Leeport

LEEPORT (HOLDINGS) LIMITED

力 豐 （集 團） 有 限 公 司*

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2003

The directors (the "Directors") of Leeport (Holdings) Limited (the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2003 together with the unaudited comparative figures for the same period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30th June 2003 HK$'000	2002 HK$'000 As restated (Note 1)
Turnover		**207,365**	206,547
Cost of sales		**(153,564)**	(149,670)
Gross profit		**53,801**	56,877
Other revenues		**5,639**	2,780
Selling and distribution costs		**(10,323)**	(10,348)
Administrative expenses		**(36,319)**	(36,535)
Operating profit	3	**12,798**	12,774
Finance costs		**(1,386)**	(1,288)
Profit before taxation		**11,412**	11,486
Taxation	4	**(1,305)**	(1,794)
Profit attributable to shareholders		**10,107**	9,692
Dividends	5	**8,000**	–
Basic earnings per share	6	**HK5.05 cents**	HK4.85 cents

Notes:

1 **Basis of preparation and accounting policies**

These unaudited consolidated condensed accounts are prepared in accordance with the requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The Company was incorporated in Bermuda on 21st March 2003. Its shares have been listed on the Main Board of the Stock Exchange on 10th July 2003 (the "Listing Date").

Pursuant to the group reorganization to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 16th June 2003. The unaudited consolidated condensed accounts, including the comparatives, are prepared as if the Company had been the holding company of the Group from 1st January 2002.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the preparation of the Group's Accountants' Report for the years ended 31st December 2000, 2001 and 2002 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 (Revised) "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2003.

The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparative figures have been restated to conform to the changed policy. In this connection, the Group's deferred tax liabilities at 31st December 2002 have been increased by HK$1,448,000. As a consequence, the opening retained profits at 1st January 2002 and 2003 have been reduced by HK$423,000 and HK$727,000 respectively, and the opening other properties revaluation reserve at 1st January 2002 and 2003 have been reduced by HK$969,000 and HK$721,000 respectively.

This unaudited consolidated condensed accounts have been reviewed by the Audit Committee of the Company and were approved by the board of Directors on 16th September 2003.

2 **Segment information**

(a) **Primary reporting format – geographical segments**

The Group is principally engaged in the trading of machines, tools, accessories and measuring instruments in three main geographical areas, namely the PRC, Hong Kong and Southeast Asia and other countries (principally Singapore).

	6 months ended 30th June 2003 The PRC HK$'000	Hong Kong HK$'000	Southeast Asia and other countries HK$'000	Total HK$'000
Turnover	**80,556**	**106,728**	**20,081**	**207,365**
Segment results	**5,770**	**6,538**	**490**	**12,798**
Finance costs				**(1,386)**
Profit before taxation				**11,412**
Taxation				**(1,305)**
Profit attributable to shareholders				**10,107**

	6 months ended 30th June 2002 The PRC HK$'000	Hong Kong HK$'000	Southeast Asia and other countries HK$'000	Total HK$'000
Turnover	76,701	103,537	26,309	206,547
Segment results	2,993	8,128	1,653	12,774
Finance costs				(1,288)
Profit before taxation				11,486
Taxation				(1,794)
Profit attributable to shareholders				9,692

(b) **Secondary reporting format – business segments**

No business segment analysis is presented as the Group has been operating in a single business segment, which is the trading of machines, tools, accessories and measuring instruments, throughout the period.

3 **Operating profit**

Operating profit is stated after crediting and charging the following:

	6 months ended 30th June 2003 HK$'000	2002 HK$'000
Crediting		
Gain on disposal of a subsidiary	**186**	–
Gain on disposal of fixed assets	**–**	8
Charging		
Depreciation:		
Owned fixed assets	**3,071**	2,273
Leased fixed assets	**44**	43
Deficit on revaluation of leasehold properties	**802**	–
Provision for bad and doubtful debts	**705**	2,234
Provision for slow moving inventories	**121**	436
Staff costs (including Directors' remuneration)	**23,362**	22,041

4 **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on 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 Group operates.

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

	6 months ended 30th June 2003 HK$'000	2002 HK$'000
Current taxation:		
– Hong Kong profits tax	**1,231**	1,293
– Overseas taxation	**162**	379
– Over provisions in prior years	**(337)**	(401)
Deferred taxation relating to the origination and reversal of temporary differences	**220**	523
Deferred taxation resulting from an increase in tax rate	**29**	–
Taxation charge	**1,305**	1,794

5 **Dividends**

	6 months ended 30th June 2003 HK$'000	2002 HK$'000
Special, paid, of HK$8 (2002: HK$Nil) per ordinary share *(note (a))*	**8,000**	–

Notes:

(a) At a meeting held on 12th June 2003 the directors of a subsidiary declared a special dividend of HK$8 per ordinary share for the year ending 31st December 2003 which was paid on 19th June 2003. The dividend represented dividends declared by a Company's wholly-owned subsidiary, Leeport Machine Tool Co. Ltd., to its then shareholders prior to the group reorganisation.

(b) The Directors have resolved not to declare any interim dividend for the six months ended 30th June 2003.

6 **Earnings per share**

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK$10,107,000 (2002: HK$9,692,000).

The basic earnings per share is based on the weighted average number of 200,000,000 (2002: 200,000,000) ordinary shares. The weighted average number of shares is determined as if the group reorganisation and capitalisation issue as set out in Appendix V to the Company's Prospectus dated 27th June 2003 had been effective at the beginning of the period.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares.

BUSINESS REVIEW

For the six months ended 30th June 2003, the Group's turnover was HK$207,365,000 (2002: HK$206,547,000), representing an increase of 0.4% as compared with the corresponding period of 2002, while profit attributable to shareholders was HK$10,107,000 (2002: HK$9,692,000), representing an increase of 4.3% as compared with the corresponding period in 2002.

