</b>	13,175
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement of deferred tax	<b>440</b>	418
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets, net of tax	<b>(5,687)</b>	3,214
Currency translation differences	<b>(2,444)</b>	(2,546)
Share of other comprehensive income/(loss) of associates	<b>9,428</b>	(1,831)
	<b>1,297</b>	(1,163)
<b>Other comprehensive income/(loss), net of tax</b>	<b>1,737</b>	(745)
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>17,215</b>	12,430

The notes on pages 23 to 44 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 2016

	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>	<b>-</b>	<b>-</b>	<b>(1,877)</b>	<b>6,631</b>	<b>(5,687)</b>	<b>-</b>	<b>18,148</b>	<b>17,215</b>
<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>	<b>6</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,355)</b>	<b>(3,293)</b>
Balance at 30th June 2016	22,373	31,638	164,122	(54,670)	4,221	11,310	194,207	373,201

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

FOR THE SIX MONTHS ENDED 30th JUNE 2016

	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 2015	22,193	29,790	159,641	(53,225)	10,861	11,310	168,563	349,133
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	-	-	13,175	13,175
<b>Other comprehensive income</b>								
Movement of deferred tax	-	-	418	-	-	-	-	418
Transfer of land and building revaluation reserve to retained earnings on depreciation of buildings	-	-	(2,525)	-	-	-	2,525	-
Change of value of available-for-sale financial assets	-	-	-	-	3,214	-	-	3,214
Currency translation differences	-	-	(178)	(2,368)	-	-	-	(2,546)
Share of other comprehensive income of associates	-	-	-	(1,831)	-	-	-	(1,831)
<b>Total comprehensive income for the period ended 30th June 2015</b>	-	-	(2,285)	(4,199)	3,214	-	15,700	12,430
<b>Transaction with owners</b>								
Employees share option scheme:								
Share option scheme								
- value of services provided (Note 11)	-	-	-	-	576	-	-	576
- exercise of options	174	1,792	-	-	-	-	-	1,966
Dividend paid relating to 2014	-	-	-	-	-	-	(7,829)	(7,829)
<b>Total transaction with owners, recognised directly in equity</b>	174	1,792	-	-	576	-	(7,829)	(5,287)
<b>Balance at 30th June 2015</b>	<b>22,367</b>	<b>31,582</b>	<b>157,356</b>	<b>(57,424)</b>	<b>14,651</b>	<b>11,310</b>	<b>176,434</b>	<b>356,276</b>

The notes on pages 23 to 44 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 2016

	Note	Unaudited Six months ended 30th June	
		2016 HK\$'000	2015 HK\$'000
<b>Cash flow from operating activities</b>			
Cash generated from operation		38,603	65,638
Income tax paid		(424)	(442)
Net cash generated from operating activities		38,179	65,196
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(2,143)	(2,805)
Prepayment for purchase of property, plant and equipment		–	(16,811)
Prepayment for long term investment		(12,970)	–
Purchase of available-for-sale financial assets		(5,254)	(9,305)
Proceeds from disposal of property, plant and equipment		42	6
Proceeds from disposal of a subsidiary		1,750	–
Decrease in restricted bank deposits		64	15,236
Dividend received from an associate	9	6,776	4,538
Dividend received from available-for-sale financial assets		690	346
Other investing cash flow – net		961	1,436
Net cash used in investing activities		(10,084)	(7,359)
<b>Cash flows from financing activities</b>			
Dividends paid to the Company's shareholders	17	(3,355)	(7,829)
Proceeds from exercise of share options		62	1,966
Net proceeds from/(repayment of) collateralised borrowings and bank loans	13	5,268	(39,984)
Net cash generated from/(used in) financing activities		1,975	(45,847)
Net increase in cash, cash equivalents and bank overdrafts		30,070	11,990
Cash, cash equivalents and bank overdrafts at beginning of the period		45,228	57,154
Effect of the exchange rate for the period		190	(963)
Cash, cash equivalents and bank overdrafts at end of the period		75,488	68,181
Bank overdrafts		368	–
<b>Cash and cash equivalents at end of the period</b>		<b>75,856</b>	<b>68,181</b>

The notes on pages 23 to 44 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 19th August 2016.

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 2016 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 2015, 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 2015, 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.



