

# Leepoort

力豐(集團)有限公司

LEEPORT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0387)



ISO 9001:2008  
CERTIFICATE NO. FS 84667

A stylized map of China is the background for the central text. The map is divided into several regions, each filled with a different color: purple in the north and northeast, pink in the north-central area, orange in the west and southwest, green in the south, and blue in the southeast. The text 'Manufacturing & Equipment & Professional Tools' is overlaid on the map in a large, bold, yellow and grey font.

## Manufacturing & Equipment & Professional Tools

INTERIM REPORT

# 2014



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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 2014, 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 business situation in China in the first six months of 2014 continued the weak economic environment of 2013. Most manufacturing industries have been relatively stagnant compared to last year. Only the mobile phone and car manufacturing industries were active, showing high demand for manufacturing equipment.

In the first six months of 2014, the Group’s sales amounted to HK\$331,207,000 compared to HK\$352,162,000 in the same period last year, representing a decrease of 6.0%. The gross profit amounted to HK\$65,074,000, compared to HK\$67,519,000 in the same period last year, representing a decrease of 3.6%. The gross profit percentage was 19.6%, which was slightly better than the figure of 19.2% in the same period last year.


### Other Income and Gains

The total value of other income and gains was HK\$9,937,000, compared to HK\$8,508,000 in the same period last year, representing an increase of 16.8%.

The service income was HK\$5,283,000, compared to HK\$4,091,000 in the same period last year. Other income included rental of HK\$813,000, a management fee of HK\$702,000 charged against Mitutoyo Leeport Metrology Corporation, and gains on derivative financial instruments of HK\$507,000.

### Operating Expenses

Selling and distribution costs were HK\$16,250,000, compared to HK\$17,783,000 in the same period last year, representing a decrease of 8.6%. In 2013, there were expenses related to the Beijing CIMT exhibition, which is held only once every two years. Savings on exhibition costs in the period were about HK\$1,339,000.



Administrative expenses amounted to HK\$63,308,000, compared to HK\$67,791,000 in the same period last year, representing a decrease of 6.6%. In the middle of 2013, the Group started to restructure the organisation, with the aim of improving the cost-effectiveness of its operations. The headcount has become more productive. In the first half of 2014, the Group achieved a reduction in staff costs of HK\$3,825,000 compared to the same period last year. The depreciation amount also fell by HK\$1,666,000 compared to the same period last year. This was due mainly to the change in the status of one property from owner-occupied property to investment property after the middle of 2013, so a depreciation amount of HK\$516,000 was incurred in the first six months of 2013 but not in the same period this year. Also, one set of capital assets (computer equipment) and some other equipment were fully depreciated at the end of 2013, resulting in a reduction for depreciation in the amount of HK\$946,000.

The business performance of two associated companies, Mitutoyo Leepport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH, continued to be good. The share of the profits of associated companies was HK\$8,471,000, better than the figure of HK\$7,719,000 in the same period last year.

Finance Costs net of interest income were HK\$774,000, compared to HK\$1,191,000 in the same period last year. Finance costs incurred in the first half of 2014 were HK\$2,179,000, compared to HK\$2,664,000 in the same period last year. Finance costs were lower due to the lower level of bank loans during the period. Interest income, derived from the loan to OPS Ingersoll Funkenerosion GmbH and other deposits to the banks, was HK\$1,405,000, similar to the amount of HK\$1,473,000 in the same period last year.

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

In the first six months of 2014, the profit attributable to owners of the Company was HK\$2,843,000, compared to a loss of HK\$2,847,000 in the same period last year.

The operating loss of the Company was HK\$4,547,000, compared to the figure of HK\$9,547,000 in the same period last year. There were significant improvements in the operating situation. The saving in operating expenses after a series of restructuring and cost-control measures contributed to the lower operating loss. The Group's management aims to achieve an operating profit in the second half of 2014.

The basic earnings per share were HK1.28 cents, compared to a loss per share of HK1.28 cents in the same period last year.

## **INTERIM DIVIDENDS**

No interim dividend is proposed for the six months ended 30th June 2014 (2013: same).



## BUSINESS REVIEW

The economic situation in China in the first half of 2014 can only be described as steady. The sentiment has been better since the beginning of the year, but the momentum of economic growth is mild. The GDP growth rate was 7.4% in the first half of 2014, which was actually lower than the GDP growth rate of 7.7% in 2013 and the GDP growth rate of 7.6% in same period last year. The value of industrial production in the first half of 2014 grew by 8.8%, compared to 9.3% growth in the same period last year. The value of exports grew by only 0.9%, compared to 10.4% growth in the same period last year.

