

# 2011 Interim Report

# Leeport

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





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## MANAGEMENT COMMENTARY

The directors (the “Directors”) of Leeport (Holdings) Limited (the “Company”) would like to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2011, 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

Due to the strong economic activities in China, the business of the Group achieved a substantial increase of turnover in the first half of 2011. The turnover of the Group for the six months ended 30th June 2011 was HK\$576,540,000, representing an increase of 33.8% over the same period in 2010. (2010: HK\$431,011,000) The gross profit amount for the six months ended 30th June 2011 was HK\$103,939,000 (2010: HK\$83,317,000), representing an increase of 24.8% over the same period in 2010. The gross profit percentage was 18.0% in the first half of 2011, compared with 19.3% in the same period last year.

### Other Gains

The Group’s service income was HK\$8,671,000 for the six months ended 30th June 2011, compared with HK\$9,511,000 for the same period in 2010. Commission income was HK\$3,930,000 for the six months ended 30th June 2011, compared with HK\$256,000 in the same period in 2010.

### Operating Expenses

Selling and distribution costs were HK\$23,139,000 in the first half of 2011, compared with HK\$13,767,000 in the same period in 2010. In the first half of 2011, the Group actively participated in some exhibitions in China, Malaysia and Indonesia. The exhibition costs and marketing expenses in the first half of 2011 were much higher than that in the same period last year. Logistic charges also increased, in line with the increase in turnover in the first six months of 2011.

Administrative expenses were HK\$74,126,000 in the first half of 2011, compared with HK\$69,491,000 in the same period in 2010. Travelling expenses and professional fees increased, in line with more business activities during the period.



Finance costs were HK\$1,434,000 in the first half of 2011, compared with HK\$1,547,000 in the same period last year. The Group's bank borrowing level as at 30th June 2011 was HK\$116,070,000, a little lower than the level of HK\$121,291,000 as at 31st December 2010. The Group's gearing ratio was further lower due to more cash on hand. The Group's gearing ratio was 12.4% as at 30th June 2011, compared with 18.9% as at 31st December 2010. Income tax expenses were HK\$1,895,000 in the first half of 2011, and there was tax credit of HK\$133,000 in the same period last year. The increase in tax expenses was mainly due to the profit situation of the subsidiaries in China, which faced a higher income tax rate.

### **Profit Attributable to Equity Holders of the Group and Earnings Per Share**

The profit attributable to equity holders of the Group was HK\$16,428,000 for the six months ended 30th June 2011, compared with HK\$11,424,000 in the same period in 2010, representing an increase of 43.8%. The earnings per share for the first six months of 2011 were HK7.58 cents, compared with HK5.30 cents in the same period last year, representing an increase of 43.0%.

## **INTERIM DIVIDENDS**

The Board has resolved to pay an interim dividend of HK3.5 cents per share for the six months ended 30th June 2011 (2010: HK3.0 cents per share) to shareholders whose names appear on the register of members of the Company on 16th September 2011 ("Record Date"). The interim dividend will be payable on or about 26th September 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 14th September 2011 (Wednesday) to 16th September 2011 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30p.m. on 12th September 2011 (Monday).



## BUSINESS REVIEW

Most developed countries experienced a moderate recovery in their economy in 2010, however this economic growth has shown a lack of momentum since the beginning of 2011. By contrast, China has maintained its economic energy even though the country has also faced the challenges of high inflation, a bubble in the property market and a weakening export market. The country's newly announced GDP growth for the first half of 2011 was 9.6%, which was very close to the GDP growth rate in the last quarter of 2010. The value of industrial production was 14.3% higher than that in the first half of 2010, and it was quite stable for the last four quarters. The value of exports was 24% higher than that for the first half of 2010, but it fell for four consecutive months from March 2011.

The Group's business in the first half of 2011 was very strong. Most of the Group's business divisions recorded better contract booking results compared with the same period last year. Customers involved in serving the domestic market still showed a strong need to acquire equipment. The Group's biggest customer segments in the first half of 2011 were: electric machinery, molds and dies, environmental lighting, switchgear and telecommunications equipment. The business in Taiwan and South East Asia also recorded better results. In particular, the sheetmetal machinery business showed good progress in the region.

The negative impact of the tsunami disaster in March in Japan on the supply of equipment and tools lasted only a short time. Deliveries by the Group's Japanese suppliers were disturbed only from March to May. The delivery of goods has returned to normal since June. The faster delivery of goods is expected to improve the Group's business performance even more in the second half of 2011.

The Group participated in the 12th China International Machine Tool Show in Beijing in April 2011. This show is now the third-biggest machine tool show in the world, and world-leading manufacturers in machine tools, measuring instruments and cutting tools all participated. The enthusiasm of the participation demonstrates the importance and the scale of the China market. It is forecast that global demand for machine tools will grow by 9.4% per year until 2014, and will reach US\$121 billion. The China market is likely to have a higher growth rate than the global average. China's consumption of machine tools was 25% of the world total in 2010.