### 3 Accounting policies (Continued)

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

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interest in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning on 1st January 2016 that not currently relevant to the Group and have not been early adopted:

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
HKFRS 15	Revenue of Contracts from Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HKFRS 9 (2014)	Financial Instrument <sup>2</sup>

<sup>1</sup> The effective date is to be determined by the IASB

<sup>2</sup> Effective for the Group for the annual periods beginning on or after 1st January 2018

<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 2016.

## **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 2015.

## **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 2015.

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 financial assets and liabilities that are measured at fair value at 30th June 2016.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	702	–	702
Available-for-sale financial assets				
– listed securities	<u>33,583</u>	–	–	<u>33,583</u>
	<u>33,583</u>	<u>702</u>	–	<u>34,285</u>
<b>Liabilities</b>				
Derivative financial instruments	–	617	–	617

## 5 Financial risk management (Continued)

### 5.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31st December 2015.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	320	–	320
Available-for-sale financial assets				
– listed securities	<u>34,016</u>	<u>–</u>	<u>–</u>	<u>34,016</u>
	<u>34,016</u>	<u>320</u>	<u>–</u>	<u>34,336</u>
<b>Liabilities</b>				
Derivative financial instruments	<u>–</u>	<u>458</u>	<u>–</u>	<u>458</u>

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

There were no changes in valuation techniques during the period.

### 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 Financial risk management (Continued)

### 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
- Amount due to an associate

## 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 2016			
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	Total HK\$'000
Sales	<u>345,917</u>	<u>43,082</u>	<u>5,736</u>	<u>394,735</u>
Segment results	<u>8,703</u>	<u>6,215</u>	<u>(1,270)</u>	<u>13,648</u>
Finance costs – net				(769)
Share of profit of associates				<u>3,646</u>
Profit before income tax				<u>16,525</u>
Income tax expense				<u>(1,047)</u>
Profit for the period				<u>15,478</u>

## 6 Segment information (Continued)

	Unaudited			
	Six months ended 30th June 2015			
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	Total HK\$'000
Sales	<u>286,970</u>	<u>42,653</u>	<u>10,108</u>	<u>339,731</u>
Segment results	<u>6,330</u>	<u>423</u>	<u>(1,668)</u>	5,085
Finance costs – net				(47)
Share of profit of associates				<u>9,551</u>
Profit before income tax				14,589
Income tax expense				<u>(1,414)</u>
Profit for the period				<u>13,175</u>

During the period ended 30th June 2016, revenue derived from the Group's largest customer amounted to HK\$90,381,000 or 22.9% of the Group's revenue. (2015: HK\$91,609,000 or 27.0% of the Group's revenue).

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
Total assets:		
The PRC	<b>294,335</b>	237,385
Hong Kong	<b>372,158</b>	376,010
Other countries (Note (a))	<b>106,525</b>	<u>71,756</u>
	<b><u>773,018</u></b>	<u>685,151</u>

## 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 property, investment in associates, inventories, receivables, prepayment, derivative financial instruments, available-for-sale financial assets, operating cash and restricted bank deposits.

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
Capital expenditure:		
The PRC	<b>21,041</b>	75
Hong Kong	<b>131</b>	4,232
	<b>21,172</b>	4,307

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 Taiwan, Singapore, Macau, Indonesia and Malaysia.



## 7 Property, plant and equipment and investment property

	Property, plant and equipment HK\$'000	Investment property HK\$'000
As at 1st January 2016	190,522	43,000
Additions	11,740	–
Disposals	(263)	–
Depreciation (Note 14)	(4,414)	–
Exchange differences	277	–
As at 30th June 2016	<u>197,862</u>	<u>43,000</u>
As at 1st January 2015	187,168	40,400
Additions	3,431	–
Disposals	(7)	–
Depreciation (Note 14)	(4,730)	–
Exchange differences	119	–
As at 30th June 2015	<u>185,981</u>	<u>40,400</u>

The Group's land and buildings and investment property were revalued at 31st December 2015. 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\$211,221,000 (31st December 2015: HK\$208,702,000) (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:

	Unaudited HK\$'000
As at 1st January 2016	8,332
Additions	9,432
Exchange differences	(190)
Amortisation (Note 14)	(256)
As at 30th June 2016	<u>17,318</u>
As at 1st January 2015	8,895
Exchange differences	(13)
Amortisation (Note 14)	(157)
As at 30th June 2015	<u>8,725</u>

Bank borrowings are secured on leasehold land with carrying amounts totalling HK\$1,834,000 (31st December 2015: HK\$1,783,000) (Note 13).

