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 2019

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 2019, 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 resolved not to declare any dividend for the six months ended 30th June 2019 (2018: HK3.0 cents).

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

		Unaudited Six months ended 30th June	
	Note	**2019**	2018
		HK$'000	*HK$'000*
Sales	*3*	**379,751**	430,297
Cost of goods sold		**(311,588)**	(362,022)
Gross profit		**68,163**	68,275
Other income and gains – net		**10,345**	8,472
Selling and distribution costs		**(16,900)**	(14,348)
Administrative expenses		**(68,296)**	(50,479)
Operating (loss)/profit	*4*	**(6,688)**	11,920
Finance income		**798**	803
Finance costs		**(3,973)**	(2,860)
Finance costs – net		**(3,175)**	(2,057)
Share of post – tax profits of associates		**4,884**	10,049
(Loss)/profit before income tax		**(4,979)**	19,912
Income tax expense	*5*	**(1,889)**	(2,037)
(Loss)/profit for the period		**(6,868)**	17,875
(Loss)/profit attributable to owners of the Company		**(6,241)**	17,243
(Loss)/profit attributable to non-controlling interests		**(627)**	632
		(6,868)	17,875
		HK cents per Share	HK cents per Share
(Loss)/earnings per share attributable to owners of the Company			
Basic (loss)/earnings per share	*7*	**(2.71)**	7.49

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Unaudited Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(6,868)**	17,875
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to profit or loss		
Movement of deferred tax	**572**	539
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**(11,266)**	8,489
	(10,694)	9,028
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,821)**	(3,288)
Share of other comprehensive income of associates	**1,051**	907
	(770)	(2,381)
Other comprehensive (loss)/income, net of tax	**(11,464)**	6,647
Total comprehensive (loss)/income for the period	**(18,332)**	24,522
Total comprehensive (loss)/income attributable to owners of the Company	**(17,668)**	23,897
Total comprehensive (loss)/income attributable to non-controlling interests	**(664)**	625
	(18,332)	24,522

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2019

	Note	**Unaudited 30th June 2019** ***HK$'000***	Audited 31st December 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**237,444**	242,684
Right-of-use assets		**19,354**	–
Leasehold land		**–**	14,175
Investment properties		**55,673**	55,611
Investments in associates		**153,235**	155,300
Loan to an associate		**18,026**	18,158
Financial assets at fair value through other comprehensive income		**8,089**	8,089
		491,821	494,017
Current assets			
Inventories		**108,422**	102,109
Trade receivables and bills receivables	*8*	**139,771**	142,362
Other receivables, prepayments and deposits		**14,158**	33,047
Financial assets at fair value through other comprehensive income		**69,865**	81,131
Derivative financial instruments		**182**	316
Amount due from an associate		**247**	261
Restricted bank deposits		**26,680**	26,576
Cash and cash equivalents		**54,216**	52,874
		413,541	438,676
Total assets		**905,362**	932,693

	Note	**Unaudited 30th June 2019** *HK$'000*	Audited 31st December 2018 *HK$'000*
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**23,007**	23,007
Other reserves		**182,086**	196,979
Retained earnings		**215,929**	224,456
		421,022	444,442
Non-controlling interests		**312**	976
Total equity		**421,334**	445,418
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**5,556**	8,889
Lease liabilities		**3,516**	–
Deferred income tax liabilities		**32,258**	32,326
		41,330	41,215
Current liabilities			
Trade payables and bills payables	*9*	**145,118**	145,819
Other payables, accruals and deposits received		**59,039**	90,030
Derivative financial instruments		**71**	275
Amount due to an associate		**1,478**	1,750
Amount due to a non-controlling shareholder		**9,595**	9,595
Borrowings	*10*	**218,745**	194,519
Lease liabilities		**1,931**	–
Tax payable		**969**	4,072
Dividend payable		**5,752**	–
		442,698	446,060
Total liabilities		**484,028**	487,275
Total equity and liabilities		**905,362**	932,693

Notes :

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30th June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30th June 2019, the Group had net current liabilities of HK$29,157,000. The directors are of the opinion that, taking into account all information available, the Group has adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Based on the Group's proven abilities in obtaining new financing, its relationship with various financial institutions, new bank borrowings obtained subsequent to the balance sheet date and the cash flows expected to be generated from operations and investments, the directors of the Company consider that the Group will be able to obtain adequate financial resources to enable it to operate and fulfill its liabilities and commitments as and when they fall due within the twelve months from 30th June 2019. Accordingly, the directors have prepared these consolidated financial statements on a going concern basis.