The Group's contract bookings in the first half of 2011 were valued at HK\$790,000,000, and was 17% higher than that in the first half of 2010 (HK\$677,074,000). This shows that the China market is still full of opportunities. We are confident that the Group's contract bookings in 2011 will be higher than that in 2010.



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## LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 30th June 2011 was HK\$70,464,000 (31st December 2010: HK\$58,973,000). The Group has maintained a good level of cash position. The Group's inventory balance as at 30th June 2011 was HK\$140,301,000 (31st December 2010: HK\$159,487,000). The turnover days of the inventory as at 30th June 2011 was 57 (31st December 2010: 70). The trade receivables and bills receivables balance was HK\$209,508,000 as at 30th June 2011 (31st December 2010: HK\$254,776,000). The turnover days of sales was 73 as at 30th June 2011 (31st December 2010: 67). The trade payables and bill payables balance was HK\$150,470,000 as at 30th June 2011 (31st December 2010: HK\$175,078,000).

The Group's net gearing ratio was approximately 12.4% as at 30th June 2011 (31st December 2010: 18.9%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2011, the Group had aggregate banking facilities of approximately HK\$804,176,000, of which approximately HK\$267,492,000 was utilised, 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\$200,460,000 (31st December 2010: HK\$186,447,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.



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## FUTURE PLANS AND PROSPECTS

The high GDP growth in the first half of 2011 looks likely to continue in the second half of 2011 in China. China is still maintaining a strong momentum in its economic activity. As 2011 is the first year of the country's 12th Five-Year Plan, many capital investments and projects are likely to be launched in the short term and in the long term. The target to build a significant number of low-cost residential apartments for low-income citizens will also support the construction industry in 2011. Overall capital investment is predicted to grow by 25% in 2011, which will sustain the country's high economic growth.

The Group's business situation is still strong in the middle of the year. The automotive and high-speed train industries may slow down, but the telecommunication equipment, power-supply equipment, electronic products and general machinery industries are still growing fast. The overall sentiment of the market remains positive. However, customers involved in export business have faced a difficult situation of fewer orders but higher production costs, including the cost of raw materials and labour. Only customers involved in the production of high-end products are likely to be able to purchase equipment.

The Group is discussing with a German machine manufacturer for investment opportunities. This collaboration will broaden the Group's product range and improve the Group's business results in the near future. The Group will further explore joint-venture opportunities with suitable partners. In order to grasp the growing market in Asia, especially in China, the Group will speed up its investment in the region. The Group will also continue to recruit new staff in order to enhance its management team and business structure.

Given the trend in contract bookings, the Group's performance in the second half of 2011 is likely to be better than that in the first half of the year. We are confident that the energetic China market will continue to support the growth of the Group's business, and that the proper implementation of its long-term strategies will enable the Group to expand quickly and achieve greater success in the near future.

## EMPLOYEES

As at 30th June 2011, the Group had 535 employees (2010: 507), of whom 150 were based in Hong Kong; 352 were based in mainland China, and 33 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 Group offered staff benefits including medical schemes, educational subsidies and discretionary performance bonuses.

A share option scheme was adopted by the Company on 17th June 2003 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 "Scheme").

On 29th March 2010, 7,980,000 share options have been offered and granted to employees and directors with an exercise price of HK\$0.61 per share. The exercise period of the above share options is from 29th March 2011 to 28th March 2012 (both dates inclusive).

Movements in the number of share options during the period and their related exercise prices are set out in Note 11 of the interim report.

On 4th July 2011, 260,000 share options have been offered and granted to a director namely Dr. Lui Sun Wing with an exercise price of HK\$0.96 per share. The closing price of the shares on the date of grant was HK\$0.96 per share and the average closing price of the shares for the five business days immediately preceding the date of grant was HK\$0.93 per share. The exercise period of his share options is from 2nd July 2012 to 1st July 2013 (both dates inclusive).

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

As at 30th June 2011, certain leasehold land, land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$200,460,000 (31st December 2010: HK\$186,477,000) 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 2011, the Group spent a total of HK\$241,000 (30th June 2010: HK\$409,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 30th June 2011, the Group had no material capital commitments and HK\$49,452,000 (31st December 2010: HK\$41,507,000) contingent liabilities in respect of letters of guarantee were 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.