In the first half of 2014, the mobile phone and car manufacturing industries were still very active. The core income of the Group related mainly to these industries in the first half of the year.

The value of the Group's contract bookings in the first half of 2014 was HK\$366,538,000, compared to HK\$396,436,000 in the same period last year and HK\$374,429,000 in the second half of 2013, so business did not improve. The value of outstanding contracts at the end of July 2014 was HK\$192,994,000.

The business performance of two associated companies, Mitutoyo Leepport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH, continued to be good, making a valuable contribution to the financial result of the Group. The progress of the construction work of the joint-venture manufacturing company, Prima Power Suzhou Company Limited, has been satisfactory, and the production of sheetmetal machines will commence by the end of the year.

In the first half of 2014, the Group continued to restructure the organisation in order to enhance the cost-effectiveness and productivity of its operations. The service and support teams of various business divisions were merged and some job roles were re-assigned. The operating loss at the end of June 2014 was lower than in same period last year. The Group will continue to implement strict control over operating costs. At the same time, however, the Group will continue to improve its sales performance by training the existing sales staff and recruiting additional skilled salespeople.



## LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 30th June 2014 was HK\$66,480,000 (31st December 2013: HK\$51,444,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 30th June 2014 was HK\$75,282,000 (31st December 2013: HK\$65,761,000). The turnover days of inventory was 52 at the end of June 2014, compared to 40 at the end of December 2013. The inventory level was higher at 30th June 2014 than at 31st December 2013. This was due to the delivery of more cutting tools from suppliers by the end of June 2014, so that we could catch up on the outstanding contracts on hand. Also, more showroom machines were added during the period. The balance of trade receivables and bills receivable was HK\$114,205,000 as at 30th June 2014 (31st December 2013: HK\$115,616,000). The turnover days of trade receivable was 63, compared to 57 at the end of December 2013. The balance of trade payables and bills payable was HK\$117,742,000 as at 30th June 2014 (31st December 2013: HK\$103,033,000). The balance of short-term borrowings was HK\$153,495,000 as at 30th June 2014 (31st December 2013: HK\$221,935,000).

The Group's net gearing ratio was approximately 24% as at 30th June 2014 (31st December 2013: 50%). 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 came about because of a significant reduction in pledged loans, in order to save on finance costs. The Group is now in a stronger financial position.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2014, the Group had aggregate banking facilities of approximately HK\$827,995,000, of which approximately HK\$228,866,000 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\$276,915,000 (31st December 2013: HK\$331,012,000). The directors are confident that the Group is able to meet its operational and capital expenditure requirements.



## FUTURE PLANS AND PROSPECTS

It is commonly believed that the GDP growth rate in China in the second half of 2014 will not vary significantly from the growth rate of 7.4% in the first half of the year. On the other hand, the economic situation in China is expected to improve at a reasonable rate. The HSBC PMI (Purchasing Managers Index) of China's manufacturing industries increased from 48.0 in March 2014 to over 50 in June 2014, and reached 51.7 in July 2014, the highest figure in the last 18 months.


Since the beginning of 2014, the Chinese Government has taken measures to improve the liquidity of capital in some specific industries. There are indications of more capital expenditure investing in the following industries: high-speed trains and systems, nuclear power generation and energy-saving cars. The mobile phone and car manufacturing industries are expected to continue to be promising in the second half of the year. The improving economy in the USA and Europe will probably result in an increase in the value of exports from China. The manufacturing industries are expected to be more active in the near future.

The economy in Germany is still strong, and there has been some recovery in the USA. The machine tool business of OPS Ingersoll Funkenerosion GmbH in these two markets is promising. The measuring business of Mitutoyo Leepport Metrology Corporation continues to grow steadily in Southern China. The Group foresees that the business of these associated companies in second half of 2014 will be as good as in the first half of the year.

It is encouraging to see the effect of enhancements in the Group's sales management processes and improvements in its operational effectiveness. We expect that the business of the Group will be better as a more cost-effective operation is achieved. As a result of the reduction in operating costs and the expectation of business improvement, the Group is confident that its financial performance in the second half of 2014 will be better than in the first half of the year.

## EMPLOYEES

As at 30th June 2014, the Group had 376 employees (30th June 2013: 416). Of these, 103 were based in Hong Kong, 247 were based in mainland China, and 26 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.



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

## SHARE OPTIONS

On 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.

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.

