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 2006

The directors (the "Directors") of Leeport (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 2006, 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 have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

The board has resolved to pay an interim dividend of HK 7.5 cents per share for the six months ended 30th June 2006 (2005: HK 7 cents per share) to shareholders whose names appear on the register of members of the Company on 6th October 2006 ("Record Date").

The board has proposed that the interim dividend will be payable in cash but shareholders will be given an option to elect to receive the interim dividend in the form of new shares in lieu of cash in respect of all or part of such dividend. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the five consecutive trading days up to and including the Record Date. The proposed scrip dividend is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the new shares. Further announcement with details of the scrip dividend scheme will be published in due course. It is expected that the interim dividend warrants and share certificates will be dispatched to shareholders on or about 20th November 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2006

	Note	Unaudited Six months ended 30th June 2006 HK$'000	2005 HK$'000
Sales	3	**445,209**	363,563
Cost of goods sold	5	**(345,116)**	(279,802)
Gross profit		**100,093**	83,761
Other gains – net	4	**6,260**	7,196
Excess of fair value of net assets acquired over cost of acquisition of a subsidiary		**–**	2,087
Selling and distribution costs	5	**(16,005)**	(16,449)
Administrative expenses	5	**(57,281)**	(49,509)
Operating profit		**33,067**	27,086
Finance costs		**(5,278)**	(2,006)
Profit before income tax		**27,789**	25,080
Income tax expense	6	**(2,242)**	(1,604)
Profit for the period		**25,547**	23,476
Attributable to:			
Equity holders of the Company		**25,096**	22,530
Minority interests		**451**	946
		25,547	23,476
Dividends	7	**15,291**	14,247
Earnings per share for profit attributable to the equity holders of the Company, expressed in cents per share			
– basic	8	**HK12.31 cents**	HK11.13 cents
– diluted	8	**N/A**	HK11.11 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2006

	Note	30th June 2006 Unaudited HK$'000	31st December 2005 Audited HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**78,165**	74,557
Leasehold land		**34,260**	34,462
		112,425	109,019
Current assets			
Inventories		**189,376**	162,308
Trade receivables and bills receivables	10	**238,110**	219,617
Other receivables, prepayments and deposits		**26,062**	23,803
Derivative financial instruments	9	**503**	691
Pledged bank deposits		**45,067**	70,725
Cash and bank balances		**39,753**	32,256
		538,871	509,400
Total assets		**651,296**	618,419
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**20,388**	20,388
Other reserves		**50,992**	50,449
Retained profits			
Proposed interim/final dividend		**15,291**	18,349
Others		**124,752**	114,456
		211,423	203,642
Minority interest		**7,958**	7,507
Total equity		**219,381**	211,149
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**6,936**	7,187
Current liabilities			
Trade payables and bills payables	11	**138,391**	116,233
Other payables, accruals and deposits received		**58,063**	49,682
Derivative financial instruments	9	**17**	368
Current income tax liabilities		**2,442**	1,763
Borrowings	12	**226,066**	232,037
		424,979	400,083
Total liabilities		**431,915**	407,270
Total equity and liabilities		**651,296**	618,419
Net current assets		**113,892**	109,317
Total assets less current liabilities		**226,317**	218,336

* *For identification purpose*

Notes:

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2006 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2005, except that the Group has adopted the new standards, amendments to standards and interpretations issued by the HKICPA which are effective for accounting periods commencing on or after 1st January 2006.

2 Changes in accounting policies

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st December 2006. The Group adopted those which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The new standards, amendments to standards and interpretations above do not have material impacts to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HK(IFRIC) – Int 7	Applying the Restatement Approach under HKFRS 29 [1]
HK(IFRIC) – Int 8	Scope of HKFRS 2 [2]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives [3]
HKAS 1 (Amendment)	Capital Disclosures [4]
HKFRS 7	Financial Instruments: Disclosures [4]

[1] Effective for annual periods beginning on or after 1st March 2006

[2] Effective for annual periods beginning on or after 1st May 2006

[3] Effective for annual periods beginning on or after 1st June 2006

[4] Effective for annual periods beginning on or after 1st January 2007

3 Segment information

(a) Primary reporting format – geographical segments

The Group is principally engaged in the trading, installation and provision of after-sales service of metalworking machineries, measuring instruments, cutting tools and electronics equipment in three main geographical areas, namely the People's Republic of China (the "PRC"), Hong Kong, Southeast Asia and other countries (principally Singapore). The PRC, for the purpose of these condensed consolidated financial information, excludes Hong Kong, the Republic of China ("Taiwan") and Macau.