The Group is committed to buy the following foreign currencies under forward contracts:

	At end 30th June 2011			At end 31st December 2010	
	Buy	For USD	For HK\$	Buy	For HK\$
JPY	74,000,000	624,000	2,326,000	267,200,000	25,085,000
EUR	140,000	–	1,564,000	539,000	5,523,000
SGD	36,000	–	222,000	500,000	2,961,000
AUD	460,000	–	3,553,000	–	–
		<u>624,000</u>	<u>7,665,000</u>		<u>33,569,000</u>

Apart from those set out above, the current information in other management and discussion analysis has not changed materially from those information disclosed in the last published 2010 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' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th June 2011, 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			Total	Percentage
		Personal interests	Family interests	Other interests		
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	8,332,000 shares	816,000 shares (Note (b))	144,529,982 shares (Note (a))	153,677,982 shares	69.73%
Ms. TAN, Lisa Marie ("Ms. Tan")	Long position	816,000 shares	8,332,000 shares (Note (c))	144,529,982 shares (Note (a))	153,677,982 shares	69.73%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	780,000 shares	Nil	Nil	780,000 shares	0.35%
Dr. LUI Sun Wing ("Dr. Lui")	Long position	100,000 shares	Nil	Nil	100,000 shares	0.05%
Mr. NIMMO, Walter Gilbert Mearns ("Mr. Nimmo")	Long position	Nil	402,445 shares (Note (d))	Nil	402,445 shares	0.18%

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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 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. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee.
- (c) The personal interests of Mr. Lee above are disclosed as the family interest of Ms. Tan.
- (d) The 402,445 shares are beneficially owned by Mr. Nimmo's spouse.

Other than as disclosed above and other than those as disclosed in the share options section, at no time during the period was the Company or its subsidiaries 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 2011, 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.

## **DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES**

- (i) Dr. Lui Sun Wing was re-designated from independent non-executive director to executive director of the Company with effect from 1st July 2011 and he ceased to be the chairman and member of remuneration committee and member of the audit committee on the same date.
- (ii) Professor Tai-chiu Lee was appointed as an independent non-executive director of the Company, as member of the remuneration committee and as member of audit committee of the Company with effect from 1st July 2011.

- (iii) Mr. Nimmo, Walter Gilbert Mearns, an existing independent non-executive director of the Company, was appointed as chairman of the remuneration committee with effect from 1st July 2011.

## CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on the Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th June 2011 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 2011.

## AUDIT COMMITTEE

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

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Professor Tai-chiu LEE, 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 2011 with the directors.

As at the date of this report, the board of directors comprises 4 executive directors, namely Mr. Lee Sou Leung, Joseph, Ms. Tan, Lisa Marie, Mr. Chan Ching Huen, Stanley and Dr. Lui Sun Wing and 3 independent non-executive directors, namely Mr. Pike, Mark Terence, Mr. Nimmo, Walter Gilbert Mearns and Professor Tai-chiu Lee.

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2011

	Note	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	172,498	171,140
Leasehold land	8	7,185	7,190
		<b>179,683</b>	178,330
<b>Current assets</b>			
Inventories		140,301	159,487
Derivative financial instruments	9	305	549
Trade receivables and bills receivables	10	209,508	254,776
Other receivables, prepayments and deposits		90,430	53,420
Financial assets at fair value through profit or loss		2,379	–
Tax recoverable		–	1,062
Restricted bank deposits		59,420	45,014
Cash and cash equivalents		73,890	62,525
		<b>576,233</b>	576,833
<b>Total assets</b>		<b>755,916</b>	755,163
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	11	22,039	21,544
Other reserves		180,849	169,016
Retained earnings			
– Proposed dividend		7,714	9,695
– Others		117,121	105,184
		<b>327,723</b>	305,439
<b>Non-controlling interest</b>		<b>12,069</b>	5,781
<b>Total equity</b>		<b>339,792</b>	311,220

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2011

	Note	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		14,032	15,284
		<b>14,032</b>	15,284
<b>Current liabilities</b>			
Trade payables and bills payables	12	150,470	175,078
Other payables, accruals and deposits received	13	132,603	132,290
Derivative financial instruments	9	16	–
Tax payables		2,933	–
Borrowings	14	116,070	121,291
		<b>402,092</b>	428,659
<b>Total liabilities</b>		<b>416,124</b>	443,943
<b>Total equity and liabilities</b>		<b>755,916</b>	755,163
<b>Net current assets</b>		<b>174,141</b>	148,174
<b>Total assets less current liabilities</b>		<b>353,824</b>	326,504

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Note	Unaudited	
		Six months ended 30th June	
		2011	2010
		HK\$'000	HK\$'000
Sales	6	576,540	431,011
Cost of goods sold	16	(472,601)	(347,694)
<b>Gross profit</b>		<b>103,939</b>	83,317
Other gains-net	15	13,128	12,671
Selling and distribution costs	16	(23,139)	(13,767)
Administrative expenses	16	(74,126)	(69,491)
<b>Operating profit</b>		<b>19,802</b>	12,730
Finance costs		(1,434)	(1,547)
<b>Profit before income tax</b>		<b>18,368</b>	11,183
Income tax (expense)/credit	17	(1,895)	133
<b>Profit for the period</b>		<b>16,473</b>	11,316
<b>Attributable to:</b>			
– equity holders of the Company		16,428	11,424
– non-controlling interest		45	(108)
		<b>16,473</b>	11,316
<b>Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents per share)</b>			
– basic	18	HK7.58 cents	HK5.30 cents
– diluted		HK7.54 cents	HK5.27 cents
<b>Dividends</b>	19	<b>7,714</b>	6,463