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

As at 30th June 2014, 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\$276,915,000 (31st December 2013: HK\$331,012,000), 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 2014, the Group spent a total of HK\$3,543,000 (30th June 2013: HK\$457,000) in capital expenditure, primarily consisting of property, plant and equipment. As at 30th June 2014, the Group had no capital commitments (31st December 2013: HK\$736,000 on property, plant and equipment), and an investment of HK\$4,713,000 in an associated company (31st December 2013: HK\$7,073,000). In the meantime, a total of HK\$16,968,000 (31st December 2013: HK\$24,155,000) in contingent liabilities in respect of letters of guarantee was given to customers.





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## **EXPOSURE TO FLUCTUATIONS ON 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 uses the foreign currencies received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group enters into foreign currency forward contracts with its bankers to minimise the Group's exposure to foreign-exchange-rate risks.

As at 30th June 2014, the Group had outstanding gross-settled foreign currency forward contracts to buy RMB11,000,000 for HK\$13,606,000; JPY426,000,000 for HK\$32,468,000; EUR1,997,000 for HK\$21,146,000; USD425,000 for HK\$3,295,000; GBP47,000 for HK\$610,000; JPY67,200,000 for USD657,000; EUR245,000 for USD334,000; and JPY89,450,000 for RMB5,424,000 (2013: Buy EUR626,000 for HK\$6,625,000; JPY101,800,000 for USD1,008,000; RMB11,000,000 for HK\$13,987,000; and EUR3,000,000 for USD4,139,000).


## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

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

At 30th June 2014, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company, are as follows:

Director		Number of ordinary shares of HK\$0.10 each held			Share options (Note (d))	Total Interests	Percentage
		Personal interests	Family interests	Other Interests			
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	20,072,000 shares	1,396,000 shares Note (b))	144,529,982 shares (Note (a))	Nil	165,997,982 shares	74.80%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	548,000 shares	Nil	Nil	Nil	548,000 shares	0.25%
Mr. NIMMO, Walter Gilbert Mearns ("Mr. Nimmo")	Long position	100,000 shares	402,445 shares (Note (c))	Nil	Nil	502,445 shares	0.23%
Dr. Lui Sun Wing ("Dr. Lui")	Long position	100,000 shares	Nil	Nil	1,740,000 shares	1,840,000 shares	0.83%
Mr. Wong Man Shun Michael ("Mr. Wong")	Long position	432,000 shares	Nil	Nil	Nil	432,000 shares	0.19%

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- (a) The 144,529,982 shares are held by Peak Power Technology Limited in its capacity as the trustee of The Lee Family Unit Trust holding the same for the benefit of holders of units issued by The Lee Family Unit Trust. HSBC International Trustee Limited is the trustee of the LMT Trust whose discretionary objects are Ms. Tan Lisa Marie and Mr. Lee's family members. The aforesaid shares that Mr. Lee and Ms. Tan are deemed to be interested refer to the same parcel of shares.
  - (b) Mr. Lee is the husband of Ms. Tan Lisa Marie. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee and Ms. Tan is deemed to be interested in all the interests held by her husband.
  - (c) The 402,445 shares are beneficially owned by Mr. Nimmo's spouse.
  - (d) Information relation to the share options held by the directors is disclosed in the share options section in Note 11 to the condensed consolidated interim financial information.

Other than as disclosed above, and other than those as disclosed in the share options section in Note 11 to the condensed consolidated interim financial information, at no time during the period was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

At 30th June 2014, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

## CORPORATE GOVERNANCE

During the six months ended 30th June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

### Code Provision A.2.1

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period ended 30th June 2014.

## AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Dr. LEE Tai Chiu, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial information for the six months ended 30th June 2014 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 the independent non-executive directors are Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Dr. LEE Tai Chiu.

## RESIGNATION OF DIRECTOR

Dr. Lui Sun Wing resigned as non-executive director of the Company with effect from 1st July 2014. Details of which have been disclosed in the announcement dated 30th June 2014.

