Leeport

LEEPORT (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 2017

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 2017, 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 AND SPECIAL INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK2.5 cents per ordinary share and a special interim dividend of HK2 cents per ordinary share for the six months ended 30th June 2017 to celebrate the Group's 50th anniversary to shareholders whose names appear on the register of members of the Company on 31st August 2017 (Thursday) (2016: HK3.5 cents). The interim dividend and special interim dividend will be payable on or around 15th September 2017 (Friday).

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

		Unaudited	
		Six months ended 30th June	
	Note	**2017**	2016
		HK$'000	*HK$'000*
Sales	*3*	**266,772**	394,735
Cost of goods sold		**(219,318)**	(323,901)
Gross profit		**47,454**	70,834
Other income and gains – net		**14,029**	12,514
Selling and distribution costs		**(8,593)**	(19,152)
Administrative expenses		**(42,536)**	(50,548)
Operating profit	*4*	**10,354**	13,648
Finance income		**816**	961
Finance costs		**(1,964)**	(1,730)
Finance costs – net		**(1,148)**	(769)
Share of post-tax profits of associates		**6,518**	3,646
Profit before income tax		**15,724**	16,525
Income tax expense	*5*	**(838)**	(1,047)
Profit for the period		**14,886**	15,478
Attributable to owners of the Company		**14,886**	15,478
		HK cents per share	HK cents per share
Earnings per share attributable to owners of the Company			
Basic earnings per share	*7*	**6.57**	6.92
Diluted earnings per share	*7*	**6.57**	6.88

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**14,886**	15,478
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss		
Movement of deferred tax	**470**	440
Items that may be reclassified to profit or loss		
Change in value of available-for-sale financial assets, net of tax	**39,494**	(5,687)
Currency translation differences	**(1,976)**	(2,444)
Share of other comprehensive income of associates	**5,841**	9,428
	43,359	1,297
Other comprehensive income, net of tax	**43,829**	1,737
Total comprehensive income for the period attributable to owners of the Company	**58,715**	17,215

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2017

	Note	**Unaudited 30th June 2017** *HK$'000*	Audited 31st December 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**201,528**	211,102
Leasehold land		**14,807**	16,473
Investment property		**51,356**	43,000
Investments in associates		**111,700**	101,871
Loan to an associate		**18,078**	16,593
Prepayments		**–**	391
Available-for-sale financial assets		**12,863**	12,863
		410,332	402,293
Current assets			
Inventories		**58,836**	60,595
Trade receivables and bills receivables	*8*	**86,671**	97,906
Other receivables, prepayments and deposits		**23,892**	18,917
Available-for-sale financial assets		**95,830**	56,336
Derivative financial instruments		**210**	429
Amount due from an associate		**1,452**	213
Restricted bank deposits		**24,193**	24,680
Cash and cash equivalents		**52,296**	53,954
		343,380	313,030
Total assets		**753,712**	715,323

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2017

	Note	Unaudited 30th June 2017 HK$'000	Audited 31st December 2016 HK$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**23,007**	22,554
Other reserves		**213,663**	168,483
Retained earnings		**208,031**	197,200
Total equity		**444,701**	388,237
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**8,889**	12,222
Deferred income tax liabilities		**25,536**	26,044
		34,425	38,266
Current liabilities			
Trade payables and bills payables	*9*	**81,842**	95,105
Other payables, accruals and deposits received		**52,059**	57,382
Derivative financial instruments		**114**	1,150
Borrowings	*10*	**139,319**	133,641
Tax payable		**1,252**	1,542
		274,586	288,820
Total liabilities		**309,011**	327,086
Total equity and liabilities		**753,712**	715,323

Notes:

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30th June 2017 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 2016, 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 2016, 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 2017 that either have no significant impact or are not currently relevant to the Group:

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvement Project	Annual Improvement 2014 – 2016 Cycle

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2017 that not currently relevant to the Group and have not been early adopted:

HKAS 40 Amendment	Transfer of Investment Property[1]
HKFRS 2 Amendment	Classificaton and Measurement of Share-based Payment Transactions[1]
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instrument[1]
HKFRS 10 and HKAS 28 Amendments	Sales or contribution of assets between an investor and its associate or joint venture[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 Amendment	Clarifications to HKFRS 15[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[3]
Annual Improvement Project	Annual Improvement 2014-2016 Cycle[1]

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

2 The effective date is to be determined by the IASB

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 2017.