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Unaudited	
	Six months ended 30th June	
	2011	2010
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>16,473</b>	11,316
<b>Other comprehensive income/(loss)</b>		
Movement of deferred tax	<b>276</b>	207
Currency translation differences	<b>11,321</b>	(3,534)
<b>Other comprehensive income/(loss), net of tax</b>	<b>11,597</b>	(3,327)
<b>Total comprehensive income for the period</b>	<b>28,070</b>	7,989
<b>Total comprehensive income for the period attributable to:</b>		
– equity holders of the Company	<b>27,706</b>	8,210
– non-controlling interest	<b>364</b>	(221)
<b>Total comprehensive income for the period</b>	<b>28,070</b>	7,989

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

Note	Unaudited									
	Attributable to equity holders of the Company								Non- controlling interest	Total
	Share capital	Building		Exchange reserve	Other reserves	Merger reserve	Retained earnings	Total		
		Share revaluation premium	reserve							
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1st January 2011	21,544	26,480	79,529	49,520	2,177	11,310	114,879	5,781	311,220	
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	16,428	45	16,473	
<b>Other comprehensive income</b>										
Movement of deferred tax	-	-	276	-	-	-	-	-	276	
Transfer of building revaluation reserve to retained earnings on depreciation of buildings	-	-	(1,671)	-	-	-	1,671	-	-	
Currency translation differences	-	-	200	10,802	-	-	-	319	11,321	
<b>Total comprehensive income for the period</b>	-	-	(1,195)	10,802	-	-	18,099	364	28,070	
<b>Transaction with owners</b>										
Share option scheme										
- value of services provided	-	-	-	-	379	-	-	-	379	
Exercise of options	495	2,521	-	-	-	-	-	-	3,016	
Changes in ownership interests in subsidiaries without change of control	-	-	-	(2,188)	1,514	-	1,750	5,924	7,000	
Dividend paid relating to 2010	-	-	-	-	-	-	(9,893)	-	(9,893)	
<b>Total transaction with owners</b>	495	2,521	-	(2,188)	1,893	-	(8,143)	5,924	502	
Balance at 30th June 2011	22,039	29,001	78,334	58,134	4,070	11,310	124,835	12,069	339,792	

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

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

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

Note	Unaudited									
	Attributable to equity holders of the Company								Non-controlling interest	Total
	Share capital	Share premium	Building revaluation reserve	Exchange reserve	Other reserves	Merger reserve	Retained earnings	HK\$'000		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1st January 2010	21,544	26,480	62,892	44,566	1,043	11,310	93,620	6,349	267,804	
<b>Comprehensive income</b>										
Profit/(loss) for the period	-	-	-	-	-	-	11,424	(108)	11,316	
<b>Other comprehensive income</b>										
Movement of deferred tax	-	-	207	-	-	-	-	-	207	
Transfer of building revaluation reserve to retained earnings on depreciation of buildings	-	-	(1,257)	-	-	-	1,257	-	-	
Currency translation differences	-	-	7	(3,428)	-	-	-	(113)	(3,534)	
<b>Total comprehensive income for the period</b>	-	-	(1,043)	(3,428)	-	-	12,681	(221)	7,989	
<b>Transaction with owners</b>										
Share option scheme										
- value of services provided	-	-	-	-	378	-	-	-	378	
<b>Total transaction with owners</b>	-	-	-	-	378	-	-	-	378	
Balance at 30th June 2010	21,544	26,480	61,849	41,138	1,421	11,310	106,301	6,128	276,171	

The notes on pages 19 to 42 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Unaudited	
	Six months ended 30th June	
	2011	2010
	HK\$'000	HK\$'000
Net cash generated from operating activities	16,204	40,157
Net cash (used in)/generated from investing activities	(16,535)	16,210
Net cash generated from/(used in) financing activities	11,126	(39,969)
Net increase in cash, cash equivalents and bank overdrafts	10,795	16,398
Cash, cash equivalents and bank overdrafts at beginning of the period	58,973	57,600
Exchange gains	696	672
Cash, cash equivalents and bank overdrafts at end of the period	<b>70,464</b>	74,670
Analysis of balances of cash, cash equivalents and bank overdrafts:		
– cash and cash equivalents	73,890	77,292
– bank overdrafts	(3,426)	(2,622)
	<b>70,464</b>	74,670

The notes on pages 19 to 42 form an integral part of this 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 HK dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29th August 2011.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 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 2010, 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 and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2011.