## 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 13 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 2014 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, 14th August 2014

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## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30th JUNE 2014

	Note	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	182,249	178,433
Leasehold land	8	9,200	9,359
Investment property	7	37,700	37,700
Investments in associates	9	79,629	69,205
Loan to an associate	20(e)	31,768	32,148
Prepayment for property, plant equipment		–	1,705
		<b>340,546</b>	328,550
<b>Current assets</b>			
Inventories		75,282	65,761
Trade receivables and bills receivables	10	114,205	115,616
Other receivables, prepayments and deposits		33,656	30,336
Available-for-sale financial assets		24,351	17,242
Derivative financial instruments		370	105
Tax recoverable		420	311
Amount due from associates	20(d)	233	1,764
Restricted bank deposits		85,683	139,030
Cash and cash equivalents		66,955	51,509
		<b>401,155</b>	421,674
<b>Total assets</b>		<b>741,701</b>	750,224

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30th JUNE 2014

	Note	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	11	22,193	22,193
Other reserves		187,351	173,973
Retained earnings			
– Proposed dividend		–	3,329
– Others		146,576	141,267
		<b>356,120</b>	340,762
<b>Total equity</b>		<b>356,120</b>	340,762

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30th JUNE 2014

	Note	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		22,219	22,188
<b>Current liabilities</b>			
Trade payables and bills payables	12	117,742	103,033
Other payables, accruals and deposits received		92,077	62,016
Derivative financial instruments		48	290
Borrowings	13	153,495	221,935
		363,362	387,274
<b>Total liabilities</b>		385,581	409,462
<b>Total equity and liabilities</b>		741,701	750,224
<b>Net current assets</b>		37,793	34,400
<b>Total assets less current liabilities</b>		378,339	362,950

The notes on pages 22 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 2014

	Note	Unaudited Six months ended 30th June	
		2014 HK\$'000	2013 HK\$'000
Sales	6	<b>331,207</b>	352,162
Cost of goods sold	15	<b>(266,133)</b>	(284,643)
<b>Gross profit</b>		<b>65,074</b>	67,519
Other income and gains – net	14	<b>9,937</b>	8,508
Selling and distribution costs	15	<b>(16,250)</b>	(17,783)
Administrative expenses	15	<b>(63,308)</b>	(67,791)
<b>Operating loss</b>		<b>(4,547)</b>	(9,547)
Finance income		<b>1,405</b>	1,473
Finance costs		<b>(2,179)</b>	(2,664)
Finance costs – net		<b>(774)</b>	(1,191)
Share of post-tax profits of associates	9	<b>8,471</b>	7,719
<b>Profit/(loss) before income tax</b>		<b>3,150</b>	(3,019)
Income tax (expense)/credit	16	<b>(307)</b>	172
<b>Profit/(loss) for the period</b>		<b>2,843</b>	(2,847)
<b>Attributable to owners of the Company</b>		<b>2,843</b>	(2,847)

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30th JUNE 2014

	Note	Unaudited Six months ended 30th June	
		2014 HK cents per share	2013 HK cents per share
<b>Earnings/(loss) per share attributable to owners of the Company</b>			
<b>Basic and diluted earnings/(loss) per share</b>	17	<b>1.28</b>	(1.28)

The notes on pages 22 to 44 form an integral part of these condensed consolidated interim financial information.

	Note	Unaudited Six months ended 30th June	
		2014 HK\$'000	2013 HK\$'000
<b>Dividends</b>	18	<b>-</b>	-

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30th JUNE 2014

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Profit/(loss) for the period</b>	<b>2,843</b>	(2,847)
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences	<b>8,305</b>	(26,303)
<i>Items that may be reclassified to profit or loss</i>		
Movement of deferred tax	<b>407</b>	481
Change in value of available-for-sale financial assets, net of tax	<b>7,109</b>	(1,308)
Currency translation differences	<b>(1,286)</b>	6,858
Share of other comprehensive income/(loss) of associates	<b>1,309</b>	(8,087)
<b>Other comprehensive income/(loss), net of tax</b>	<b>15,844</b>	(28,359)
<b>Total comprehensive income/(loss) for the period</b>	<b>18,687</b>	(31,206)
<b>Attributable to owners of the Company</b>	<b>18,687</b>	(31,206)

The notes on pages 22 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 2014

	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 2014	22,193	29,790	155,748	(28,856)	5,981	11,310	144,596	340,762
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	-	-	2,843	2,843
<b>Other comprehensive income</b>								
Movement of deferred tax	-	-	407	-	-	-	-	407
Transfer of land and building revaluation reserve to retained earnings on depreciation of buildings	-	-	(2,466)	-	-	-	2,466	-
Available-for-sale financial assets	-	-	-	-	7,109	-	-	7,109
Currency translation differences	-	-	308	6,711	-	-	-	7,019
Share of other comprehensive income of associates	-	-	-	1,309	-	-	-	1,309
<b>Total comprehensive income for the period ended 30th June 2014</b>	-	-	(1,751)	8,020	7,109	-	5,309	18,687
<b>Transaction with owners</b>								
Dividend paid relating to 2013	-	-	-	-	-	-	(3,329)	(3,329)
<b>Total transaction with owners, recognised directly in equity</b>	-	-	-	-	-	-	(3,329)	(3,329)
<b>Balance at 30th June 2014</b>	<b>22,193</b>	<b>29,790</b>	<b>153,997</b>	<b>(20,836)</b>	<b>13,090</b>	<b>11,310</b>	<b>146,576</b>	<b>356,120</b>