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 2017			
	The PRC	**HK**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**226,435**	**36,045**	**4,292**	**266,772**
Segment results	**9,879**	**1,314**	**(839)**	**10,354**
Finance costs – net				**(1,148)**
Share of post-tax profits of associates				**6,518**
Profit before income tax				**15,724**
Income tax expense				**(838)**
Profit for the period				**14,886**

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

During the period ended 30th June 2017, there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue. (2016: HK$90,381,000 or 22.9% of the Group's revenue).

	Unaudited	Audited
	30th June	31st December
	2017	2016
	HK$'000	*HK$'000*
Total assets:		
The PRC	**233,429**	236,435
Hong Kong	**344,390**	346,202
Other countries *(Note (a))*	**175,893**	132,686
	753,712	715,323

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.

	Unaudited 30th June 2017 HK$'000	Audited 31st December 2016 HK$'000
Capital expenditure:		
The PRC	**58**	21,017
Hong Kong	**616**	1,165
	674	22,182

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 Italy, Germany, Finland, Singapore and Macau.

4. OPERATING PROFIT

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

	Unaudited Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**219,375**	319,169
Depreciation on property, plant and equipment	**4,364**	4,414
Amortisation on leasehold land	**218**	256
Employee benefits expenses (including directors' remuneration)	**27,552**	30,074
Foreign exchange gain	**(6,961)**	(408)
Operating lease rentals	**491**	960
(Write back of)/provision for slow moving inventories	**(927)**	2,636
Provision for impairment of trade and bills receivables	**1,108**	37
Professional fee	**2,339**	2,409

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	
	2017	2016
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**79**	927
– PRC and overseas taxation	**1,063**	103
– Over-provision in previous years	**(266)**	–
Deferred income tax	**(38)**	17
	838	1,047

Income tax expense is 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% (2016: 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% (2016: 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% (2016: 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$6,902,000 that relates to the year ended 31st December 2016 was paid in June 2017 (2016: HK$3,355,000).

On 11th August 2017, the Board has resolved to declare an interim dividend of HK2.5 cents per share (2016: HK3.5 cents per share) and a special interim dividend of HK2 cents per share which is payable on 15th September 2017 to shareholders who are on the register of members on 31st August 2017. This interim dividend and special interim dividend totalling amounting to HK$10,353,000 (2016: HK$7,870,000), 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 2017.

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	
	2017	2016
Profit from continuing operations attributable to owners of the Company *(HK$'000)*	**14,886**	15,478
Weighted average number of ordinary shares in issue *(in thousands)*	**226,444**	223,678
Basic earnings per share attributable to owners of the Company *(HK cents per share)*	**6.57**	6.92

(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	
	2017	2016
Profit attributable to owners of the Company *(HK$'000)*	**14,886**	15,478
Weighted average number of ordinary shares in issue *(in thousands)*	**226,444**	223,678
Adjustments for:		
– Share options *(in thousands)*	**–**	1,259
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**226,444**	224,937
Diluted earnings per share attributable to owners of the Company *(HK cents per share)*	**6.57**	6.88

8. TRADE RECEIVABLES AND BILLS RECEIVABLES

At 30th June 2017 and 31st December 2016, the ageing analysis of trade receivables and bills receivables by due date are as follows:

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Current	**52,495**	48,557
1 – 3 months	**23,723**	31,496
4 – 6 months	**5,119**	11,858
7 – 12 months	**3,586**	4,117
Over 12 months	**7,014**	8,078
	91,937	104,106
Less: provision for impairment of receivables	**(5,266)**	(6,200)
	86,671	97,906

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

9. TRADE PAYABLES AND BILLS PAYABLES

At 30th June 2017 and 31st December 2016, the ageing analysis of the trade payables and bills payables are as follows:

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Current	**75,252**	87,720
1 – 3 months	**1,759**	2,553
4 – 6 months	**3,419**	1,225
7 – 12 months	**288**	3,541
Over 12 months	**1,124**	66
	81,842	95,105

10. BORROWINGS

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Non-current		
Portions of term loans from banks due for repayment after one year	**8,889**	12,222
Current		
Trust receipt loans	**39,011**	24,356
Portions of term loans from banks due for repayment within one year	**100,005**	102,883
Portions of term loans from banks due for repayment after one year which contain a repayable on demand clause	**–**	5,556
Bank overdrafts	**303**	846
	139,319	133,641
Total borrowings	**148,208**	145,863

