

Leepport

LEEPORT (HOLDINGS) LIMITED

力豐(集團)有限公司*

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

The directors (the "Directors") of Leepport (Holdings) Limited (the "Company") are pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2004 together with the unaudited comparative figures for the same period in 2003 as follows:

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK6 cents per ordinary share, amounting to a total of HK\$12,000,000, which will be payable on 23rd September 2004 to shareholders whose names appear on the Register of Members on 21st September 2004.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited	
	Six months ended 30th June 2004	2003
	HK\$'000	HK\$'000
Turnover	316,258	207,365
Cost of sales	(241,861)	(153,564)
Gross profit	74,397	53,801
Other revenues	6,265	5,639
Gain on disposal of an investment property	3 4,668	–
Selling and distribution costs	(16,521)	(10,323)
Administrative expenses	(45,348)	(36,319)
Operating profit	4 23,461	12,798
Finance costs	(1,063)	(1,386)
Profit before taxation	22,398	11,412
Taxation	5 (1,514)	(1,305)
Profit after taxation	20,884	10,107
Minority interests	(563)	–
Profit attributable to shareholders	20,321	10,107
Dividends	6 12,000	8,000
Basic earnings per share	7 HK10.16 cents	HK5.05 cents
Diluted earnings per share	7 HK10.16 cents	HK5.05 cents

Notes:

1 Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. These condensed accounts should be read in conjunction with the 2003 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2 Segment information

(a) Primary reporting format – geographical segments

The Group is engaged principally 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).

	Six months ended 30th June 2004			Total HK\$'000
	The PRC HK\$'000	Hong Kong HK\$'000	Southeast Asia and other countries HK\$'000	
Turnover	140,554	156,869	18,835	316,258
Segment results	9,492	13,319	650	23,461
Finance costs	–	–	–	(1,063)
Profit before taxation	–	–	–	22,398
Taxation	–	–	–	(1,514)
Profit after taxation	–	–	–	20,884
Minority interests	–	–	–	(563)
Profit attributable to shareholders	–	–	–	20,321

	Six months ended 30th June 2003			Total HK\$'000
	The PRC HK\$'000	Hong Kong HK\$'000	Southeast Asia and other countries 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

(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 periods.

3 Gain on disposal of an investment property

On 10th February 2004, the Group disposed of its investment property with carrying amount of HK\$16,000,000 as at the date of disposal to a third party company at a consideration of HK\$18,000,000. The total gain on disposal recognised in the profit and loss account for the period is HK\$4,668,000, comprising of HK\$2,668,000 which is released from the investment property revaluation reserve and HK\$2,000,000 which is the difference between the net sales proceeds and the carrying amount of the investment property as at the date of disposal.

4 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June 2004	2003
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of an investment property	4,668	–
Gain on disposal of a subsidiary	–	186
Gain on disposal of fixed assets	33	–
Reversal of provision for bad and doubtful debts	737	–
Charging		
Depreciation:		
Owned fixed assets	3,535	3,071
Leased fixed assets	–	44
Deficit on revaluation of leasehold properties	–	802
Provision for bad and doubtful debts	–	705
Provision for slow-moving inventories	457	121
Staff costs (including Directors' remuneration)	27,522	23,362

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. 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 consolidated profit and loss account represents:

	Six months ended 30th June 2004	2003
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	1,617	1,231
– Overseas taxation	23	162
– Under/(over) provisions in prior years	415	(337)
Deferred taxation relating to the origination and reversal of temporary differences	(541)	220
Deferred taxation resulting from an increase in tax rate	–	29
Taxation charge	1,514	1,305

6 Dividends

	Six months ended 30th June 2004	2003
	HK\$'000	HK\$'000
Special, paid, of HK\$8 per ordinary share (note(a))	–	8,000
Interim, declared, of HK6 cents (2003: Nil) per ordinary share (note (b))	12,000	–

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 ended 31st December 2003 which, was paid on 19th June 2003. The dividend represented dividends declared by a Company's wholly owned subsidiary, Leepport Machine Tool Co. Ltd., to its then shareholders prior to the Group's reorganisation.

(b) At a board meeting held on 24th August 2004, the Directors declared an interim dividend of HK6 cents per ordinary share for the year ending 31st December 2004. The declared dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

7 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$20,321,000 (2003: HK\$10,107,000).

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

The diluted earnings per share is based on 200,083,000 (2003: 200,000,000) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 83,000 (2003: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17th September 2004 (Friday) to 21st September 2004 (Tuesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of 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, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30pm on 16th September 2004 (Thursday).

BUSINESS REVIEW

For the six months ended 30th June 2004, the Group's turnover was HK\$316,258,000 (2003: HK\$207,365,000), representing an increase of 52.5% as compared with the corresponding period of 2003, while profit attributable to shareholders was HK\$20,321,000 (2003: HK\$10,107,000), representing an increase of 101.1% as compared with the corresponding period in 2003. The profit attributable to shareholders included a gain on disposal of an investment property i.e. HK\$4,668,000. Excluding this income, the profit attributable to shareholders would be HK\$15,653,000, representing an increase of 54.9% as compared with the corresponding period in 2003.