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1st January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transactions; and
- The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. See note 22 for disclosures of transactions among related entities.

Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2011, but are not currently relevant to the Group.

### 3 Accounting policies (Continued)

HKAS 32 (Amendment)	Classification of Right Issue
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HKFRS 1	First time Adoption of Hong Kong Financial Reporting Standards
HKFRS 7	Financial instruments: Disclosures
HKAS 1	Presentation of financial statements
HKAS 27	Consolidated and separate financial statements
HK(IFRC) – Int 13	Customer loyalty programmes

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2011 and have not been early adopted:

HKFRS 1 (Amendment)	“Sever Hyperinflation and Removal of Fixed Dates for First-time Adopters”, Effective for annual period beginning on or after 1st July 2011
HKFRS 7 (Amendment)	“Disclosure – Transfers of Financial Assets”, Effective for annual period beginning on or after 1st July 2011
HKFRS 9	“Financial Instruments”, Effective for annual period beginning on or after 1st January 2013
HKFRS 10	“Consolidated financial statements”, Effective for annual period beginning on or after 1st January 2013
HKFRS 11	“Joint arrangements”, Effective for annual period beginning on or after 1st January 2013
HKFRS 12	“Disclosure of interests in other entities”, Effective for annual period beginning on or after 1st January 2013
HKFRS 13	“Fair value measurements”, Effective for annual period beginning on or after 1st January 2013
HKAS 12 (Amendment)	“Deferred Tax: Recovery of Underlying Assets”, Effective for annual period beginning on or after 1st January 2013
HKAS 19 (Amendment)	“Employee benefits”, Effective for annual period beginning on or after 1st January 2013

### 3 Accounting policies (Continued)

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2011, on the Group's operations, and is yet in the position to conclude the impact.

### 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 2010.

### 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 interim condensed consolidated 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 2010.

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:

- 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2011.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
–Trading derivatives	305	–	–	305
–Trading securities	2,379	–	–	2,379
<b>Total assets</b>	<b>2,684</b>	<b>–</b>	<b>–</b>	<b>2,684</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
–Trading derivatives	16	–	–	16
<b>Total liabilities</b>	<b>16</b>	<b>–</b>	<b>–</b>	<b>16</b>

## 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 2010.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
–Trading derivatives	549	–	–	549
<b>Total assets</b>	<b>549</b>	<b>–</b>	<b>–</b>	<b>549</b>

In 2011 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 2011 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. Geographically, management considers the performance in 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 Singapore). The PRC, for the purpose of this condensed consolidated interim financial information, excludes Hong Kong, the Republic of China ("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 is determined by the country in which the customer is located.

	<b>Unaudited</b>			
	<b>Six months ended 30th June 2011</b>			
	<b>The PRC</b>	<b>Hong Kong</b>	<b>Other countries</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>(Note (a))</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales	<b>420,493</b>	<b>106,662</b>	<b>49,385</b>	<b>576,540</b>
Segment results	<b>16,481</b>	<b>3,437</b>	<b>(116)</b>	<b>19,802</b>
Finance costs				<b>(1,434)</b>
Profit before income tax				<b>18,368</b>
Income tax expense				<b>(1,895)</b>
Profit for the period				<b>16,473</b>

## 6 Segment information (Continued)

	Unaudited			Total HK\$'000
	Six months ended 30th June 2010			
	The PRC HK\$'000	Hong Kong HK\$'000	Other countries (Note (a)) HK\$'000	
Sales	299,470	103,171	28,370	431,011
Segment results	11,482	126	1,122	12,730
Finance costs				(1,547)
Profit before income tax				11,183
Income tax credit				133
Profit for the period				11,316

There are no sales or other transactions between the geographical segments.

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Total assets:		
The PRC	423,718	391,208
Hong Kong	269,284	319,044
Other countries (Note (a))	62,914	44,911
	<b>755,916</b>	<b>755,163</b>

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

## 6 Segment information (Continued)

Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, receivables, derivative financial instruments, operating cash and restricted cash.