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 2018, 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 2019:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Of these, HKFRS 16 "Leases" is relevant to the Group's interim condensed consolidated financial information. The impact of the adoption of the standard and the new accounting policy is disclosed below.

The other standards, amendments and interpretation did not have material impact on the Group's accounting policies and did not require any adjustments.

HKFRS 16 Leases

(i) Adjustments recognised on adoption of HKFRS 16

Impact on segment disclosures and earnings per share

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st January 2019. The discounting impact quantified is immaterial.

	2019
	HK$'000
Operating lease commitments disclosed as at 31st December 2018	703
Add: adjustments as a result of a different treatment of extension and termination options	787
Lease liabilities recognised as at 1st January 2019	1,490
Of which are:	
Non-current liabilities	895
Current liabilities	595
	1,490

The recognised right-of-use assets were related to land and buildings and measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31st December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

As at 1st January 2019, the leasehold land of HK$14,175,000 was reclassified to "Right-of-use assets".

Adjusted segment results, segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Adjusted segment results	**Segment assets**	**Segment liabilities**
	HK$'000	*HK$'000*	*HK$'000*
The PRC	–	943	943
Hong Kong	–	136	136
Others	(34)	4,334	4,368
	(34)	5,413	5,447

Loss per share decreased by HK0.01 cent per share for the six months to 30th June 2019 as a result of the adoption of HKFRS 16.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a lease.

(ii) The Group's leasing activities and how these are accounted for

The Group leases various offices, car park spaces and staff quarters. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) New and amended standards issued but not yet applied by the Group

The following new standards and amendments to existing standards have been issued but are not yet effective for the financial period of the Group beginning on 1st January 2019 and have not been early adopted by the Group:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
HKAS 1 and 8 (Amendments)	Definition of Material[1]
HKFRS 3 (Amendments)	Definition of Business[1]
HKFRS 17	Insurance Contracts[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for the accounting period beginning on or after 1st January 2020

[2] Effective for the accounting period beginning on or after 1st January 2021

[3] Effective date to be determined

None of these HKFRSs is expected to have a significant effect on the financial statements of the Group.

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, Germany, 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 2019			
	The PRC	**HK**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**348,962**	**19,284**	**11,505**	**379,751**
Segment results	**1,060**	**(4,068)**	**(3,680)**	**(6,688)**
Finance costs – net				**(3,175)**
Share of post-tax profit of associates				**4,884**
Loss before income tax				**(4,979)**
Income tax expense				**(1,889)**
Loss for the period				**(6,868)**

	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

During the period ended 30th June 2019 and 2018, there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue.

As at 30th June 2019, contract liabilities of HK$36,596,000 (31st December 2018: HK$58,496,000) 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 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
Total assets:		
The PRC	**349,132**	335,417
Hong Kong	**377,647**	399,271
Other countries *(Note (a))*	**178,583**	198,005
	905,362	932,693

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 30th June 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
Capital expenditure:		
The PRC	**50**	298
Hong Kong	**56**	87
Other countries *(Note (a))*	**10**	4,784
	116	5,169

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 (LOSS)/PROFIT

The following items have been charged to the operating (loss)/profit during the period:

	Unaudited	
	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**309,685**	359,129
Depreciation on property, plant and equipment	**5,335**	4,986
Depreciation on right-of-use assets	**918**	–
Amortisation on leasehold land	**–**	223
Employee benefits expenses (including directors' remuneration)	**41,183**	31,973
Foreign exchange losses/(gains), net	**558**	(3,123)
Operating lease rentals	**133**	1,000
Provision for slow moving inventories	**23**	685
Provision for impairment of trade and bills receivables	**251**	110
Professional fee	**3,228**	2,246

5. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**–**	230
– PRC and overseas taxation	**1,385**	1,907
Deferred income tax	**504**	(100)
	1,889	2,037

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% (2018: 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% (2018: 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% (2018: 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$5,752,000 that relates to the year ended 31st December 2018 is payable as at 30th June 2019 (2018: dividend of HK$8,053,000 relating to the year ended 31st December 2017 was paid in June 2018).