According to the statistics, the GDP year-on-year growth for China in Q1 2004 was 9.8% and in Q2 2004 was 9.6%. The Industrial Production year-on-year growth for China for the months in the first half of 2004 varied from 8% to 22%. The continued growth of GDP and Industrial Production of China indicate the strong demand of manufacturing facilities in the country. For the period between January and May of 2004, the import value of machine tools for China was US\$2.14 billion, an increase of 37% compared with the corresponding period in 2003. The high demand for machine tools came mainly from the automobile, aerospace and mould-making industries. Leepport's business benefits from this high growth in imports of machine tools. The Group's products including machine tools, measuring instruments and electronic equipment, recorded significant business growth in the first half of 2004.

The Group's turnover for the PRC market increased by 74.5%, compared with the corresponding period in 2003. The Group's turnover for the Hong Kong market increased by 47.0%, compared with the corresponding period in 2003. The PRC market continued to show momentum in early 2004.

The Group's business was still affected by the appreciation of Japanese Yen and Euro. The percentage of gross profit for the first six months of 2004 was 23.5%, compared with 25.9% for the corresponding period in 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to show a very good liquidity position. The current ratio of the Group was 1.48 as at 30th June 2004. The cash and cash equivalents on hand at the end of the period was HK\$63,514,000. The Group generally finances its operation with internally generated resources and banking facilities provided by its bankers.

As at 30th June 2004, the Group had net tangible assets of approximately HK\$141,736,000, comprising fixed assets of approximately HK\$57,263,000, net current assets of approximately HK\$98,186,000, minority interests of approximately HK\$6,233,000 and non-current liabilities of approximately HK\$7,480,000. On the same date, the total liabilities of the Group, including minority interests amounted to approximately HK\$216,164,000. Of these liabilities, the total repayable after one year amounted to approximately HK\$7,480,000. On the other hand, the total assets of the Group were HK\$357,900,000. The gearing ratio, defined as the ratio of total liabilities to total assets of the Group, as at 30th June 2004 was approximately 0.60 (31st December 2003: 0.57). The Group has maintained a stable gearing ratio during the period under review.

As at 30th June 2004, the Group has aggregate banking facilities of approximately HK\$489,376,000, of which HK\$177,449,000 has been utilised and were secured by fixed deposits of the Group amounting to HK\$1,000,000 and certain properties held by the Group with net book values of HK\$25,660,000.

FUTURE PLANS AND PROSPECTS

The statistic for first half of the year indicate strong demand for machine tools in the PRC market. Even though there has been macro-economic control and adjustment in China in the past few months, the impact on the Group's business is expected to be mild, and we continue to receive many active enquiries for our products. In fact, the strategy of the Group is to speed up market penetration to increase business volume. New offices in Suzhou, Wuhan, Zhuhai and Fuzhou were opened in the first half of 2004.

According to the statistics, Hong Kong exports increased by 15% in first half of the year compared with the corresponding period in 2003. The year-on-year growth for China exports for the months in the first half of the year increased by 20% to 47%. Economists predict that exports of both Hong Kong and China will grow steadily in the second half of the year. This is a good sign for the Group's business. The Group's outstanding orders on hand are worth about HK\$200 millions. We have confidence in the business performance for the second half of the year.

The Group is also actively targeting new driver for business growth, i.e. the automobile industry. Recent research regarding the automobile industry in China confirms our direction for this industry. The total number of units of production for cars in China in 2003 was 4.44 million, and is expected to be 5.15 million in 2004. Production volume is estimated to reach 10 million units by 2010. Furthermore, the value of automobile parts production in 2003 was US\$31.8 billion. The Group will devote more resources to the development of this market. The automobile industry offers opportunities for most of the Group's products, i.e. machine tools, measuring instruments, electronic equipments and rapid prototyping machine and services. We will source new specialised machinery and equipment for automobile manufacturing, especially in parts production.

EMPLOYEES

As at 30th June 2004, the Group had 322 employees (2003: 251), of whom 165 were based in Hong Kong and 133 were based in PRC (the remaining 24 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, discretionary performance bonuses and share options.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

Certain properties in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$25,660,000 have been pledged to secure the bank loans and overdrafts of the Group by way of a fixed charge.

CONTINGENT LIABILITIES

At 30th June 2004, the Group had contingent liabilities in respect of letters of guarantee given to customers and bills of exchange discounted with recourse of approximately HK\$15,790,000 and HK\$1,115,000 respectively.

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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information that would reasonably indicate that the Group is not, or was not, at any time during the six months ended 30th June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

The Company has set up an audit committee, comprised of two independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, and Dr Lui Sun Wing. The audit committee has reviewed accounting principles and practices adopted by the Group with management, and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30th June 2004 with the directors.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim report containing all the information regarding the unaudited consolidated interim results of the Group for the six months ended 30th June 2004 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 of Hong Kong Limited in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors comprise 3 executive directors, namely Mr. Lee Sou Leung, Joseph, Ms. Tan, Lisa Marie and Mr. Chan Hing Huen, Stanley and 2 independent non-executive directors, namely Dr. Lui Sun Wing and Mr. PIKE, Mark Terence.

On behalf of the Board
Lee Sou Leung Joseph
Chairman

Hong Kong, 24th August 2004

* For identification purpose only