	Six months ended 30th June 2006			
	The PRC HK$'000	**Hong Kong HK$'000**	**Southeast Asia and other countries HK$'000**	**Total HK$'000**
Sales	**236,443**	**153,876**	**54,890**	**445,209**
Segment results	**21,391**	**9,531**	**2,145**	**33,067**
Finance costs				**(5,278)**
Profit before income tax				**27,789**
Income tax expense				**(2,242)**
Profit for the period				**25,547**

	Six months ended 30th June 2005			
	The PRC HK$'000	Hong Kong HK$'000	Southeast Asia and other countries HK$'000	Total HK$'000
Sales	172,498	165,035	26,030	363,563
Segment results	15,707	11,348	31	27,086
Finance costs				(2,006)
Profit before income tax				25,080
Income tax expense				(1,604)
Profit for the period				23,476

(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.

4 Other gains – net

	Six months ended 30th June 2006 HK$'000	2005 HK$'000
Derivative instruments-forward contracts		
– Net fair value gain (realised and unrealised)	**163**	–
Interest income	**489**	304
Investment income	**652**	304
Service income	**4,893**	3,072
Commission income	**433**	3,249
Other income	**282**	571
	6,260	7,196

5 Expenses by nature

Expenses included in cost of goods sold, selling and distribution costs and administrative expenses are analysed as follows:

	Six months ended 30th June 2006 HK$'000	2005 HK$'000
Depreciation on property, plant and equipment	**5,411**	3,096
Amortisation on leasehold land	**223**	193
Provision for slow moving inventories	**1,412**	677
Provision for/(recovery of) bad and doubtful debts	**464**	(1,101)
Employee benefits expenses (including directors' remuneration)	**34,982**	32,240

6 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 income tax charged to the condensed consolidated income statement represents:

	Six months ended 30th June 2006 1HK$'000	2005 HK$'000
Current income tax		
– Hong Kong profits tax	**2,390**	1,913
– Overseas taxation	**30**	–
Over provisions in previous years	**(8)**	(225)
Deferred income tax	**(170)**	(84)
	2,242	1,604

7 Dividends

	Six months ended 30th June 2006 HK$'000	2005 HK$'000
Interim, proposed, of HK 7.5 cents (2005: HK 7 cents) per ordinary share	**15,291**	14,247

Note:

At a board meeting held on 18th September 2006, the directors proposed an interim dividend of HK7.5 cents per ordinary share for the year ending 31st December 2006. This declared dividend is not reflected as a dividend payable in these condensed consolidated financial information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

8 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to equity holders of HK$25,096,000 (2005: HK$22,530,000).

The basic earnings per share is based on the weighted average number of 203,880,000 (2005: 202,397,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30th June 2006 is presented as there were no potentially dilutive shares outstanding.

The diluted earnings per share for the six months ended 30th June 2005 is based on the weighted average number of 202,711,000 ordinary shares in issue during the period, plus the weighted average number of 314,000 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9 Derivative financial instruments

	As at 30th June 2006 Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts – non-hedging instruments	**503**	**(17)**

	As at 31st December 2005 Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts – non-hedging instruments	691	(368)

10 Trade receivables and bills receivables

At 30th June 2006 and 31st December 2005, the ageing analysis of the trade receivables and bills receivables were as follows:

	30th June 2006 HK$'000	31st December 2005 HK$'000
Current	**141,772**	119,318
1 – 3 months	**36,965**	68,675
4 – 6 months	**28,663**	11,621
7 – 12 months	**17,212**	17,707
Over 12 months	**20,094**	8,428
	244,706	225,749
Less: provision for impairment of receivables	**(6,596)**	(6,132)
	238,110	219,617

The Group generally grants credit terms of 30 to 120 days to its customers. Longer payment terms of approximately 180 days might be granted to those customers who have good payment history and long-term business relationship with the Group.