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

	Unaudited *HK$'000*
As at 1st January 2017	**145,863**
Repayments of borrowings	**(36,086)**
Proceeds from borrowings	**39,011**
Net repayments from bank overdrafts	**(543)**
Exchange differences	**(37)**
As at 30th June 2017	**148,208**

	Unaudited *HK$'000*
As at 1st January 2016	134,175
Repayments of borrowings	(42,890)
Proceeds from borrowings	48,089
Net proceeds from bank overdrafts	120
Exchange differences	69
As at 30th June 2016	139,563

FINANCIAL PERFORMANCE

Sales

In the first half of 2017, our equipment sales were considerably lower, despite the improvement in China's economic situation. The reasons were that in the first half of last year there were a number of big orders from key customers in our equipment division, and furthermore there was a delay in a significant number of equipment shipments this year before the end of June 2017. However, the business of the cutting tools division grew significantly, with successful market penetration in the first half of 2017.

In the first six months of 2017, the Group's sales amounted to HK$266,772,000, compared with HK$394,735,000 in the same period last year, representing a decrease of 32.4%. The gross profit amounted to HK$47,454,000, compared with HK$70,834,000 in the same period last year, representing a decrease of 33.0%. The gross profit percentage was 17.8%, which was about the same as the figure of 17.9% in the same period last year.

Other Income and Gains

The total value of other income and gains was HK$14,029,000, compared with HK$12,514,000 in the same period last year, representing an increase of 12.1%.

The service income was HK$4,353,000, compared with HK$5,330,000 in the same period last year. The commission income was HK$416,000, compared with HK$1,050,000 in the same period last year. Other income included rental of HK$813,000, a management fee of HK$782,000 charged against Mitutoyo Leeport Metrology Corporation, and gains on forward contracts of HK$916,000.

In the first half of 2017 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$1,091,000. The dividend declared in the same period last year was HK$690,000.

Operating Expenses

Selling and distribution costs were HK$8,593,000, compared with HK$19,152,000 in the same period last year, representing a decrease of 55.1%. The decrease in selling and distribution costs was due mainly to the lower commissions paid to salespersons and sub-dealers resulting from the lower sales volume. Bank charges and logistics costs were also lower, in line with the reduction in sales volume.

Administrative expenses amounted to HK$42,536,000, compared with HK$50,548,000 in the same period last year, representing a decrease of 15.9%. The major cause of the reduction in administrative expenses was an exchange gain of HK$6,961,000 due to the strong Euro and Japanese Yen in the first half of the year. There were also some savings in staff costs.

Share of post-tax Profits of Associated Companies

The share of post-tax profits of the associated companies in the first half of 2017 was HK$6,518,000, compared with HK$3,646,000 in the same period last year, representing an increase of 78.8%.

The share of profit of Mitutoyo Leeport Metrology Corporation was HK$6,114,000, which was significantly better than the figure of HK$144,000 in the same period last year. In the first half of last year, Mitutoyo Leeport Metrology Corporation incurred a significant amount of exchange loss due to the fluctuating Japanese Yen in the period.

The share of profit of OPS Ingersoll Funkenerosion GmbH was only breakeven, compared with HK$3,491,000 in the same period last year. We were expecting that the business situation of OPS Ingersoll Funkenerosion GmbH would be better than during the same period last year, however the profit situation was affected by the fact that a number of shipments were delayed beyond the end of June 2017.

The joint-venture plant, Prima Power Suzhou Company Limited, recorded some profits at the end of June 2017. The business of the plant was not favourable in the first quarter of 2017, however there was some improvement in the second quarter of 2017.

Finance Costs – Net

Finance costs net of interest income were HK$1,148,000, compared with HK$769,000 in the same period last year.

Finance income in the first half of 2017 was HK$816,000, compared with HK$961,000 in the same period last year, representing a decrease of 15.1%. This decrease was due to the fact that OPS Ingersoll Funkenerosion GmbH repaid a loan of Euro 1 million to Leeport at the end of August 2016.

Finance costs incurred in the first half of 2017 were HK$1,964,000, compared with HK$1,730,000 in the same period last year, representing an increase of 13.5%. This increase was due to the higher average borrowing level in the first half of 2017, compared with the same period last year.