## 9 Investments in associates

Movements of investments in associates are as follows:

	Unaudited	
	30th June 2016 HK\$'000	30th June 2015 HK\$'000
Beginning of the period	96,996	81,482
Additions	–	6,823
Share of post-tax profits of associates	3,646	9,551
Share of other comprehensive income/(loss) of associates	9,428	(1,831)
Dividend received from an associate	(6,776)	(4,538)
End of the period	<u>103,294</u>	<u>91,487</u>

## 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 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%

  

	Unaudited 30th June 2015		
	Prima HK\$'000	MLMC HK\$'000	OPS HK\$'000
Assets	22,793	78,111	77,683
Liabilities	8,306	28,167	54,079
Revenue	7,193	57,976	41,054
Share of (loss)/profit	(1,461)	8,425	2,587
Share of other comprehensive income/(loss)	252	(1,038)	(1,045)
Percentage held	30.00%	49.00%	22.34%

## 10 Trade receivables and bills receivables

At 30th June 2016 and 31st December 2015, the ageing analysis of the trade receivables and bills receivables by due date are as follows:

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
Current	<b>116,837</b>	77,365
1 – 3 months	<b>24,494</b>	18,633
4 – 6 months	<b>5,361</b>	4,810
7 – 12 months	<b>1,663</b>	9,071
Over 12 months	<b>13,087</b>	11,981
	<b>161,442</b>	121,860
Less: provision for impairment of receivables	<b>(7,227)</b>	(6,805)
	<b>154,215</b>	115,055

The Group generally grants limited credit terms to its customers. Long 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 2016 HK\$'000</b>	Audited 31st December 2015 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	<b>223,674</b>	22,367
Exercise of options (Note a)	<b>60</b>	6
At 30th June 2016	<b>223,734</b>	22,373
At 1st January 2015	<b>221,934</b>	22,193
Exercise of options (Note a)	<b>1,740</b>	174
At 30th June 2015	<b>223,674</b>	22,367

Note:

- (a) Employee share option scheme: options exercised during the period ended 30th June 2016 resulted in 60,000 shares being issued (2015: 1,740,000 shares), with exercise proceeds of HK\$62,000 (2015: HK\$1,966,000). The related weighted average price at the time of exercise was HK\$1.29 (2015: HK\$2.07) per share.

### Share options

On 17th March 2015, 7,907,000 share options have been offered and granted to directors and certain employees of the Group with an exercise price of HK\$1.026 per share.

The weighted average fair value of options granted during the period ended 30th June 2015 determined using the Black-Scholes valuation model was approximately HK\$0.19 per option. The significant inputs into the model were share price of HK\$1.01 per share at the grant date, exercise price of HK\$1.026 per share as shown above, volatility of 40.47%, dividend yield of 3.47%, an expected option life of 2.25 years, and an annual risk-free interest rate of 0.63%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

No share-based payment expenses is recognised in the condensed consolidated interim income statement for these share options granted to directors and employees for the period ended 30th June 2016 (2015: HK\$576,000).

## 12 Trade payables and bills payables

At 30th June 2016 and 31st December 2015, the ageing analysis of the trade payables and bills payables are as follows:

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
Current	<b>160,928</b>	100,819
1 – 3 months	<b>470</b>	2,265
4 – 6 months	<b>2,886</b>	174
7 – 12 months	<b>130</b>	114
Over 12 months	<b>212</b>	330
	<b>164,626</b>	103,702

## 13 Borrowings

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
<b>Current</b>		
Trust receipt loans	<b>44,589</b>	33,488
Portions of loans from banks due for repayment within one year	<b>80,716</b>	78,216
Portions of loans from banks due for repayment after one year which contain a repayable on demand clause	<b>13,890</b>	22,223
Bank overdrafts	<b>368</b>	248
<b>Total borrowings</b>	<b>139,563</b>	134,175

Bank borrowings are secured by the leasehold land (Note 8), land and buildings and investment property (Note 7) and restricted bank deposits of the Group.

