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Leeport

LLEPORT (HOLDINGS) LIMITED

力豐 (集團) 有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 387)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2016**

The Board of Directors (the “Directors”) of Leeport (Holdings) Limited (the “Company”) would like to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2016, along with the unaudited comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and which have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

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

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2016

		Unaudited	
		Six months ended 30th June	
	<i>Note</i>	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	3	394,735	339,731
Cost of goods sold		<u>(323,901)</u>	<u>(274,199)</u>
Gross profit		70,834	65,532
Other income and gains – net		12,514	9,612
Selling and distribution costs		(19,152)	(16,120)
Administrative expenses		<u>(50,548)</u>	<u>(53,939)</u>
Operating profit	4	<u>13,648</u>	<u>5,085</u>
Finance income		961	1,436
Finance costs		<u>(1,730)</u>	<u>(1,483)</u>
Finance costs – net		<u>(769)</u>	<u>(47)</u>
Share of post-tax profits of associates		<u>3,646</u>	<u>9,551</u>
Profit before income tax		16,525	14,589
Income tax expense	5	<u>(1,047)</u>	<u>(1,414)</u>
Profit for the period		<u>15,478</u>	<u>13,175</u>
Attributable to owners of the Company		<u>15,478</u>	<u>13,175</u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH JUNE 2016

		Unaudited	
		Six months ended 30th June	
	<i>Note</i>	2016	2015
		<i>HK cents</i>	<i>HK cents</i>
		<i>per share</i>	<i>per share</i>
Earnings per share attributable to owners of the Company			
Basic earnings per share	7	6.92	5.93
Diluted earnings per share	7	<u>6.88</u>	<u>5.88</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2016

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

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 30TH JUNE 2016

	<i>Note</i>	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		22,373	22,367
Other reserves		156,621	157,498
Retained earnings		194,207	179,414
Total equity		<u>373,201</u>	<u>359,279</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		24,155	24,578
Current liabilities			
Trade payables and bills payables	9	164,626	103,702
Other payables, accruals and deposits received		70,337	62,454
Derivative financial instruments		617	458
Borrowings	10	139,563	134,175
Tax payable		519	270
Amount due to an associate		–	235
		<u>375,662</u>	<u>301,294</u>
Total liabilities		<u>399,817</u>	<u>325,872</u>
Total equity and liabilities		<u>773,018</u>	<u>685,151</u>

NOTES:

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30th June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2015, as described in those annual financial statements.

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

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

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

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

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

¹ The effective date is to be determined by the IASB

² Effective for the Group for the annual periods beginning on or after 1st January 2018

³ Effective for the Group for the annual periods beginning on or after 1st January 2019

The Group is currently assessing the impact of the adoption of the above new standards and amendments to standards that have been issued but are not effective for annual periods beginning on 1st January 2016.

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, 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.

	Unaudited			
	Six months ended 30th June 2016			
	The PRC	HK	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales	<u>345,917</u>	<u>43,082</u>	<u>5,736</u>	<u>394,735</u>
Segment results	<u>8,703</u>	<u>6,215</u>	<u>(1,270)</u>	<u>13,648</u>
Finance costs – net				(769)
Share of profit of associates				<u>3,646</u>
Profit before income tax				<u>16,525</u>
Income tax expense				<u>(1,047)</u>
Profit for the period				<u>15,478</u>

3. SEGMENT INFORMATION (Continued)

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

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

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

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

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

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

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

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

Note:

(a) Other countries mainly include Taiwan, Singapore, Macau, Indonesia and Malaysia.

4. OPERATING PROFIT

The following items have been charged to the operating profit during the period:

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

The amount of taxation charged to the condensed consolidated interim statement of profit and loss represents:

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

Enterprise income tax ("EIT") in the PRC has been provided at the rate of 25% (2015: 25%) on the estimated assessable profit for the period with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2015: 17%) on the estimated assessable profit for the period.

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

6. DIVIDENDS

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

On 19th August 2016, the Board has resolved to declare an interim dividend of HK3.5 cents per shares (2015: HK3.5 cents per share), which is payable on 19th October 2016 to shareholders who are on the register of members of the Company on 7th October 2016. This interim dividend, amounting to HK\$7,831,000 (2015: HK\$7,829,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31st December 2016.

7. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

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

8. TRADE AND BILLS RECEIVABLES

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

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

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

9. TRADE AND BILLS PAYABLES

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

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

10. BORROWINGS

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

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

Movements in borrowings are analysed as follows:

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

FINANCIAL PERFORMANCE

Sales

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

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

Other Income and Gains

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

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

In the first half of 2016 our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Group received a dividend amounting to HK\$690,000.

Operating Expenses

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

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

Share of Profit of Associates

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

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

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

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

Finance Expenses - Net

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

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

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

Profit Attributable to Owners of the Company and Earnings Per Share

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

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

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

CLOSURE OF REGISTER OF MEMBERS

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

FUTURE PLANS AND PROSPECTS

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

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

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

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

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

EMPLOYEES

As at 30th June 2016, the Group had 253 employees (31st December 2015: 256). Of these, 81 were based in Hong Kong, 160 were based in mainland China, and 12 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies and discretionary performance bonuses.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2016, certain land and buildings, leasehold land and investment property restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK\$237,142,000 (31st December 2015: HK\$234,636,000), were pledged to secure the banking facilities of the Group by way of a fixed charge.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

For the first six months of 2016, the Group spent a total of HK\$21,172,000 (30th June 2015: HK\$3,431,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 30th June 2016, the Group has settled all capital commitments regarding property, plant and equipment. (31st December 2015: HK\$2,004,000 on property, plant and equipment). In the meantime, a total of HK\$31,780,000 (31st December 2015: HK\$23,870,000) in contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

As at 30th June 2016, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR3,667,000 for HKD31,969,000; EUR245,000 for USD280,000; USD1,028,000 for CNY6,886,000 and JPY379,700,000 for HKD28,127,000; (2015: EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; CNY8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000).

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 2016, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and the Managing Director of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the company. The Company has no such title as the chief executive officer.

Model Code for Securities Transactions

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

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period ended 30th June 2016.

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu, and Mr. ZAVATTI Samuel has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial information for the six months ended 30th June 2016 with the directors.

2016 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2016 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 2016.

By order of the Board
Leeport (Holdings) Limited
LEE Sou Leung, Joseph
Chairman

Hong Kong, 19th August 2016

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 and Mr. CHU Weiman and the independent non-executive directors are Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu and Mr. ZAVATTI Samuel.