Profit Attributable to Owners of the Company and Earnings per Share

In the first half of 2017, the profit attributable to owners of the Company was HK$14,886,000, compared with HK$15,478,000 in the same period last year, representing a decrease of 3.8%.

The operating profit of the Company was HK$10,354,000, compared with an operating profit of HK$13,648,000 in the same period last year, representing a decrease of 24.1%. The lower gross profit of the period was compensated for by the higher amount of other income, and by the lower selling and distribution costs and administrative expenses.

The basic earnings per share were HK6.57 cents, compared with the basic earnings per share of HK6.92 cents in the same period last year, representing a decrease of 5.1%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th August 2017 (Tuesday) to 31st August 2017 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order for members to qualify for the interim dividend and special 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 28th August 2017 (Monday).

BUSINESS REVIEW

In the first half of 2017, China's economy made a higher-than-expected improvement. The GDP growth rate was 6.9%, compared with 6.7% in the same period last year. Many indicators show that China's economy is improving at a steady pace. The value of industrial production grew by 6.9%, compared with 6.0% in the same period last year. The export situation was strong, as the value of exports grew by 15% for the first six months of 2017, compared with a drop of 2.1% in the same period last year.

The Group's business for the equipment division was unsatisfactory in the first half of 2017. In the same period last year, a significant number of shipments were made to a number of key customers, however this was not the case in the first half of 2017. Also, there were some delayed shipments in the first half of 2017. By contrast, the cutting tools division achieved a significant increase in business, due to the enhancement of distribution channels and the expansion of the sales team. The business for measuring instruments was about the same as in the same period last year. Actually, most of the manufacturing equipment and tools suppliers achieved a reasonable increase in their business in China in the first half of 2017. The market demand is steadily increasing.

The car manufacturing and mobile phone manufacturing industries continued to be the major customer segments of the Group's business. In the first half of 2017, China produced 13.9 million cars, with a 6.3% growth compared with the same period last year. The production of mobile phones grew by 6.4% in terms of volume.

The value of the Group's outstanding orders as at the end of July 2017 was HK$171,801,000, compared with HK$166,212,000 as at the end of July 2016.

The business of the associated company, Mitutoyo Leeport Metrology Corporation, was about the same compared with the same period last year. However, the net profit was very much improved, because in the first half of 2016 there were significant unfavorable currency impacts due to shifts in the value of the Japanese Yen. The business of OPS Ingersoll Funkenerosion GmbH was still strong in the first half of 2017. The breakeven situation is likely to be a short-term situation, due mainly to a number of delayed shipments in the period. The business of Prima Power Suzhou Company Limited was unsatisfactory in the first quarter of the year, however it improved in the second quarter. Actually, the demand for sheetmetal machinery in China was stronger in the first half of the year.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 30th June 2017 was HK$51,993,000 (31st December 2016: HK$53,108,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 30th June 2017 was HK$58,836,000 (31st December 2016: HK$60,595,000). The turnover days of inventory was 49 at the end of June 2017, compared with 38 at the end of December 2016. The turnover days of inventory was higher mainly due to some delayed shipment beyond end of June 2017. The balance of trade receivables and bills receivables was HK$86,671,000 as at 30th June 2017 (31st December 2016: HK$97,906,000). The turnover days of trade receivables was 59, compared with 50 at the end of December 2016. The turnover days of trade receivables was higher as higher proportion of the business in the first half of 2017 was cutting tools. The credit period for the cutting tools business is relatively longer than the equipment business. The balance of trade payables and bills payables was HK$81,842,000 as at 30th June 2017 (31st December 2016: HK$95,105,000). The lower balance of trade payables and bills payables as at 30th June 2017 was in line with the lower business in the first half of 2017. The balance of short-term borrowings was HK$139,319,000 as at 30th June 2017 (31st December 2016: HK$133,641,000). The balance of long-term borrowings was HK$8,889,000 as at 30th June 2017 (31st December 2016: HK$12,222,000).

