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LEEPORT (HOLDINGS) LIMITED
力 豐（集 團）有 限 公 司 *

(Incorporated in Bermuda with limited liability)
(Stock Code: 387)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2013

The Board of Directors (the "Directors") of Leeport (Holdings) Limited (the "Company") would like to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2013, along with the unaudited comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and which have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

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

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2013

		Unaudited	
		Six months ended 30th June	
	Note	**2013**	2012
		HK$'000	HK$'000
Continuing operations			
Sales	3	**352,162**	446,335
Cost of goods sold	5	**(284,643)**	(377,546)
Gross profit		**67,519**	68,789
Other income and gains – net	4	**8,508**	8,040
Selling and distribution costs	5	**(17,783)**	(15,411)
Administrative expenses	5	**(67,791)**	(70,988)
Operating loss		**(9,547)**	(9,570)
Finance income		**1,473**	726
Finance costs		**(2,664)**	(2,840)
Share of post-tax profits of associates		**7,719**	2,378
Loss before income tax		**(3,019)**	(9,306)
Income tax credit/(expense)	6	**172**	(1,315)
Loss for the period from continuing operations		**(2,847)**	(10,621)
Discontinued operations			
Profit for the period from discontinued operations	7	**–**	20,963
(Loss)/profit for the period		**(2,847)**	10,342
Attributable to:			
Owners of the Company		**(2,847)**	9,780
Non-controlling interests		**–**	562
		(2,847)	10,342

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2013

	Note	Unaudited Six months ended 30th June **2013** **HK$'000**	 2012 HK$'000
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company (expressed in HK cents per share)			
Basic and diluted (loss)/earnings per share			
From continuing operations		**HK(1.28) cents**	HK(4.80) cents
From discontinued operations		**–**	HK9.22 cents
From (loss)/profit of the period		**HK(1.28) cents**	HK4.42 cents
Dividends	8	**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2013

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2013

	Note	**Unaudited 30th June 2013 HK$'000**	Audited 31st December 2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**199,943**	225,134
Leasehold land		**6,668**	6,856
Investments in associates		**60,932**	62,182
Loan to an associate		**30,368**	30,805
		297,911	324,977
Current assets			
Inventories		**82,729**	93,399
Trade receivables and bills receivables	11	**149,558**	169,218
Other receivables, prepayments and deposits		**61,952**	49,012
Available-for-sale financial assets		**15,214**	16,522
Derivative financial instruments	10	**52**	258
Tax recoverable		**518**	260
Amount due from an associate		**2,762**	2,567
Restricted bank deposits		**144,005**	129,852
Cash and cash equivalents		**36,407**	41,590
		493,197	502,678
Total assets		**791,108**	827,655
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	**22,193**	22,193
Other reserves		**168,726**	199,991
Retained earnings			
– Proposed dividend		**–**	7,768
– Others		**133,292**	133,233
		324,211	363,185
Total equity		**324,211**	363,185

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2013

	Note	**Unaudited 30th June 2013 HK$'000**	Audited 31st December 2012 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**25,149**	25,662
Current liabilities			
Trade payables and bills payables	12	**113,862**	135,124
Other payables, accruals and deposits received		**82,269**	76,243
Derivative financial instruments	10	**134**	1,315
Borrowings	13	**245,483**	226,126
		441,748	438,808
Total liabilities		**466,897**	464,470
Total equity and liabilities		**791,108**	827,655
Net current assets		**51,449**	63,870
Total assets less current liabilities		**349,360**	388,847

NOTES

1 Basis of preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30th June 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning on or after 1st January 2013 that either have no significant impact or are not currently relevant to the Group:

Amendment to HKFRS 1	First Time Adoption of HKFRS
Amendment to HKAS 1	Presentation of Financial Statements
Amendment to HKAS 16	Property, Plant and Equipment
Amendment to HKAS 32	Financial Instruments: Presentation
Amendment to HKAS 34	Interim Financial Reporting
HKAS 1 (Amendment)	Presentation of Financial Statement
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Associates and Joint Ventures
HKAS 19 (Amendment)	Employee Benefits
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

2 Accounting policies (Continued)

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

[1] Effective for the Group for the annual periods beginning on or after 1st January 2014
[2] Effective for the Group for the annual periods beginning on or after 1st January 2015

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

3 Segment information

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

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

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

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

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

3 Segment information (Continued)

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

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

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

3 **Segment information (Continued)**

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

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

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

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

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

Notes:

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

4 **Other income and gains – net**

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

5 Expenses by nature

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

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

6 Income tax (credit)/expense

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

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

Enterprise income tax ("EIT") in the PRC has been provided at the rate of 25% (2012: 25%) on the estimated assessable profit for the period with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2012: 17%) on the estimated assessable profit for the period.

Taxation on other overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

7 Discontinued operations

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

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

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

7 Discontinued operations (Continued)

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

8 Dividends

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

9 (Loss)/earnings per share

(a) Basic

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

	Unaudited Six months ended 30th June 2013	2012
Loss from continuing operations attributable to owners of the Company (HK$'000)	**(2,847)**	(10,621)
Profit from discontinued operations attributable to owners of the Company (HK$'000)	**–**	20,401
	(2,847)	9,780
Weighted average number of ordinary shares in issue (in thousands)	**221,934**	221,462
Basic (loss)/earnings per share attributable to owners of the Company (HK cents per share)		
– From continuing operations	**(1.28)**	(4.80)
– From discontinued operations	**–**	9.22

(b) Diluted

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

10 Derivative financial instruments

	Unaudited As at 30th June 2013	
	Assets	**Liabilities**
	HK$'000	**HK$'000**
Forward foreign exchange contracts		
– non-hedging instruments	**52**	**134**

	Audited As at 31st December 2012	
	Assets	Liabilities
	HK$'000	HK$'000
Forward foreign exchange contracts		
– non-hedging instruments	258	1,315

11 Trade receivables and bills receivables

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

	Unaudited 30th June 2013 HK$'000	Audited 31st December 2012 HK$'000
Current	**75,978**	98,648
1-3 months	**48,026**	42,869
4-6 months	**13,166**	16,940
7-12 months	**9,820**	7,198
Over 12 months	**9,232**	9,306
	156,222	174,961
Less: provision for impairment of receivables	**(6,664)**	(5,743)
	149,558	169,218

11 Trade receivables and bills receivables (Continued)

The Group generally grants credit terms of 30 to 90 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.

12 Trade payables and bills payables

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

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

13 Borrowings

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

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

13 Borrowings (Continued)

Movements in borrowings are analysed as follows:

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

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

14 Share capital

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

Share options

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

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

14 Share capital (Continued)

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

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

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

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

FINANCIAL PERFORMANCE

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

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

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

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

OTHER INCOME AND GAINS

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

OPERATING EXPENSES

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

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

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

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

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

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

FUTURE PLANS AND PROSPECTS

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

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

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

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

EMPLOYEES

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

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

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

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

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

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

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

During the six months ended 30th June, 2013, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Dr. LEE Tai Chiu, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial information for the six months ended 30th June 2013 with the directors.

2013 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2013 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders by the end of September 2013.

On behalf of the Board
LEE Sou Leung, Joseph
Chairman

Hong Kong, 15th August 2013

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