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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 2018

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 2018, 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 HK3.0 cents per ordinary share for the six months ended 30th June 2018 to shareholders whose names appear on the register of members of the Company on 5th October 2018 (Friday) (2017: HK4.5 cents). The interim dividend will be payable on or around 19th October 2018 (Friday).

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2018

		Unaudited Six months ended 30th June	
	Note	**2018**	2017
		HK$'000	*HK$'000*
Sales	*3*	**430,297**	266,772
Cost of goods sold		**(362,022)**	(219,318)
Gross profit		**68,275**	47,454
Other income and gains – net		**8,472**	14,029
Selling and distribution costs		**(14,348)**	(8,593)
Administrative expenses		**(50,479)**	(42,536)
Operating profit	*4*	**11,920**	10,354
Finance income		**803**	816
Finance costs		**(2,860)**	(1,964)
Finance costs – net		**(2,057)**	(1,148)
Share of post-tax profits of associates		**10,049**	6,518
Profit before income tax		**19,912**	15,724
Income tax expenses	*5*	**(2,037)**	(838)
Profit for the period		**17,875**	14,886
Profit attributable to owners of the Company		**17,243**	14,886
Profit attributable to non-controlling interests		**632**	–
		17,875	14,886
		HK cents per share	*HK cents per share*
Earnings per share attributable to owners of the Company			
Basic earnings per share	*7*	**7.49**	6.57
Diluted earnings per share	*7*	**N/A**	6.57

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2018

	Unaudited	
	Six months ended 30th June	
	2018	2017
	HK$'000	HK$'000
Profit for the period	**17,875**	14,886
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Movement of deferred tax	**539**	470
Change in value of financial assets at fair value through other comprehensive income, net of tax	**8,489**	–
	9,028	470
Items that may be reclassified to profit or loss		
Change in value of available-for-sale financial assets, net of tax	**–**	39,494
Currency translation differences	**(3,288)**	(1,976)
Share of other comprehensive income of associates	**907**	5,841
	(2,381)	43,359
Other comprehensive income, net of tax	**6,647**	43,829
Total comprehensive income for the period	**24,522**	58,715
Total comprehensive income attributable to owners of the Company	**23,897**	58,715
Total comprehensive income attributable to non-controlling interests	**625**	–
	24,522	58,715

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2018

	Note	**Unaudited 30th June 2018** *HK$'000*	Audited 31st December 2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**225,344**	226,154
Leasehold land		**14,828**	15,056
Investment property		**54,496**	54,658
Investments in associates		**129,170**	126,525
Loan to an associate		**18,538**	18,970
Prepayments		**–**	1,132
Financial assets at fair value through other comprehensive income		**12,948**	–
Available-for-sale financial assets		**–**	12,863
		455,324	455,358
Current assets			
Inventories		**77,707**	61,441
Trade receivables and bills receivables	*8*	**140,246**	108,445
Other receivables, prepayments and deposits		**30,619**	26,467
Financial assets at fair value through other comprehensive income		**175,957**	–
Available-for-sale financial assets		**–**	143,057
Derivative financial instruments		**–**	265
Amount due from an associate		**–**	2,766
Restricted bank deposits		**19,487**	19,307
Cash and cash equivalents		**84,958**	52,323
		528,974	414,071
Total assets		**984,298**	869,429

	Note	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**23,007**	23,007
Other reserves		**285,720**	282,334
Retained earnings		**226,128**	213,670
		534,855	519,011
Non-controlling interest		**1,063**	–
Total equity		**535,918**	519,011
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**14,444**	5,556
Deferred income tax liabilities		**29,170**	29,809
		43,614	35,365
Current liabilities			
Trade payables and bills payables	*9*	**171,420**	110,452
Other payables, accruals and deposits received		**89,183**	63,355
Derivative financial instruments		**433**	490
Amount due to an associate		**1,338**	–
Amount due to a non-controlling shareholder		**9,618**	–
Borrowings	*10*	**130,409**	137,254
Tax payable		**2,365**	3,502
		404,766	315,053
Total liabilities		**448,380**	350,418
Total equity and liabilities		**984,298**	869,429

Notes :

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2017, 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.

(a) New and amended standards adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after 1st January 2018:

HKAS 40 Amendment	Transfers of investment property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendment	Clarifications to HKFRS 15
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

Of these, the following are relevant to the Group's interim condensed consolidated financial information.

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policy are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

(i) HKFRS 9 Financial Instruments

Classification and measurement

On 1st January 2018 (the date of initial adoption of the new HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the new HKFRSs.