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

FOR THE SIX MONTHS ENDED 30th JUNE 2014

	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 2013	22,193	29,790	133,028	20,953	4,910	11,310	141,001	363,185
<b>Comprehensive loss</b>								
Loss for the period	-	-	-	-	-	-	(2,847)	(2,847)
<b>Other comprehensive loss</b>								
Movement of deferred tax	-	-	481	-	-	-	-	481
Transfer of land and building revaluation reserve to retained earnings on depreciation of buildings	-	-	(2,906)	-	-	-	2,906	-
Available-for-sale financial assets	-	-	-	-	(1,308)	-	-	(1,308)
Currency translation differences	-	-	(257)	(19,188)	-	-	-	(19,445)
Share of other comprehensive loss of associates	-	-	-	(8,087)	-	-	-	(8,087)
<b>Total comprehensive loss for the period ended 30th June 2013</b>	-	-	(2,682)	(27,275)	(1,308)	-	59	(31,206)
<b>Transaction with owners</b>								
Dividend paid relating to 2012	-	-	-	-	-	-	(7,768)	(7,768)
<b>Total transaction with owners, recognised directly in equity</b>	-	-	-	-	-	-	(7,768)	(7,768)
<b>Balance at 30th June 2013</b>	<u>22,193</u>	<u>29,790</u>	<u>130,346</u>	<u>(6,322)</u>	<u>3,602</u>	<u>11,310</u>	<u>133,292</u>	<u>324,211</u>

The notes on pages 22 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 2014

	Note	Unaudited Six months ended 30th June	
		2014 HK\$'000	2013 HK\$'000
<b>Cash flow from operating activities</b>			
Cash generated from/(used in) operation		35,027	(4,093)
Income tax refund/(paid)		22	(118)
Net cash generated from/(used in) operating activities		35,049	(4,211)
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	7	(1,838)	(457)
Proceeds on disposal of property, plant and equipment		–	508
Investment in an associate	9	(2,506)	–
Decrease/(increase) in restricted bank deposits		53,347	(14,153)
Dividend received from an associate	9	1,862	882
Other investing cash flow – net		1,405	1,910
Net cash generated from/(used in) investing activities		52,270	(11,310)
<b>Cash flows from financing activities</b>			
Dividends paid to the Company's shareholders	18	(3,329)	(7,768)
(Repayment of)/proceeds from collateralised borrowings and bank loans	13	(68,850)	18,859
Net cash (used in)/generated from financing activities		(72,179)	11,091
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		15,140	(4,430)
Cash, cash equivalents and bank overdrafts at beginning of the period		51,444	41,590
Effect of the exchange rate for the period		(104)	(1,251)
Cash, cash equivalents and bank overdrafts at end of the period		66,480	35,909
Bank overdrafts		475	498
<b>Cash and cash equivalents at end of the period</b>		<b>66,955</b>	<b>36,407</b>

The notes on pages 22 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 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 14th August 2014.

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 2014 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 2013, 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 2013, 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 or after 1st January 2014 that either have no significant impact or are not currently relevant to the Group:

HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosure
HKAS 39 (Amendment)	Financial Instruments : Recognitions and Measurement – Novation of derivatives
HK(IFRIC) – Int 21	Levies
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2014 that not currently relevant to the Group and have not been early adopted:

HKAS 19 (2011)(Amendment)	Defined Benefit Plans: Employee Contribution <sup>1</sup>
Annual Improvements 2012	Annual Improvements 2010-2012 Cycle <sup>1</sup>
Annual Improvements 2013	Annual Improvements 2011-2013 Cycle <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKAS 11 (Amendment)	Accounting for Acquisitions of Interest in Joint Operations <sup>2</sup>
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
HKFRS 15	Revenue of Contracts from Customers <sup>3</sup>
HKFRS 9	Financial Instrument <sup>4</sup>

<sup>1</sup> Effective for the Group for the annual periods beginning on or after 1st July 2014

<sup>2</sup> Effective for the Group for the annual periods beginning on or after 1st January 2016

<sup>3</sup> Effective for the Group for the annual periods beginning on or after 1st January 2017

<sup>4</sup> The effective date is to be announced

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations that have been issued but are not effective for annual periods beginning on or after 1st January 2014, and does not expect there will be a significant impact to the Group's financial statements.