11 Trade payables and bills payables

At 30th June 2006 and 31st December 2005, the ageing analysis of the trade payables and bills payables were as follows:

	30th June 2006 HK$'000	31st December 2005 HK$'000
Current	**102,058**	82,536
1 – 3 months	**30,569**	29,676
4 – 6 months	**5,436**	3,352
7 – 12 months	**–**	–
Over 12 months	**328**	669
	138,391	116,233

12 Borrowings

	30th June 2006 HK$'000	31st December 2005 HK$'000
Current		
Bank overdrafts	**5,156**	429
Collateralised borrowings	**12,884**	12,449
Trust receipts loans	**125,961**	155,846
Bank loans	**82,065**	63,313
Total borrowings	**226,066**	232,037

13 Share capital

	30th June 2006 HK$'000	31st December 2005 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
203,880,000 ordinary shares of HK$0.10 each	**20,388**	20,388

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4th October 2006 (Wednesday) to 6th October 2006 (Friday), both days inclusive, during which period no transfer of shares will be affected. 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 at Hong Kong Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on 3rd October 2006 (Tuesday).

BUSINESS REVIEW

For the six months ended 30th June 2006, the Group's sales was HK$445,209,000 (2005: HK$363,563,000), representing an increase of 22.5% as compared with the same period in 2005. The profit attributable to equity holders was HK$25,096,000 (2005: HK$22,530,000), representing an increase of 11.4% as compared with the corresponding period in 2005. The profit attributable to equity holders in 2005 included an excess of fair value of net assets acquired over cost of acquisition of a subsidiary, i.e. HK$2,087,000 (after adjustment for minority interests of HK$208,700, the net amount was HK$1,878,300). Not counting this one time earning in 2005, the profit attributable to equity holders for the first half of the year 2006 actually increased by 21.5%.

In the first six months of 2006, there was significant growth in China's economy. The growth rate in the GDP was 10.9%, the growth rate for industrial production was 17.7% and the growth rate for exports was 25.2%. As for Hong Kong, the economy was also strong, with the GDP growing by 6.6%.

A number of industries related to our business in China achieved significant growth in the first six months of 2006. For example, the production volume of automobiles increased by 28.9%, reaching 3.6 million units compared with the same period in 2005. The production volume of mobile phones increased by 64.2% and the production volume of personal computers increased by 34.0% compared with the same period in 2005. As for machine tools, the import value for the first six months was US$3.36 billion, an increase of 4.0% as compared with the corresponding period in 2005.

In terms of geographical segments, the sales from China represented 53.1% of the Group's sales (2005: 47.4%); the sales from Hong Kong represented 34.6% of the Group's sales (2005: 45.4%), and the sales from Southeast Asia represented 12.3% of the Group's sales (2005: 7.2%). The Group's sales from China increased by 37.1% as compared with the same period in 2005. The Group's sales from Hong Kong decreased by 6.8% as compared with the same period in 2005. The Southeast Asia region had an outstanding performance in the first half of the year 2006, achieving a growth rate of 110.9% as compared with same period in 2005.

Due to strong demand for the manufacturing of electronic products in China in the first six months of the year, the electronics equipment business of the Group achieved significant growth of 235.6%. Cutting Tools continued its outstanding performance of the previous year, achieving a growth rate of 38.8%.

The global economy has improved continuously since early 2005. The demand for manufacturing equipment globally has been strong, particularly in Japan and Europe. We have therefore faced problems of long delivery times from our major suppliers, which have affected the performance of our machine tools and measuring instrument divisions. The machine tools business achieved a growth rate of only 2.8% in the first six months of 2006, and the measuring instruments business showed a slight decrease in sales, i.e.-3.8%.

For the first six months of 2006, the biggest customer group of our business was the mould & die industry, representing 28.2% of the Group's sales. The electronic industry was our second-biggest customer group, representing 24.5% of the Group's sales. The metal parts industry was our third-biggest customer group, representing 16.5% of the Group's sales. Other significant sales came from the automobile industry, the home appliance industry, industrial machinery manufacturers and telecommunications equipment manufacturers.