The Group usually records a lower turnover in the first half of the year due to the Chinese New Year holidays. Also, the installation of equipment normally takes place in the second half of the year. This situation remained unchanged during the period.

The turnover from the PRC grew steadily and the PRC became a more and more important market of the Group, so the results attributable to the PRC segment showed positive growth.

During the first six months of the year, two main factors affected the regional economy: the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS"). Some customers for machinery have become more cautious in placing orders, and the negotiation for each prospect has taken longer time.

On the other hand, our measuring instruments business continued to show significant growth in the period because of the demand for more precision and quality products. The high quality and broad range of Mitutoyo products were able to satisfy these requirements. Furthermore, our active market development activities for the measuring instruments business and cutting tools business in Eastern China brought us satisfactory business growth in this region. The Shanghai operation became a more and more important growth driver for our business.

The appreciation of Euro and the Japanese Yen since the middle of last year has increased the cost of the products distributed by the Group, and has thus affected the gross profit margin of the Group. Likewise, the keen competition for machinery market has also caused pressure to the gross profit margin. The overall gross profit margin in the first half of the year was 25.9%, compared with 27.5% in the same period last year.

There were a number of direct orders given by a few customers to our suppliers that produced sales commissions, which were reflected in other revenues, at HK$5,639,000, a HK$2,859,000 increase over the same period last year (2002: HK$2,780,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers.

As at 30th June 2003, the Group's total borrowings amounted to approximately HK$151,871,000, which included trade payables and bills payables of approximately HK$47,866,000; trust receipt loans of approximately HK$59,335,000; other payables, accruals and deposits received of approximately HK$28,410,000; long-term bank loans of approximately HK$12,376,000; short-term bank loans and overdrafts of approximately HK$730,000; taxation payable of approximately HK$239,000 and deferred tax liabilities of approximately HK$2,915,000. Out of these borrowings, the total repayable after one year amounted to approximately HK$11,280,000.

The gearing ratio, defined as the ratio of total borrowings to total assets of the Group, as at 30th June 2003 was approximately 0.6 (31st December 2002: 0.6). The Group has maintained a stable gearing ratio during the period under review.

As at 30th June 2003, the Group has aggregate banking facilities of approximately HK$292,000,000, of which approximately HK$145,164,000 has been utilized and which were secured by fixed deposits of the Group amounting to approximately HK$3,201,000, certain properties held by the Group with net book values of approximately HK$53,620,000, a property held by relatives of the Directors, personal guarantees given by certain Directors and fixed deposits of a Director amounting to approximately HK$324,000. The Group has received consents in principle from the banks that the personal guarantees given by the Directors, the property held by relatives of the Directors and the fixed deposits of the Director will be released and replaced by corporate guarantees of the Company upon listing of the Company's shares on the Stock Exchange.

FUTURE PLANS AND PROSPECTS

The continuing economic growth in China and the recovery of South East Asian economies are likely to bring us many business opportunities. China has positioned itself as the "World Production Centre". Investments in manufacturing facilities are increasing year by year. The demand for machinery, measuring instruments, cutting tools and electronic equipment continues to increase and we are confident that the Group will benefit from the booming market.

In early September 2003, the world's largest manufacturer of measuring instruments, Mitutoyo Corporation ("Mitutoyo"), formally agreed to become a shareholder of Leeport Metrology Corporation (one of the Group's subsidiaries), for the purpose of further exploration of the market in China. The net asset value of the Group's metrology operation is USD7 million. Mitutoyo, founded in Japan in 1934, recorded annual global sales of approximately 80 billion yen in 2002. It has established bases in more than 23 countries and its sales and distribution network covers over 80 countries. The undertaking of shareholding by Mitutoyo signifies a closer relationship between the Group and Mitutoyo.

A new Corporate Communications Manager and a new Product Development Manager for the Group have been appointed. These senior positions will be able to increase our value-added element in respect of customer service and support our overall market development and business growth in the PRC market.

After recovery from SARS, more active enquiries for machinery have been received. The Group will continue to increase new sales and service forces and expand market share for all ranges of products and services. In the second half of the year, we will actively participate in a number of exhibitions to be held in China in order to generate more sales leads.

We will continue to strengthen our network in the market. Expansion of the operation including setting up new offices in China, will proceed as planned. The Group will explore new products to create new sources of revenue. More strategic alliances with suppliers will be formed.

The Customer Relation Management Computer System will be completed by the end of 2003. The combination of the Enterprise Resources Planning System and the Customer Relation Management System will be a powerful management tool for the Group's operations. This will improve our efficiency in terms of customer service, monitoring of sales activity, financial reporting and management of our working capital.

The Group has persistently pursued its strategic plans formed in recent years. Our execution of action items has been successfully implemented. We believe that since our listing in July 2003, the Group has been able to win opportunities to further expand its business in the region.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

Certain properties in Hong Kong and in Singapore with an aggregate carrying value of approximately HK$53,620,000 have been pledged to secure the bank loans and overdrafts of the Group by way of a fixed charge.

CONTINGENT LIABILITIES

At 30th June 2003, the Group had contingent liabilities in respect of letters of guarantee given to customers and bills of exchange discounted with recourse of approximately HK$7,474,000 and HK$5,940,000 respectively.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company's Listing Date was after the period under review. Since the Listing Date, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of any information which would reasonably indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange at any time since the Listing Date.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated condensed accounts for the six months ended 30th June 2003 with the Directors.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the unaudited consolidated interim results of the Group for the six months ended 30th June 2003 required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Lee Sou Leung, Joseph
Chairman

Hong Kong, 16th September 2003

* *For identification purpose only*