The Group's net gearing ratio was approximately 21.6% as at 30th June 2017 (31st December 2016: 23.7%). The net gearing ratio is lower than in 2016. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. The reduction in the gearing ratio is due to the increase of total equity, which mainly comes from the increase of fair value of available-for-sale financial assets.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2017, the Group had aggregate banking facilities of approximately HK$667,115,000, of which approximately HK$188,158,000 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$241,338,000 (31st December 2016: HK$244,301,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

It is clear that the economic situation in China is getting better and better. By the end of July 2017, the manufacturing PMI (Purchase Manager Index) had been in the expansion range (exceeding 50%) for 12 consecutive months. Looking at the GDP growth rate of 6.9% in China's economy in the first half of 2017, domestic consumption was particularly strong, constituting 63.4% of that growth rate. Capital investment constituted 32.7% of the growth rate, and overseas demand constituted only 3.9% of the growth rate. The value of high-tech production and machinery manufacturing in the first half of 2017 grew by 13.1% and 11.5% respectively, while the value of industrial production grew by only 6.9%.

The Group's equipment business in the first half of the year was unsatisfactory. The team will seek more new customers and participate in more exhibitions in order to increase the customer base. The Group has already strengthened its marketing and promotional activities, including advertising and media coverage. The performance of the Group's cutting tools business was outstanding in the first half of the year. The market penetration for Mitsubishi carbide products was successful, thanks to the development of stronger distribution channels. The expansion of the sales team also contributed to the increase in business. The business for cutting tools is expected to continue to be good in the second half of the year. The business for measuring instruments is expected to be better in the second half of the year as incoming orders are increasing.

On the other hand, the business of the associated companies looks promising for the second half of the year. We expect that Mitutoyo Leeport Metrology Corporation will be able to achieve a financial result that is at least as good as in the first half of the year, because the demand in the China market is strong. OPS Ingersoll Funkenerosion GmbH is also likely to achieve a better financial result in the second half of the year, as the global market is improving. Prima Power Suzhou Company Limited will also probably improve its bottom-line result in the second half of the year, as the China market has recovered.

Our investment in Prima Industrie S.p.A., a global leader in sheetmetal processing technologies, is very successful. The business of Prima Industrie S.p.A. increased by 10.4% in the first half of 2017 and the net profit increased by 159% compared with the same period last year. The share value of the investment held by Leeport increased from HK$56.3 million at the end of December 2016 to HK$95.8 million at the end of June 2017.

We feel positive about the future of the manufacturing industry in China, as the Chinese Government has set its "Made in China 2025 Goal". The objective is to become the global leader in "Smart Manufacturing" by 2025. This provides us with enormous opportunities as we integrate all the manufacturing technologies that we have accumulated over the past 50 years, and our aim is to become a high-value-adding manufacturing solutions provider. The Group will continue to explore new products and acquisition opportunities. We are confident that these initiatives will broaden the business scale and investment portfolio of the Group in the future.

The management team will strive to improve the business performance of the Group in the second half of the year, so that the business results for the whole year are satisfactory.

EMPLOYEES

As at 30th June 2017, the Group had 268 employees (31st December 2016: 256). Of these, 79 were based in Hong Kong, 177 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 2017, 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$241,338,000 (31st December 2016: HK$244,301,000), 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 2017, the Group spent a total of HK$674,000 (30th June 2016: HK$21,172,000) in capital expenditure, primarily consisting of equipment. As at 30th June 2017, the Group has no capital commitments regarding property, plant and equipment (31st December 2016: HK$168,000 on property, plant and equipment). In the meantime, a total of HK$7,658,000 (31st December 2016: HK$25,090,000) 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 2017, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR1,205,000 for HKD10,613,000; JPY379,440,000 for HKD26,500,000 and JPY15,500,000 for RMB998,000; (2016: EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000).

Foreign exchange gains and losses are calculated on the settlement of monetary transactions and on the translation of monetary assets and liabilities at the exchange rates of the end of the period.

Some group entities with functional currency of Japanese Yen ("JPY") have recorded exchange gain when Japanese Yen ("JPY") strengthened against Hong Kong dollars ("HKD") over the half year of 2017 when such entities translate their net monetary liabilities which is mainly denominated in HKD to the functional currency.

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 2017, 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 Group Chief Executive Officer 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.

Code Provision C.2.5

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. This situation will be reviewed annually.

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 2017.

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 2017 with the directors.

2017 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2017 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 2017.

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

Hong Kong, 11th August 2017

As at the date of this announcement, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHU Weiman, Mr. CHAN Ching Huen, Stanley, and Mr. WONG Man Shun, Michael and the independent non-executive directors are Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu and Mr. ZAVATTI Samuel.