The Group has elected the fair value through other comprehensive income ("FVOCI") model for all of its existing available-for-sale ("AFS") financial assets as at 1st January 2018. As a result, the AFS of HK$155,920,000 as at 1st January 2018 was reclassified to financial asset at FVOCI and the related cumulative fair value gain of HK$89,855,000 was reclassified from available-for-sale financial asset revaluation reserve to financial asset at FVOCI reserve on 1st January 2018 (both are stated as "Other reserves" in the consolidated statement of changes in equity).

Under FVOCI model, it would have no change to their fair value measurement method from AFS except for any gains or losses realised on the sale of equity financial assets at FVOCI will no longer be transferred to the consolidated income statement, but instead reclassify from "other reserves" to "retained earnings". In addition, there will be no more impairment losses required to be charged to the consolidated income statement for financial assets at FVOCI under the new guidance.

No retrospective adjustments were required and no impact on retained earnings at 1st January 2018 in respect of this change in accounting policy.

Impairment of financial assets

The Group has two types of financial assets that are subject to the new expected credit loss model of the new HKFRSs:

- trade receivables and bills receivables, and
- other financial assets at amortised costs.

The Group was required to revise its impairment methodologies under the new HKFRSs for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is insignificant.

While cash and cash equivalents are also subject to the impairment requirements of the new HKFRSs, the identified impairment loss was immaterial.

Trade receivables and bills receivables

The Group applies the new HKFRSs simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and bills receivables from customers.

To measure the expected credit losses, trade receivables and bills receivables from customers have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables and bills receivables from customers, according to their respective risk characteristics.

Trade receivables and bills receivables from customers are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables and bills receivables from customers as at 1st January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1st January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(ii) *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 Construction contracts, which specified the accounting for construction contracts.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Revenues are recognised when goods are transferred or services are rendered to the customer. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at a point in time.

The Group principally derives revenue from the trading of metalworking machinery, measuring instruments, cutting tools and electronic equipment.

Revenue from trading of products transferred at a point in time is recognised when goods are delivered to the customers' designated premises or locations which is taken to be the point in time when the Group transfers control over the products to the customers.

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract costs and subsequently amortised when the related revenue is recognised. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to render the goods or services to a customer for which the Group has received consideration from the customer.

The adoption of HKFRS 15 did not have any material impact on the Group's interim condensed consolidated financial information.

(b) Impact of standards issued but not yet applied by the Group

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$994,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity's interim condensed consolidated financial information.

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 2018			
	The PRC	**HK**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**381,232**	**42,633**	**6,432**	**430,297**
Segment results	**11,305**	**796**	**(181)**	**11,920**
Finance costs – net				**(2,057)**
Share of post-tax profit of associates				**10,049**
Profit before income tax				**19,912**
Income tax expense				**(2,037)**
Profit for the period				**17,875**

	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 profit of associates				6,518
Profit before income tax				15,724
Income tax expense				(838)
Profit for the period				14,886

During the period ended 30th June 2018 and 2017, there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue.

Contract liabilities of HK$60,936,000 (2017: HK$40,459,000) were classified within "other payables, accruals and deposits received" in the condensed consolidated interim balance sheet. It represents advanced payments received from customers for goods that have not been transferred to the customers.

	Unaudited 30th June 2018	Audited 31st December 2017
	HK$'000	*HK$'000*
Total assets:		
The PRC	**340,798**	266,960
Hong Kong	**376,619**	372,054
Other countries *(Note (a))*	**266,881**	230,415
	984,298	869,429

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, financial assets at fair value through other comprehensive income, cash and cash equivalents and restricted bank deposits.

	Unaudited	Audited
	30th June	31st December
	2018	2017
	HK$'000	*HK$'000*
Capital expenditure:		
The PRC	**156**	507
Hong Kong	**53**	680
Other countries *(Note (a))*	**3,862**	–
	4,071	1,187

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

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

Note:

(a) Other countries mainly include Italy, Germany, Finland, 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	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**359,129**	219,375
Depreciation on property, plant and equipment	**4,986**	4,364
Amortisation on leasehold land	**223**	218
Employee benefits expenses (including directors' remuneration)	**31,973**	27,552
Foreign exchange gain	**(3,123)**	(6,961)
Operating lease rentals	**1,000**	491
Provision for/(write back of) slow moving inventories	**685**	(927)
Provision for impairment of trade and bills receivables	**110**	1,108
Professional fee	**2,246**	2,339

5. INCOME TAX EXPENSE

The amount of taxation charged to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**230**	79
– PRC and overseas taxation	**1,907**	1,063
– Over-provision in previous years	**–**	(266)
Deferred income tax	**(100)**	(38)
	2,037	838

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% (2017: 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% (2017: 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% (2017: 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$8,053,000 that relates to the year ended 31st December 2017 was paid in June 2018 (2017: HK$6,902,000).