The average gross margin for the Group's business was 22.5% of sales. This was very close to the average gross margin for the same period in the previous year, i.e. 23.0% of sales. Since 2005, the Group has faced higher finance costs for bank loans. Our finance costs in the first six months of 2006 were HK$5,278,000 (2005: HK$2,006,000), i.e. 163.1% higher than for the same period in 2005. Due to our suppliers' long delivery schedule, some business divisions have had to keep higher inventory to meet our customers' needs for fast delivery. The net inventory balance of the Group as at 30th June 2006 was HK$189,376,000, i.e. 16.7% higher than the net inventory balance as at 31st December 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents as at 30th June 2006 was HK$34,597,000 (31st December 2005: HK$31,827,000). For the first six months of 2006, the inventory balance increased by HK$27,068,000; the balance of trade receivables and bills receivables increased by HK$18,493,000 and the balance of other receivables, prepayments and deposits increased by HK$2,259,000. Also, the balance of trade payables and bills payables increased by HK$22,158,000. The balance of other payables, accruals and deposits received increased by HK$8,381,000. The current ratio of the Group was 1.27 as at 30th June 2006 (31st December 2005: 1.27). Capital expenditure was HK$8,539,000 during the period, and there was payment of a final dividend for the year 2005, i.e. HK$18,349,000. The borrowings decreased by HK$5,971,000 as at 30th June 2006.

The gearing ratio, defined as the ratio of total liabilities to total assets of the Group, was approximately 0.66 as at 30th June 2006 (31st December 2005: 0.66).

As at 30th June 2006, the Group had aggregate banking facilities of approximately HK$695,650,000, of which HK$311,025,000 had been utilised.

FUTURE PLANS AND PROSPECTS

We believe that the overall economic situation for China and Hong Kong in the second half of 2006 will continue to be strong.

For the whole year of 2006, the GDP growth for China is forecast to be about 10.2% and the GDP growth for Hong Kong is forecast to be about 5.0%.

The electronics equipment and cutting tools business of the Group is expected to continue to be good for the rest of year 2006. The business for machine tools and measuring instruments is expected to achieve mild growth for the whole year of 2006. We predict that our Southeast Asian business will outperform and make a significant contribution to the Group for the whole year.

The machine tools business will be expanded with the addition of new products, and we will further expand our business in Southeast Asian countries.

The Group will upgrade the productivity of the sales team through better utilisation of the IT sales management system, continued internal training and the promotion of cross-selling functions. A number of measures also have been taken to strengthen the marketing of the Group's image and the Group's products. The promotion of customer visits and technical seminars at the Shenzhen Advanced Manufacturing Technology Centre has enhanced Leeport's image in the market since the opening of the centre in October 2005. Furthermore, marketing through the media and trade magazines in China, Hong Kong and Europe has also increased the recognition of the Leeport name and the Group's business. We foresee that the market position of Leeport will therefore become stronger.

Financially, the Group aims to alleviate the burden of finance costs by improving cashflow management and reducing the level of borrowings. Targets have been set for the reduction of the levels of inventory, trade receivables and bills receivables by the end of 2006.

In view of the strong economy of China and Hong Kong, we believe that the Group's business will achieve reasonable growth for the whole year of 2006.

EMPLOYEES

As at 30th June 2006, the Group had 554 employees (2005: 410), of whom 209 were based in Hong Kong and 311 were based in mainland China, and 34 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 2006, certain land and buildings and bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$64,892,000 (31st December 2005: HK$90,929,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

CONTINGENT LIABILITIES

At 30th June 2006, the Group had contingent liabilities in respect of guarantee given to the customers of approximately HK$9,447,000 (31st December 2005: HK$8,850,000).

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

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

As at 30th June 2006, the Group had commitments for foreign currency forward contracts amounting to approximately HK$43,123,000 (31st December 2005: HK$98,922,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on the Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th June 2006. On 26th May 2006, a special resolution was passed at the 2006 annual general meeting of the Company to amend the Company's Bye-Laws in order to comply with the Code, especially the director retirement requirements under the Code.

Further information about Chairman and Chief Executive Officer

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

For the six months period ended 30th June 2006, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30th June 2006 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE. Mark Terence, Dr. Lui Sun Wing and Mr. NIMMO, Walter Gilbert Mearns, 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 financial information for the six months ended 30th June 2006 with the directors.

2006 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2006 containing all the information required by the Listing Rules will be published on the Stock Exchange's website and dispatched to shareholders by the end of September 2006.

On behalf of the Board
Lee Sou Leung Joseph
Chairman

Hong Kong, 18th September 2006

As at the date of this announcement, the board of directors comprises, 3 executive directors, namely Mr. Lee Sou Leung, Joseph, Ms. Tan, Lisa Marie and Mr. Chan Ching Huen, Stanley and 3 independent non-executive directors, namely Dr. Lui Sun Wing, Mr. Pike, Mark Terence and Mr. NIMMO, Walter Gilbert Mearns.