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## 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 2013.

## 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 2013.

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 2014.

	Level 1 HK\$'000	Total HK\$'000
<b>Assets</b>		
Financial assets at fair value through profit or loss		
– Trading derivatives	370	370
Available-for-sale financial assets		
– Equity securities	24,351	24,351
<b>Total assets</b>	<b>24,721</b>	<b>24,721</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss		
– Trading derivatives	48	48
<b>Total liabilities</b>	<b>48</b>	<b>48</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 at 31st December 2013.

	Level 1 HK\$'000	Total HK\$'000
<b>Assets</b>		
Financial assets at fair value through profit or loss		
– Trading derivatives	105	105
Available-for-sale financial assets		
– Equity securities	17,242	17,242
<b>Total assets</b>	<b>17,347</b>	<b>17,347</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss		
– Trading derivatives	290	290
<b>Total liabilities</b>	<b>290</b>	<b>290</b>

In 2014, 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 2014, there were no reclassifications of financial assets.

## 6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, represented by Board of Directors, that are used to make strategic decisions.

The Board considers the business from a geographic region perspective. Geographically, management considers the performance in the People's Republic of China (the "PRC"), Hong Kong and other countries.

The Group is principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the PRC, Hong Kong and other countries (principally Taiwan, Singapore, Macau, Malaysia and Indonesia). The PRC, for the purpose of this condensed consolidated interim financial information, excludes Hong Kong, Taiwan and Macau.

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

	<b>Unaudited</b>			
	<b>Six months ended 30th June 2014</b>			
	<b>The PRC</b>	<b>HK</b>	<b>Others</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales	<b>233,335</b>	<b>71,635</b>	<b>26,237</b>	<b>331,207</b>
Segment results	<b>(2,793)</b>	<b>(2,148)</b>	<b>394</b>	<b>(4,547)</b>
Finance costs – net				<b>(774)</b>
Share of profit of associates				<b>8,471</b>
Profit before income tax				<b>3,150</b>
Income tax expense				<b>(307)</b>
Profit for the period				<b>2,843</b>

## 6 Segment information (Continued)

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

## 6 Segment information (Continued)

During the period ended 30th June 2014, revenue derived from the Group's largest customer amounted to HK\$41,314,000 or 12.5% of the Group's revenue. For the period ended 30th June 2013, there was no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue.

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Total assets:		
The PRC	<b>244,695</b>	212,441
Hong Kong	<b>381,725</b>	431,822
Other countries (Note (a))	<b>115,281</b>	105,961
	<b>741,701</b>	750,224

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

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

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Capital expenditure:		
The PRC	<b>674</b>	3,648
Hong Kong	<b>2,869</b>	607
	<b>3,543</b>	4,255

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

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

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 2014	178,433	37,700
Additions	3,543	–
Depreciation (Note 15)	(4,407)	–
Exchange differences	4,680	–
As at 30th June 2014	<u>182,249</u>	<u>37,700</u>
As at 1st January 2013	225,134	–
Additions	457	–
Disposal	(28)	–
Depreciation (Note 15)	(6,073)	–
Exchange differences	(19,547)	–
As at 30th June 2013	<u>199,943</u>	<u>–</u>

The Group's buildings located in the PRC and Singapore, land and buildings and investment property located in Hong Kong were revalued at 31st December 2013. Valuations of buildings located in the PRC, land and buildings and investment property located in Hong Kong were made on the basis of open market values by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The buildings of the Group located in Singapore were revalued on the basis of their open market values by 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.

## 7 Property, plant and equipment and investment property (Continued)

### Fair value hierarchy

Fair value  
measurements  
at 30th June  
2014 using  
other observable  
inputs (Level 2)  
HK\$'000

Recurring fair value measurements	
Investment property	37,700

There were no transfer among Level 1, Level 2 and 3 during the period.

Bank borrowings are secured on land and buildings and investment property with carrying amounts totalling HK\$189,075,000 (31st December 2013: HK\$189,837,000) (Note 13).