On 17th August 2018, the Board has resolved to declare an interim dividend of HK3.0 cents per share (2017: HK4.5 cents per share), which is payable on or around 19th October 2018 to shareholders who are on the register of members on 5th October 2018. This interim dividend amounting to HK$6,902,000 (2017: HK$10,353,000), 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 2018.

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	
	2018	2017
Profit from continuing operations attributable to owners of the Company *(HK$'000)*	**17,243**	14,886
Weighted average number of ordinary shares in issue *(in thousands)*	**230,076**	226,444
Basic earnings per share attributable to owners of the Company *(HK cents per share)*	**7.49**	6.57

(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. There are no share options during the period for the period ended 30th June 2018, hence no diluted earnings per share was presented.

	Unaudited Six months ended 30th June	
	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**17,243**	14,886
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**230,076**	226,444
Diluted earnings per share attributable to owners of the Company *(HK cents per share)*	**N/A**	6.57

8. TRADE RECEIVABLES AND BILLS RECEIVABLES

At 30th June 2018 and 31st December 2017, the ageing analysis of trade receivables and bills receivables by due date are as follows:

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Current	**78,370**	69,527
1 – 3 months	**49,309**	21,833
4 – 6 months	**2,939**	13,056
7 – 12 months	**9,213**	2,265
Over 12 months	**4,067**	5,306
	143,898	111,987
Less: provision for impairment of receivables	**(3,652)**	(3,542)
	140,246	108,445

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 2018 and 31st December 2017, the ageing analysis of the trade payables and bills payables by due date are as follows:

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Current	**162,699**	100,298
1 – 3 months	**1,960**	7,726
4 – 6 months	**9**	734
7 – 12 months	**5,714**	613
Over 12 months	**1,038**	1,081
	171,420	110,452

10. BORROWINGS

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Non-current		
Portions of term loans from banks due for repayment after one year	**14,444**	5,556
Current		
Trust receipt loans	**27,176**	40,532
Portions of term loans from banks due for repayment within one year or on demand clause	**103,233**	96,722
	130,409	137,254
Total borrowings	**144,853**	142,810

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

Movements in borrowings are analysed as follows:

	Unaudited *HK$'000*
As at 1st January 2018	**142,810**
Repayments of borrowings	**(61,390)**
Proceeds from borrowings	**63,175**
Exchange differences	**258**
As at 30th June 2018	**144,853**

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

FINANCIAL PERFORMANCE

Sales

In the first half of 2018, the overall business of the Group improved significantly as compared with the same period last year. Due to the efforts of the sales team and the favorable market situation, the performance of the business was considerably better than in the same period last year.

In the first six months of 2018, the Group's sales amounted to HK$430,297,000, compared with HK$266,772,000 in the same period last year, representing an increase of 61.3%. The gross profit amounted to HK$68,275,000, compared with HK$47,454,000 in the same period last year, representing an increase of 43.9%. The gross profit percentage was 15.9%, compared with 17.8% in the same period last year. The lower gross profit percentage was mainly due to our competitive pricing strategy in order to increase our market share.

The total contract signed in first half of 2018 was HK$485,910,000 compared with HK$380,173,000 in the same period last year, representing an increase of 27.8%.

Other Income and Gains

The total value of other income and gains was HK$8,472,000, compared with HK$14,029,000 in the same period last year, representing a decrease of 39.6%. The main reason for the reduction of other income and gains was due to the change of the incentive program from one of our major suppliers. In the first half of 2017, there was some waived customer deposit treated as income for the Company.

The service income was HK$3,869,000 in the first half of 2018, which was slightly lower than the amount of HK$4,353,000 in the same period last year. Our investee, Prima Industrie SpA declared a dividend, so the Group received a dividend of HK$1,844,000, compared with HK$1,091,000 last year.

Other income included rental income of HK$1,168,000 and a management fee of HK$782,000 charged against Mitutoyo Leeport Metrology Corporation.

Operating Expenses

Selling and distribution costs were HK$14,348,000, compared with HK$8,593,000 in the same period last year, representing an increase of 67.0%. The increase in selling and distribution costs was in line with the increase in sales volume. The increased costs included logistics costs, bank charges and commissions to salespeople and sub-dealers.