	<b>Unaudited 30th June 2011 HK\$'000</b>	Audited 31st December 2010 HK\$'000
Capital expenditure:		
The PRC	<b>107</b>	249
Hong Kong	<b>105</b>	607
Other countries (Note (a))	<b>29</b>	113
	<b>241</b>	969

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

	<b>Unaudited HK\$'000</b>
As at 1st January 2011	<b>171,140</b>
Additions	<b>241</b>
Disposal	<b>(75)</b>
Depreciation (Note 16)	<b>(5,562)</b>
Exchange differences	<b>6,754</b>
As at 30th June 2011	<b>172,498</b>
As at 1st January 2010 (as previously reported)	108,366
Adjustment for adoption of amendment to HKAS 17	45,115
As at 1st January 2010 (as restated)	153,481
Additions	409
Disposal	(247)
Depreciation (Note 16)	(5,808)
Exchange differences	(1,314)
As at 30th June 2010	146,521

The Group's properties located in Hong Kong, the PRC and Singapore were revalued at 31st December 2010. Valuations of properties located in Hong Kong and the PRC were made on the basis of open market values by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The Group's properties located in Singapore were revalued at 31st December 2010 on the basis of their open market values by Dickson 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 for the carrying amount of HK\$139,269,000 (31st December 2010: HK\$139,630,000) (Note 14).

## 8 Leasehold land

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

	<b>Unaudited 30th June 2011 HK\$'000</b>	Audited 31st December 2010 HK\$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	<b>7,185</b>	7,190

Movements of the lease prepayment for land are as follows:

	<b>Unaudited HK\$'000</b>
As at 1st January 2011	<b>7,190</b>
Exchange differences	<b>102</b>
Amortisation (Note 16)	<b>(107)</b>
As at 30th June 2011	<b>7,185</b>
As at 1st January 2010 (as previously reported)	52,321
Adjustment for adoption of amendment to HKAS 17	(45,115)
As at 1st January 2010 (as restated)	7,206
Exchange differences	4
Amortisation (Note 16)	(107)
As at 30th June 2010	7,103

Bank borrowings are secured on leasehold land for the carrying amount of HK\$1,771,000 (31st December 2010: HK\$1,803,000) (Note 14).

## 9 Derivative financial instruments

	Unaudited As at 30th June 2011	
	Assets HK\$'000	Liabilities HK\$'000
Forward foreign exchange contracts – non-hedging instruments	<b>305</b>	<b>16</b>
	Audited	
	As at 31st December 2010	
	Assets HK\$'000	Liabilities HK\$'000
Forward foreign exchange contracts – non-hedging instruments	549	–

## 10 Trade receivables and bills receivables

At 30th June 2011 and 31st December 2010, the ageing analysis of the trade receivables and bills receivables by due dates are as follows:

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Current	128,722	171,426
1-3 months	52,444	64,762
4-6 months	15,483	7,762
7-12 months	8,142	7,307
Over 12 months	9,660	8,394
	<b>214,451</b>	259,651
Less: provision for impairment of receivables	<b>(4,943)</b>	(4,875)
	<b>209,508</b>	254,776

## 10 Trade receivables and bills receivables (Continued)

The Group generally grants credit terms of 30 to 120 days to its customers. Longer payment terms of approximately 180 days might be granted to those customers who have good payment history and long-term business relationship with the Group.

## 11 Share capital

	<b>Unaudited 30th June 2011 HK\$'000</b>	Audited 31st December 2010 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
	Number of shares (in thousand)	Share Capital HK\$'000
At 1st January 2011		
215,444,062 ordinary shares of HK\$0.10 each	215,444	21,544
4,942,000 ordinary shares of HK\$0.10 each issued on exercise of share option	4,942	495
At 30th June 2011		
220,386,062 ordinary shares of HK\$0.10 each	220,386	22,039

During the six months ended 30th June 2011, 4,942,000 shares of the Company were issued upon the exercise of share options at exercise price of HK\$0.61, and resulting in approximately HK\$2,521,000 share premium.

## 11 Share capital (Continued)

### Share options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme"). On 29th March 2010, 7,980,000 share options have been offered and granted to employees and directors with an exercise price of HK\$0.61 per share.

The Company has been using the Black-Scholes Valuation model to value the share options granted in 2010. The key parameters used in the model and the corresponding fair value of the options granted during 2010 are as follows:

Date of granted	29th March 2010
Number of share options granted	7,980,000
Total option value (HK\$)	1,915,200
Share price at date of grant (HK\$)	0.61
Exercise price (HK\$)	0.61
Expected life of options	2 years
Annualised volatility	76%
Risk free interest rate	0.72%
Dividend payout rate	0%

The exercise period of the above share options is from 29th March 2011 to 28th March 2012 (both dates inclusive).

The share based payment recognised in the condensed consolidated interim income statement for the share options granted to directors and employees for the six months ended 30th June 2011 is HK\$379,000 (2010: HK\$378,000).

Pursuant to the share option scheme, such share options were fully vested on 29th March 2011.