### 13 Borrowings (Continued)

Movements in borrowings are analysed as follows:

	<b>Unaudited HK\$'000</b>
As at 1st January 2016	<b>134,175</b>
Repayments of borrowings	<b>(42,890)</b>
Proceeds from borrowings	<b>48,089</b>
Proceeds from bank overdrafts	<b>120</b>
Exchange differences	<b>69</b>
As at 30th June 2016	<b>139,563</b>
As at 1st January 2015	144,390
Repayments of borrowings	(109,434)
Proceeds from borrowings	69,651
Repayments of bank overdrafts	(1,583)
Exchange differences	(201)
As at 30th June 2015	102,823

### 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>2016 HK\$'000</b>	2015 HK\$'000
Cost of inventories sold	<b>319,169</b>	274,821
Depreciation on property, plant and equipment	<b>4,414</b>	4,730
Amortisation on leasehold land	<b>256</b>	157
Employee benefits expenses (including directors' remuneration)	<b>30,074</b>	32,125
Foreign exchange (gain)/loss	<b>(408)</b>	605
Operating lease rentals	<b>960</b>	1,493
Provision for/(reversal of provision for) slow moving inventories	<b>2,636</b>	(2,020)
Provision for impairment of trade and bills receivables	<b>37</b>	203
Professional fee	<b>2,409</b>	2,377

## 15 Income tax expense

The amount of taxation charged to the condensed consolidated interim income statement represents:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Current income tax:		
– Hong Kong profits tax	<b>927</b>	829
– PRC and overseas taxation	<b>103</b>	301
– Over-provision in previous years	<b>–</b>	(25)
Deferred income tax	<b>17</b>	309
	<b>1,047</b>	1,414

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% (2015: 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% (2015: 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% (2015: 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.

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2016</b>	2015
Profit from continuing operations attributable to owners of the Company (HK\$'000)	<b>15,478</b>	13,175
Weighted average number of ordinary shares in issue (in thousands)	<b>223,678</b>	222,182
Basic earnings per share attributable to owners of the Company (HK cents per share)	<b>6.92</b>	5.93

### (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)

	Unaudited	
	Six months ended 30th June	
	2016	2015
Profit attributable to owners of the Company (HK\$'000)	<b>15,478</b>	13,175
Weighted average number of ordinary shares in issue (in thousands)	<b>223,678</b>	222,182
Adjustments for:		
– Share options (thousands)	<b>1,259</b>	1,796
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<b>224,937</b>	223,978
Diluted earnings per share attributable to owners of the Company (HK cents per share)	<b>6.88</b>	5.88

## 17 Dividends

A dividend of HK\$3,355,000 that relates to the year ended 31st December 2015 was paid in June 2016 (2015: HK\$7,829,000).

On 19th August 2016, the Board has resolved to declare an interim dividend of HK3.5 cents per shares (2015: HK3.5 cents per share), which is payable on 19th October 2016 to shareholders who are on the register of members of the Company on 7th October 2016. This interim dividend, amounting to HK\$7,831,000 (2015: HK\$7,829,000), 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 2016.

## 18 Contingent liabilities

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
Letters of guarantee given to customers	<b>31,780</b>	23,870

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 64.6% of the Company's shares. The remaining 35.4% 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 2016 HK\$'000</b>	2015 HK\$'000
Salaries and other short-term employee benefits	<b>4,165</b>	4,482
Pension costs – defined contribution plans	<b>159</b>	158
Share-based compensation	<b>–</b>	348
	<b>4,324</b>	4,988

## 19 Related party transactions (Continued)

(b) Sales and purchase of goods and services:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Purchase of goods from associates		
– MLMC	97	1,470
– Prima	23,855	7,070
	<u>23,952</u>	<u>8,540</u>
Management fee income from an associate		
– MLMC	752	716
Service income from an associate		
– OPS	–	187

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>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Receivables from an associate		
– MLMC	222	–
Payables to an associate		
– MLMC	–	235

## 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%. Except for HK\$8,655,000, which will be repaid in September 2016, the remaining balance and 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\$617,000 (2015: HK\$649,000).

As at 30th June 2016, the carrying value of the loan to an associate was HK\$25,967,000 (31st December 2015: HK\$25,430,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.