Administrative expenses amounted to HK$50,479,000, compared with HK$42,536,000 in the same period last year, representing an increase of 18.7%. During the first half of 2018, within the administrative expenses there was an exchange gain of HK$3,123,000, however in the same period last year there was an exchange gain of HK$6,961,000. Staff costs were also higher in the first half of 2018 due to the expansion of the sales team.

Finance Expenses – Net

Finance costs net of interest income were HK$2,057,000, compared with HK$1,148,000 in the same period last year.

Finance income in the first half of 2018 was HK$803,000, compared with HK$816,000 in the same period last year. The finance income in the first half of 2018 was almost the same to amount in the same period last year.

Finance costs incurred in the first half of 2018 were HK$2,860,000, compared with HK$1,964,000 in the same period last year, representing an increase of 45.6%. This increase was due to the higher interest rate in the market in 2018.

Share of Post-Tax Profits of Associated Companies

The share of post-tax profits of the associated companies in the first half of 2018 was HK$10,049,000, compared with HK$6,518,000 in the same period last year, representing an increase of 54.2%. The business for Mitutoyo Leeport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH was outstanding in the first half of 2018. On the other hand, business for Prima Power Suzhou Company Limited did not achieve satisfactory performance.

Income Tax Expenses

The income tax expenses in the first half of 2018 amounted to HK$2,037,000, compared with HK$838,000 in the same period last year, representing an increase of 143.1%.

The China subsidiaries contributed a significant amount of sales income for the Group. The significant increase in sales in China in the first half of 2018 resulted in higher taxable income, at an income tax rate of 25%, which is higher than the income tax rate of 16.5% in Hong Kong.

Profit Attributable to Owners of the Company and Earnings Per Share

In the first half of 2018, the profit attributable to owners of the company was HK$17,243,000, compared with HK$14,886,000 in the same period last year, representing an increase of 15.8%.

The operating profit for the trading business was HK$11,920,000, compared with HK$10,354,000 in the same period last year, representing an increase of 15.1%. The share of profit of associated companies was also higher than in the same period last year. The share of profit of associated companies was HK$10,049,000, compared with HK$6,518,000 in the same period last year, representing an increase of 54.2%.

The basic earnings per share was HK7.49 cents, compared with the basic earnings per share of HK6.57 cents in the same period last year, representing an increase of 14.0%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3rd October 2018 (Wednesday) to 5th October 2018 (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 2nd October 2018 (Tuesday).

BUSINESS REVIEW

Trading

China's economy was steady in the first half of 2018. The GDP growth rate was 6.8%, compared with 6.9% in the same period in 2017. The value of industrial production grew by 6.1%, compared with 6.9% in the same period last year. The amplitude of investment in the manufacturing industry in first half of 2018 was actually quite good. The investment amount in the manufacturing industry grew by 6.8%, compared with 4.0% in the same period last year.

In the first six months of 2018, all of the major business divisions of the Group achieved an outstanding sales performance. The equipment division recorded 130.5% increase in sales compared with the same period last year. The measuring instrument division recorded 59.3% increase, the cutting tools and assembly tools division increased by 13.8% compared with the same period last year. In general, the manufacturing industry in China maintained a reasonable growth in the first half of 2018. In particular, the high-technology industry and the equipment industry grew at a faster pace and contributed to the growth of the manufacturing industry. The former grew at 11.6% and the latter grew at 9.2%, which were higher than the growth rate of 6.8% for the production value. The high-technology industry and the equipment industry included the manufacturing of new-energy cars, robots, smart TVs, environmental equipment, advanced transportation systems, and aerospace and intelligent manufacturing equipment.

Sales in one of the Group's major customer segments, car manufacturing, grew at the moderate rate of 5.6% compared with the same period last year. However the other major customer segment, mobile phone manufacturing, showed a reduction in volume of 12.4%, compared with the same period last year. In the first half of 2018, the volume of China's importation of machine tools grew by 33.5%. This indicated a strong demand for imported machine tools in the market.

The value of the Group's outstanding orders as at the end of July 2018 was HK$247,101,000, compared with HK$171,801,000 in the same period last year.