## 11 Share capital (Continued)

Movements in the number of share options outstanding and their related exercise prices during the period are as follows:

Eligible participants	Date of grant	Exercise Price HK\$	At beginning of period	Exercised during the period	At end of period
<b>Director</b>					
Mr. LEE Sou Leung, Joseph (Mr. Lee)	29th March 2010	0.61	580,000	(580,000)	–
Ms. TAN, Lisa Marie (Ms. Tan)	29th March 2010	0.61	580,000	–	580,000
Mr. CHAN Ching Huen, Stanley (Mr. Chan)	29th March 2010	0.61	580,000	(580,000)	–
Dr. LUI Sun Wing (Dr. Lui)	29th March 2010	0.61	100,000	(100,000)	–
Mr. NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	29th March 2010	0.61	100,000	–	100,000
<b>Employees</b> (excluding directors)	29th March 2010	0.61	5,940,000	(3,682,000)	2,258,000
			<u>7,880,000</u>	<u>(4,942,000)</u>	<u>2,938,000</u>

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.99.

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

## 11 Share capital (Continued)

Further information about grant of share options

On 4th July 2011, 260,000 share options have been offered and granted to a director namely Dr. Lui Sun Wing with an exercise price of HK\$0.96 per share. The closing price of the shares on the date grant was HK\$0.96 per share and the average closing price of the shares for the five business days immediately preceding the date of grant was HK\$0.93 per share. The exercise period of his share options is from 2nd July 2012 to 1st July 2013. (both dates inclusive). The closing price of the shares on 30th June 2011 (immediately before 4th July 2011, the date his options granted) was HK\$0.97 per share.

## 12 Trade payables and bills payables

At 30th June 2011 and 31st December 2010, the ageing analysis of the trade payables and bills payables by due dates are as follows:

	<b>Unaudited</b> <b>30th June</b> <b>2011</b> <b>HK\$'000</b>	Audited 31st December 2010 HK\$'000
Current	<b>146,818</b>	168,961
1-3 months	<b>2,641</b>	5,133
4-6 months	<b>243</b>	14
7-12 months	<b>-</b>	1
Over 12 months	<b>768</b>	969
	<b>150,470</b>	175,078

### 13 Other payables, accruals and deposits received

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

	<b>Unaudited 30th June 2011 HK\$'000</b>	Audited 31st December 2010 HK\$'000
At the beginning of the period/year	<b>3,753</b>	2,397
Charged to the income statement:		
– Additional provision	<b>3,961</b>	7,477
– Utilised during the period/year	<b>(3,949)</b>	(6,121)
At the end of the period/year	<b>3,765</b>	3,753

### 14 Borrowings

	<b>Unaudited 30th June 2011 HK\$'000</b>	Audited 31st December 2010 HK\$'000
<b>Current</b>		
Trust receipts loans	<b>40,570</b>	56,668
Short-term bank loans	<b>72,074</b>	61,071
Bank overdrafts	<b>3,426</b>	3,552
Total borrowings	<b>116,070</b>	121,291

Certain bank facilities are secured by the leasehold land (Note 8), land and buildings (Note 7) and restricted bank deposits of the Group.

## 14 Borrowings (Continued)

Movements in borrowings are analysed as follows:

	<b>Unaudited HK\$'000</b>
<hr/>	
Six months ended 30th June 2011	
Opening amount as at 1st January 2011	<b>121,291</b>
Repayments of borrowings	<b>(93,180)</b>
Proceeds from borrowings	<b>87,580</b>
Exchange differences	<b>379</b>
	<hr/>
Closing amount as at 30th June 2011	<b>116,070</b>
	<hr/> <hr/>
Six months ended 30th June 2010	
Opening amount as at 1st January 2010	175,045
Repayments of borrowings	(157,436)
Proceeds from borrowings	120,199
Exchange differences	78
	<hr/>
Closing amount as at 30th June 2010	137,886
	<hr/> <hr/>

Interest expenses on borrowings and loans for the six months ended 30th June 2011 is HK\$1,434,000 (30th June 2010: HK\$1,547,000).

## 15 Other gains – net

	Unaudited	
	Six months ended 30th June	
	2011	2010
	HK\$'000	HK\$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value loss	(260)	(30)
Financial assets at fair value through profit or loss		
– Fair value loss	(211)	–
Service income	8,671	9,511
Commission income	3,930	256
Other income	998	2,934
	<b>13,128</b>	<b>12,671</b>

## 16 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	
	2011	2010
	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	5,562	5,808
Amortisation on leasehold land	107	107
(Reversal)/provision for slow moving inventories	(809)	2,976
Provision for impairment of trade receivables	68	1,689
Employee benefits expenses (including directors' remuneration)	41,523	37,139
Costs of inventories sold	468,747	341,044
Other expenses	54,668	42,189
Total cost of goods sold, selling and distribution costs and administrative expenses	<b>569,866</b>	<b>430,952</b>

## 17 Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.

EIT tax in PRC has been provided at the rate of 25% (2010: 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% (2010: 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.