## 8 Leasehold land

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

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Outside Hong Kong, held on: Leases of between 10 to 50 years	<b>9,200</b>	9,359



## 8 Leasehold land (Continued)

Movements of the lease prepayment for land are as follows:

	<b>Unaudited HK\$'000</b>
As at 1st January 2014	<b>9,359</b>
Exchange differences	<b>37</b>
Amortisation (Note 15)	<b>(196)</b>
As at 30th June 2014	<b>9,200</b>
As at 1st January 2013	6,856
Exchange differences	(77)
Amortisation (Note 15)	(111)
As at 30th June 2013	<b>6,668</b>

Bank borrowings are secured on leasehold land with carrying amounts totalling HK\$2,157,000 (31st December 2013: HK\$2,145,000) (Note 13).

## 9 Investments in associates

Movements of investments in associates are as follows:

	<b>Unaudited 30th June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
Beginning of the period	<b>69,205</b>	62,182
Recognition of investment cost in Prima Suzhou Co. Ltd. ("Prima")	<b>2,506</b>	–
Share of post-tax profits of associates	<b>8,471</b>	7,719
Share of other comprehensive income/(loss) of associates	<b>1,309</b>	(8,087)
Share of dividend of an associate	<b>(1,862)</b>	(882)
End of the period	<b>79,629</b>	60,932

## 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 2014		
	Prima HK\$'000	Mitutoyo Leeport Metrology Corporation HK\$'000	OPS-Ingersoll Funkenerosion GmbH HK\$'000
Assets	6,639	73,301	87,968
Liabilities			
Trade payables and other payables	414	25,011	40,167
Borrowing	–	–	26,139
	414	25,011	66,306
Equity	6,225	48,290	21,662
Revenue	–	54,033	48,087
Share of (loss)/profit	(769)	6,107	3,133
Share of other comprehensive income	–	1,580	(271)
Percentage held	<b>19.00%</b>	<b>49.00%</b>	<b>22.34%</b>
Gearing ratio (Note)	–	–	121%

## 9 Investments in associates (Continued)

	Unaudited 30th June 2013		
	Prima HK\$'000	Mitutoyo Leeport Metrology Corporation HK\$'000	OPS-Ingersoll Funkenerosion GmbH HK\$'000
Assets	–	51,375	82,256
Liabilities			
Trade payables and other payables	–	10,239	37,845
Borrowing	–	–	26,189
	–	10,239	64,034
Equity	–	41,136	18,222
Revenue	–	38,044	47,397
Share of profit	–	4,979	2,740
Share of other comprehensive loss	–	(7,790)	(297)
Percentage held	–	49.00%	22.34%
Gearing ratio (Note)	–	–	144%

Note: This gearing ratio is calculated as borrowings divided by equity.

## 10 Trade receivables and bills receivables

At 30th June 2014 and 31st December 2013, the ageing analysis of trade receivables and bills receivables by due date are as follows:

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Current	55,888	69,148
1-3 months	29,129	30,582
4-6 months	20,365	8,900
7-12 months	7,528	4,630
Over 12 months	5,894	9,355
	<b>118,804</b>	122,615
Less: provision for impairment of receivables	<b>(4,599)</b>	(6,999)
	<b>114,205</b>	115,616

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

## 11 Share capital

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
221,934,062 ordinary shares of HK\$0.10 each	<b>22,193</b>	22,193

## 11 Share capital (Continued)

### Share options

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

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

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

Eligible participants	Date of grant	Exercise period	Exercise Price HK\$	At	Exercised	Lapsed	At end of the period
				beginning of the period	during the period	during the period	
Dr. LUI Sun Wing	15th November 2013	15th November 2013 to 14th November 2016	1.13	1,740,000	-	-	1,740,000
				<u>1,740,000</u>	<u>-</u>	<u>-</u>	<u>1,740,000</u>

No share-based payment was recognized in the condensed consolidated interim income statement for the six months ended 30th June 2014 and 30th June 2013.

## 12 Trade payables and bills payables

At 30th June 2014 and 31st December 2013, the ageing analysis of the trade payables and bills payables are as follows:

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Current	<b>110,638</b>	87,991
1-3 months	<b>2,847</b>	12,365
4-6 months	<b>220</b>	184
7-12 months	<b>3,104</b>	611
Over 12 months	<b>933</b>	1,882
	<b>117,742</b>	103,033

## 13 Borrowings

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
<b>Current</b>		
Trust receipt loans	<b>53,887</b>	71,818
Short-term bank loans	<b>99,133</b>	150,052
Bank overdrafts	<b>475</b>	65
<b>Total borrowings</b>	<b>153,495</b>	221,935

Bank borrowings are secured by the leasehold land (Note 8), property, plant and equipment 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 2014	<b>221,935</b>
Repayments of borrowings	<b>(144,531)</b>
Proceeds from borrowings	<b>74,503</b>
Proceeds from bank overdrafts	<b>410</b>
Exchange differences	<b>1,178</b>
As at 30th June 2014	<b>153,495</b>
As at 1st January 2013	226,126
Repayments of borrowings	(159,259)
Proceeds from borrowings	179,444
Proceeds from bank overdrafts	498
Exchange differences	(1,326)
As at 30th June 2013	245,483

Interest expenses on borrowings and loans for the period ended 30th June 2014 is HK\$2,179,000 (30th June 2013: HK\$2,664,000).