Investment

The measuring instruments business of Mitutoyo Leeport Metrology Corporation in the first half of 2018 grew by 21.0% compared with the same period last year. This indicated a strong demand from the China market for measuring instruments. The machine tools business of OPS Ingersoll Funkenerosion GmbH grew by 20.8% compared with the same period last year. Sales in Europe and China were outstanding in the first half of 2018. The sheetmetal equipment business of Prima Power Suzhou Company Limited did not achieve satisfactory performance. The operation continued to face the issues of keen competition and a high cost of production. However the recent acquisition of Cangzhou Lead Laser Technology Company Limited is expected to create production synergy, which will improve the competitiveness of Prima Power's products in the China market.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 30th June 2018 was HK$84,958,000 (31st December 2017: HK$52,323,000). The cash position was higher at the end of June 2018, however there was a significant amount of settlement for accounts payable and investment in July 2018. The Group's inventory balance as at 30th June 2018 was HK$77,707,000 (31st December 2017: HK$61,441,000). The turnover days of inventory was 39 at the end of June 2018, compared with 44 at the end of December 2017. The turnover days of inventory was lower due to the higher proportion of the equipment business in the first half of 2018 as compared with last year. The inventory turnover days for the equipment business is minimal compared with the cutting tools and assembly tools business. The balance of trade receivables and bills receivable was HK$140,246,000 as at 30th June 2018 (31st December 2017: HK$108,445,000). The turnover days of trade receivables was 60, compared with 64 at the end of December 2017. The turnover days of trade receivables were lower, as the proportion of the equipment business was higher than last year. The credit period for the equipment business is relatively shorter than for the cutting tools and assembly tools business. The balance of trade payables and bills payable was HK$171,420,000 as at 30th June 2018 (31st December 2017: HK$110,452,000). The higher balance of trade payables and bills payable as at 30th June 2018 was in line with the higher business in the first half of 2018. The balance of short-term borrowings was HK$130,409,000 as at 30th June 2018 (31st December 2017: HK$137,254,000). The balance of long-term borrowings was HK$14,444,000 as at 30th June 2018 (31st December 2017: HK$5,556,000).

The Group's net gearing ratio was approximately 11.2% as at 30th June 2018 (31st December 2017: 17.4%). The net gearing ratio is lower than in 2017. 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 net gearing ratio is due to the decrease in net debt and the increase in total equity. The decrease in net debt comes mainly from the higher cash and cash equivalent generated from the Group's equipment business. The increase in total equity comes mainly from the increase in earnings in the first half of 2018.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2018, the Group had aggregate banking facilities of approximately HK$726,919,000, of which approximately HK$236,119,000 was utilised, bearing interest at prevailing market rates and secured by certain land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$259,387,000 (31st December 2017: 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$262,565,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

In the first half of 2018, the global economy showed the tendency of recovery. China was able to achieve a GDP growth rate of 6.8%, which was outstanding. However the trade war initiated by the US Government has been causing uncertainty and concern about the global economy. The Chinese Government's strategy to tackle the threat is to promote domestic consumption. The major area of domestic investment, i.e., the manufacturing industry and infrastructure, is expected to grow at a reasonable rate in the second half of 2018.

Although there is some concern about the impact of the trade war between China and the USA, the situation for the Group's order bookings is good. The Group's business grew by 61.3% in the first half of 2018, compared with the same period last year. The outstanding orders on hand are also 43.8% higher than in the same period last year. The Group will continue its strategy of devoting more resources to increasing the sales force and expanding the search for new products. The business for the associated companies is also looking positive for the second half of 2018. The value of outstanding orders on hand for both Mitutoyo Leeport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH is good. Order bookings for Prima Power Suzhou Company Limited are also expected to improve in the second half of the year.

The business for the second half of the year is likely to be affected by the trade war between China and the USA. We will probably see the impact towards the end of the year. However, given the outstanding performance of the Group in first half of the year and the latest market situation, we are conservatively optimistic about the results for the whole year of 2018.

EMPLOYEES

As at 30th June 2018, the Group had 292 employees (31st December 2017: 256). Of these, 83 were based in Hong Kong, 194 were based in mainland China, and 15 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 2018, 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$259,387,000 (31st December 2017: HK$262,565,000), 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 2018, the Group spent a total of HK$4,071,000 (30th June 2017: HK$674,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 30th June 2018, the Group has settled all capital commitments regarding property, plant and equipment. (31st December 2017: HK$1,187,000 on property, plant and equipment). In the meantime, a total of HK$2,846,000 (31st December 2017: HK$5,472,000) 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 2018, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR289,000 for HKD2,684,000 and JPY357,700,000 for HKD25,829,000 (2017: EUR1,300,000 for HKD11,979,000; JPY78,000,000 for RMB4,836,000; JPY92,000,000 for USD820,000 and JPY270,840,000 for HKD18,890,000).

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 JPY strengthened against Hong Kong dollars ("HKD") over the half year of 2018 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 2018, 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 Chief Executive Officer of the Group, 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 2018.

AUDIT COMMITTEE

The Audit Committee 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 2018 with the directors.

2018 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2018 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 2018.

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

Hong Kong, 17th August 2018

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.