No interim dividend is proposed for the period ended 30th June 2019 (2018: HK3.0 cents per share, amounting to HK$6,902,000).

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2019	2018
(Loss)/profit from continuing operations attributable to owners of the Company *(HK$'000)*	**(6,241)**	17,243
Weighted average number of ordinary shares in issue *(in thousands)*	**230,076**	230,076
Basic (loss)/earnings per share attributable to owners of the Company *(HK cents per share)*	**(2.71)**	7.49

(b) Diluted

Diluted (loss)/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 (loss)/earnings per share. There are no share options for the period ended 30th June 2019 and 2018, hence no diluted (loss)/earnings per share was presented.

8. TRADE RECEIVABLES AND BILLS RECEIVABLES

At 30th June 2019 and 31st December 2018, the ageing analysis of trade receivables and bills receivables by invoice date are as follows:

	Unaudited 30th June 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
Within 3 months	**97,379**	118,854
4 – 6 months	**17,593**	10,220
7 – 12 months	**16,948**	5,419
Over 12 months	**11,471**	11,238
	143,391	145,731
Less: impairment allowance of receivables	**(3,620)**	(3,369)
	139,771	142,362

The Group generally grants credit terms of 30 days 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 2019 and 31st December 2018, the ageing analysis of the trade payables and bills payables by due date are as follows:

	Unaudited 30th June 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
Current	**136,052**	134,021
1 – 3 months	**2,391**	3,874
4 – 6 months	**–**	1,393
7 – 12 months	**379**	–
Over 12 months	**6,296**	6,531
	145,118	145,819

10. BORROWINGS

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Non-current		
Portions of term loans from banks due for repayment after one year	**5,556**	8,889
Current		
Trust receipt loans	**90,657**	61,641
Portions of term loans from banks due for repayment within one year or with repayment on demand clause	**128,088**	132,878
	218,745	194,519
Total borrowings	**224,301**	203,408

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

Movements in borrowings are analysed as follows:

	Unaudited *HK$'000*
As at 1st January 2019	**203,408**
Repayments of borrowings	**(70,569)**
Proceeds from borrowings	**91,423**
Exchange differences	**39**
As at 30th June 2019	**224,301**

	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

FINANCIAL PERFORMANCE

Sales

Due to the uncertain global economy and the trade war between China and the U.S. since the middle of 2018, the Group's business in equipment and measuring instrument sales in the first half of 2019 was adversely affected.

In the first six months of 2019, the Group's sales amounted to HK$379,751,000, compared with HK$430,297,000 in the same period last year, representing a decrease of 11.7%. Our gross profit amounted to HK$68,163,000, compared with HK$68,275,000 in the same period last year, representing a slightly decrease of 0.2%. The gross profit percentage was 17.9%, compared with 15.9% in the same period last year – this increase was due mainly to changes in our product mix.

The total value of contracts signed in the first half of 2019 was HK$312,289,000 compared with HK$473,069,000 in the same period last year, representing a decrease of 34.0%.

Other Income and Gains

The total value of other income and gains was HK$10,345,000, compared with HK$8,472,000 in the same period last year, representing an increase of 22.1%. The main reason for the increase of other income and gains was due to the increase of service income.

Our service income was HK$4,900,000 in the first half of 2019, compared with HK$3,869,000 in the same period last year. Our investee, Prima Industrie S.p.A. declared a dividend, so the Group received a dividend of HK$2,030,000, compared with HK$1,844,000 last year.

Other income included rental income of HK$1,064,000 and a management fee of HK$773,000 charged against Mitutoyo Leeport Metrology Corporation.

Operating Expenses

Selling and distribution costs were HK$16,900,000, compared with HK$14,348,000 in the same period last year, representing an increase of 17.8%. The increase in selling and distribution costs was due mainly to the increase in exhibition costs and logistics costs.