## 14 Other income and gains – net

	Unaudited Six months ended 30th June	
	2014 HK\$'000	2013 HK\$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value gain	507	975
Service income	5,283	4,091
Commission income	37	81
Other income	4,110	3,361
	<b>9,937</b>	<b>8,508</b>

## 15 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	
	2014 HK\$'000	2013 HK\$'000
Costs of inventories sold	262,655	281,255
Depreciation on property, plant and equipment	4,407	6,073
Amortisation on leasehold land	196	111
Provision for slow moving inventories	1,317	930
Net provision for impairment of trade receivables and bills receivables	174	921
Employee benefits expenses (including directors' remuneration)	37,561	41,386
Foreign exchange loss/(gain)	795	(804)
Operating lease rentals	2,023	1,895
Exhibition and promotion expenses	112	2,187
Travelling expenses	10,448	9,244
Commission expenses	1,884	1,213
Professional fee	2,453	2,970
Other expenses	21,666	22,836
Total cost of goods sold, selling and distribution costs and administrative expenses	<b>345,691</b>	<b>370,217</b>



## 16 Income tax (expense)/credit

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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current income tax:		
– Hong Kong profits tax	<b>(100)</b>	–
– PRC and overseas taxation	<b>(7)</b>	(100)
– Over-provision in previous years	<b>238</b>	240
Deferred income tax	<b>(438)</b>	32
	<b>(307)</b>	172

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.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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% (2013: 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% (2013: 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.

## 17 Earnings/(loss) per share

### (a) Basic

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

	Unaudited Six months ended 30th June	
	2014	2013
Profit/(loss) from continuing operations attributable to owners of the Company (HK\$'000)	2,843	(2,847)
Weighted average number of ordinary shares in issue (in thousands)	221,934	221,934
Basic earnings/(loss) per share attributable to owners of the Company (HK cents per share)	1.28	(1.28)

### (b) Diluted

The Group's diluted earnings/(loss) per share is the same as its basic earnings/(loss) per share, as the conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the earnings/(loss) per share for the period ended 30th June 2014 and 2013.

## 18 Dividends

A dividend of HK\$3,329,000 that relates to the year ended 31st December 2013 was paid in June 2014 (2013: HK\$7,768,000). No interim dividend is proposed for the period ended 30th June 2014 (2013: same).

## 19 Contingent liabilities

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Letters of guarantee given to customers	<b>16,968</b>	24,155

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 2014, the amount of guarantees outstanding was HK\$16,968,000 (31st December 2013: HK\$24,155,000).

## 20 Related party transactions

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 65.12% of the Company's shares. The remaining 34.88% of the shares are widely held.

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

- (a) Transaction with key management

	<b>Unaudited Six months ended 30th June 2014 HK\$'000</b>	2013 HK\$'000
Rental paid to a director, Mr. LEE Sou Leung, Joseph	-	42

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.

## 20 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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>5,326</b>	5,627
Pension costs – defined contribution plans	<b>166</b>	196
Share-based compensation	<b>–</b>	–
	<b>5,492</b>	5,823

### (c) Sales and purchase of goods and services:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Purchase of goods from an associate		
– Mitutoyo Leepport Metrology Corporation	<b>356</b>	–
Sales of services to an associate		
– Mitutoyo Leepport Metrology Corporation	<b>702</b>	168

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

## 20 Related party transactions (Continued)

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

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Receivables from associates		
– Mitutoyo Leepport Metrology Corporation	<b>233</b>	1,137
– OPS-Ingersoll Machine Tool (Shanghai) Co. Ltd	<b>–</b>	627
	<b>233</b>	1,764

(e) Loan to an associate

Since 2012, the Group has made a loan to an associate, OPS-Ingersoll Funkenerosion GmbH, which is unsecured, carries interest at HIBOR plus 4.5% and will not be repaid within twelve months from the reporting date. As at 30th June 2014, the carrying value of the loan to an associate was HK\$31,768,000 (31st December 2013: HK\$32,148,000).

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

Hong Kong, 14th August 2014