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Current income tax:		
– Hong Kong profits tax	<b>484</b>	–
– Overseas taxation	<b>1,513</b>	121
Under-provision in previous years	<b>875</b>	–
Deferred income tax	<b>(977)</b>	(254)
	<b>1,895</b>	(133)

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

## 18 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to equity holders of HK\$16,428,000 (2010: HK\$11,424,000).

The basic earnings per share is based on the weighted average number of ordinary shares in issue during the period of 216,781,000 (2010: 215,444,000).

The diluted earnings per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted, during the period of 217,928,000 (2010: 216,662,000).

	Unaudited	
	Six months ended 30th June	
	2011	2010
	HK cents per share	
Earnings per share attributable to the equity holders of the Company		
– basic	7.58	5.30
– diluted	7.54	5.27

## 19 Dividends

	Unaudited	
	Six months ended 30th June	
	2011	2010
	HK\$'000	HK\$'000
Interim, proposed, of HK3.5 cents (2010: HK3.0 cents) per ordinary share	7,714	6,463

An interim dividend of HK3.5 cents per ordinary share is proposed for the period ended 30th June 2011 (2010: HK3.0 cents). This interim dividend, amounting to HK\$7,714,000 (2010: HK\$6,463,000), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31st December 2011.

## 20 Changes in ownership interests in a subsidiary without change of control

### (a) Disposal of interest in a subsidiary without loss of control

On 12th May 2011, the Company disposed of 10% of interest in Leeport Metrology Corporation (“LMC”) at a consideration of HK\$7,000,000. The Group recognised an increase in non-controlling interests of HK\$5,924,000 and an increase in equity attributable to owners of the Company of HK\$1,076,000. The effect of changes in the ownership interest of LMC on the equity attributable to owners of the Company during the period is summarised as follows:

	<b>Unaudited 30th June 2011 HK\$'000</b>	Audited 31st December 2010 HK\$'000
Carrying amount of non-controlling interests disposed of	<b>(5,924)</b>	–
Consideration received from non-controlling interests	<b>7,000</b>	–
Gain on disposal within equity	<b>1,076</b>	–

There were no changes in ownership interests in subsidiaries without change of control in 2010.

### (b) Effects of changes in ownership interests in a subsidiary without change of control on the equity attributable to owners of the Company for the period ended 30th June 2011

	<b>Unaudited HK\$'000</b>
Total comprehensive income for the period attributable to the owners of the Company	<b>27,706</b>
Changes in equity attributable to owners of the Company arising from:	
– Disposal of interests in a subsidiary	<b>1,076</b>
	<b>28,782</b>

## 21 Contingent liabilities

	<b>Unaudited</b>	Audited
	<b>30th June</b>	31st December
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Letters of guarantee given to customers	<b>49,452</b>	41,507

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 2011, the amount of guarantees outstanding was HK\$49,452,000 (2010: HK\$41,507,000).

## 22 Related party transactions

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 65.58% of the Company's shares. The remaining 34.42% 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:

		<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
		<b>2011</b>	2010
	Note	<b>HK\$'000</b>	HK\$'000
Rental paid to a director, Mr. LEE Sou Leung, Joseph	(a)	<b>42</b>	42

- (a) One of the subsidiaries of the Group has entered into lease agreements with a director, Mr. LEE Sou Leung, Joseph to lease office spaces for the six months ended 30th June 2011 amounted to HK\$42,000 (2010: HK\$42,000). In the opinion of the directors, the transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.

## 22 Related party transactions (Continued)

### (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:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>5,234</b>	4,936
Pension costs - defined contribution plans	<b>179</b>	157
Share based compensation	<b>171</b>	170
	<b>5,584</b>	5,263

- (c) The Company has entered into a deed of guarantee with The Bank of Tokyo-Mitsubishi UFJ Limited, DBS Bank (Hong Kong) Limited, Hang Seng Bank Limited and Dah Sing Bank Limited, on 12th June 2006, 22nd June 2006, 13th January 2010 and 18th April 2005 respectively whereby the Company guarantees to secure the repayment of various banking facilities granted to the Company's wholly-owned subsidiary, Leepport Machine Tool Company Limited ("LMTCL") and the Company's non-wholly-owned subsidiary, Leepport Metrology (Hong Kong) Limited ("LMHK") in the total amount of HK\$159 million. The Company holds 80% equity interests indirectly in LMHK while the remaining 20% equity interests are held by a third party minority shareholder. These guarantees provided by the Company have the effect of granting financial assistance to LMHK as a non-wholly owned subsidiary and the minority shareholder of LMHK has not provided guarantees in proportion to its equity interests in LMHK. The aforesaid banking facilities guaranteed by the Company will be used for general corporate purpose and as general working capital of LMTCL and LMHK (as the case may be). The directors consider that the aforesaid guarantees are provided upon normal commercial terms and are in the interest of the Company and of its shareholders as a whole.

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

Hong Kong, 29th August 2011