Administrative expenses amounted to HK$68,296,000, compared with HK$50,479,000 in the same period last year, representing an increase of 35.3%. During the first half of 2019, the administrative expenses included an exchange loss of HK$558,000, however in the same period last year there was an exchange gain of HK$3,123,000. Staff costs and travelling costs were also higher in the first half of 2019 due to the expansion of the sales team and the acquisition of a company in the automation industry in Germany.

Finance Expenses – Net

Finance costs net of interest income were HK$3,175,000, compared with HK$2,057,000 in the same period last year.

Finance income in the first half of 2019 was HK$798,000, compared with HK$803,000 in the same period last year.

Finance costs in the first half of 2019 were HK$3,973,000, compared with HK$2,860,000 in the same period last year, representing an increase of 38.9%. This increase was due to the higher interest rate in the market and an increase in bank borrowings in the first half of 2019.

Share of Post-Tax Profits of Associates

The share of post-tax profits of associates in the first half of 2019 was HK$4,884,000, compared with HK$10,049,000 in the same period last year, representing a decrease of 51.4%. The business for Mitutoyo Leeport Metrology Corporation, OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited was lower than in the same period of last year.

Income Tax Expenses

The income tax expenses in the first half of 2019 amounted to HK$1,889,000, compared with HK$2,037,000 in the same period last year, representing a decrease of 7.3%.

Loss Attributable to Owners of the Company and Loss Per Share

In the first half of 2019, the loss attributable to owners of the Company was HK$6,241,000, compared with profit attributable to owners of the Company amounted to HK$17,243,000 in the same period last year.

The operating loss for the trading business was HK$6,688,000, compared with an operating profit of HK$11,920,000 in the same period last year. The share of post-tax profits of associates was also lower than in the same period last year. The share of post-tax profits of associates was HK$4,884,000, compared with HK$10,049,000 in the same period last year, representing a decrease of 51.4%.

The basic loss per share was HK2.71 cents, compared with the basic earnings per share of HK7.49 cents in the same period in 2018.

BUSINESS REVIEW

Trading

Due to the trade war that has been going on between China and the U.S. since the middle of 2018, the economic situation in China has been worrying. Quite a number of economic indicators of the country have slowed down. The growth rate of China's GDP was 6.3% in the first half of 2019, compared with 6.8% in the same period last year. The monthly Purchase Manager Index (PMI) for China's manufacturing industry was between 50 and 49 in the first half of 2019, compared with a level of 50 every month in the same period last year. This indicates that the manufacturing industry in China in first half of 2019 was relatively weaker.

The Group's business in China has faced significant challenges since the end of 2018. In the first half of 2019, the equipment sales of the Group fell by 19% compared with the same period last year, and the sales of measuring instruments fell by 45% compared with the same period last year. However, the sales of cutting tools and assembly tools increased by 5% compared with the same period last year. Both of the major customer segments of the Group's business, i.e., the automotive industry and mobile phone manufacturing, recorded a significant reduction in production volume in the first half of 2019. The production volume of the automotive industry in China was around 12 million units, a drop of 14.2% compared with the same period last year. The production volume for mobile phones also fell by 6.9% as compared with the same period last year. The Group's automation business in Germany also faced uncertain economic situation, and business was fairly poor in the first half of 2019.

The value of the Group's outstanding orders as at the end of July 2019 was HK$217,408,000, compared with HK$247,101,000 in the same period last year.

Investment

All of the associated companies of the Group faced the same challenges as the Group in the first half of 2019. Business fell to a certain extent as compared with the same period last year. The market in Europe was also weak. OPS Ingersoll Funkenerosion GmbH had to take measure to reduce operating cost.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's balance of cash as at 30th June 2019 was HK$54,216,000, compared with HK$52,874,000 as at 31st December 2018. The Group maintained a reasonable cash position. The Group's inventory balance as at 30th June 2019 was HK$108,422,000, compared with HK$102,109,000 as at 31st December 2018. The turnover days of inventory was 63 at the end of June 2019, compared with 55 at the end of December 2018 – this was due to the fact that during the first half of 2019, the cutting tools and assembly tools business contributed a higher proportion of our total business revenue, compared with the other business types of our Group. The balance of trade receivable and bills receivable was HK$139,771,000 as at 30th June 2019, compared with HK$142,362,000 as at 31st December 2018. The turnover days of trade receivable was 67, compared with 64 at the end of December 2018 – this was due to the fact that during the first half of 2019, the cutting tools and assembly tools business contributed a higher proportion of our total business revenue, compared with the other business types of our Group. The balance of trade payable and bills payable was HK$145,118,000 as at 30th June 2019, compared with HK$145,819,000 as at 31st December 2018. The balance of short-term borrowings was HK$218,745,000 as at 30th June 2019, compared with HK$194,519,000 as at 31st December 2018. The balance of long-term borrowings was HK$5,556,000 as at 30th June 2019, compared with HK$8,889,000 as at 31st December 2018.

The Group's net gearing ratio was approximately 40.4% as at 30th June 2019, compared with 33.8% as at 31st December 2018. Our net gearing ratio is calculated as net debt divided by total equity, and our net debt is calculated as total borrowings less cash and cash equivalent. The Group's net gearing ratio was higher because our borrowing level was higher and the equity value was lower compared with amount at the end of December 2018.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2019, the Group had aggregate banking facilities of approximately HK$737,916,000, of which approximately HK$262,297,000 was utilized, bearing interest at prevailing market rates and secured by certain land and buildings, investment properties and restricted bank deposits of the Group in Hong Kong, Shenzhen and Singapore, with an aggregate carrying amount of HK$281,813,000 (31st December 2018: HK$284,987,000). 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 2019, most of the Group's business divisions faced a drop in the number of orders received. The weakening orders for equipment and measuring instruments were an indication of the reluctance by manufacturers in China to make capital investments. The business for the Group's cutting tools and assembly tools divisions recorded a slight increase in the first half of 2019, indicating that production is still active. The Group's sheetmetal machinery business recorded a significant increase in sales, which was attributable to some infrastructure projects in China.

The business situation in China relies on the trade negotiations between China and U.S., but the outcome of those negotiations is quite uncertain. Facing this difficulty, the Group must take action to control its operating expenses. Competition in the market is likely to be very keen. The Group's management will therefore enhance the productivity of the sales team and the quality of service to customers.

We foresee that some industries, such as electric cars, 5G equipment and hand phones, will be able to provide new business opportunities for the Group. Given the current unfavourable market situation, the Group must cut costs and develop sales strategies to win more orders. We expect that business will improve in the second half of 2019.

EMPLOYEES

As at 30th June 2019, the Group had 346 employees (31st December 2018: 328). Of these, 82 were based in Hong Kong, 219 were based in mainland China, and 45 were based in other offices around Asia and Germany. 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, pension scheme contribution in different countries, the Group offered staff benefits including medical schemes, education subsidies and discretionary performance bonuses.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2019, certain land and buildings, leasehold land and investment properties and restricted bank deposits in Hong Kong, Shenzhen and Singapore, with an aggregate carrying value of approximately HK$281,813,000 (31st December 2018: HK$284,987,000), 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 2019, the Group spent a total of HK$116,000 (30th June 2018: HK$4,071,000) in capital expenditure, primarily consisting of property, plant and equipment. As at 30th June 2019 and 31st December 2018, the Group has no capital commitment. In the meantime, a total of HK$5,706,000 (31st December 2018: HK$4,631,000) 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 2019, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR2,868,000 for HKD25,574,000; GBP137,000 for HKD1,366,000; JPY141,591,000 for HKD10,205,000 and JPY25,800,000 for USD241,000 (2018: EUR2,680,000 for HKD24,280,000; GBP78,000 for HKD784,000; JPY546,357,000 for HKD38,553,000; USD57,000 for HKD446,000; and JPY11,100,000 for USD100,000).

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.

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 2019, 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.

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 2019.

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 2019 with the directors.

2019 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2019 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 2019.

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

Hong Kong, 6th August 2019

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. ZAVATTI Samuel, Mr. FUNG Wai Hing and Mr. WONG Tat Cheong, Frederick.