

Leeport

力豐(集團)有限公司
LEEPORT (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 0387)



2023

INTERIM REPORT

ADVANCED MANUFACTURING TECHNOLOGIES

Since 1967



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MANAGEMENT COMMENTARY

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 2023, 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.

FINANCIAL PERFORMANCE

Revenue

During the first six months of 2023, China’s economy was recovering from the effects of the government’s strict measures in controlling COVID-19 in 2022. However, the recovery was not as strong as expected. In particular, the manufacturing industry did not show strong demand after the weakened situation in 2022.

In the first half of 2023, the Group’s revenue amounted to HK\$409,610,000 compared with HK\$348,434,000 in the same period last year, representing an increase of 17.6%. The increase was due to the delivery of some major orders received last year. The gross profit amounted to HK\$67,887,000, compared with HK\$47,859,000 in the same period last year, representing an increase of 41.8%. The gross profit percentage was 16.6%, compare with 13.7% in the same period last year.

The total order intake in the first half of 2023 was HK\$407,502,000 including orders with commission income.

Other Income and Gains

In the first half of 2023, the total amount of other income and gains was HK\$2,405,000, compared with HK\$7,405,000 in the same period last year, representing a decrease of 67.5%.

Rental income was HK\$1,563,000 in the first half of 2023, compared with HK\$1,534,000 in the same period last year.

Commission income was HK\$431,000, compared with HK\$71,000 in the same period last year, representing an increase of 507.0%.

Service income from the first half of 2023, totalling HK\$3,002,000, was reclassified to revenue as recurring income from operations. In the same period last year, service income was HK\$6,987,000.

In the first half of 2023, there was a net loss from derivative financial instruments amounting to HK\$402,000, compared with a net loss HK\$4,344,000 in the same period last year.

In the first half of 2022, there was government grant HK\$847,000 which mainly related to subsidies from the Hong Kong Government under the Anti-epidemic Fund. There was no government grant received in 2023.

In the first half of 2022, a dividend of HK\$2,314,000 was received from Prima Industrie S.p.A. ("Prima"), a company incorporated in Italy with limited liability, the shares of which are listed on the Milan Exchange (Stock Code: PRI:IM). After the disposal of Prima was completed at the end of 2022 (Details of which have been disclosed in the announcement of the Company dated 7 December 2022), there was no dividend received in 2023.

Operating Expenses

In the first half of 2023, selling and distribution costs were HK\$10,607,000, compared with HK\$9,518,000 in the same period last year, representing an increase of 11.4% while revenue grew 17.6% over the same period last year.

In the first half of 2023, administrative expenses amounted to HK\$49,437,000, compared with HK\$50,849,000 in the same period last year, representing a decrease of 2.8%, even though revenue grew 17.6% over the same period last year.

Finance Costs – Net

Finance costs net of interest income were HK\$5,434,000 in the first half of 2023, compared with HK\$2,946,000 in the same period last year, representing an increase of 84.5%.

Finance income in the first half of 2023 was HK\$411,000, compared with HK\$586,000 in the same period last year.

Finance costs in the first half of 2023 were HK\$5,845,000, compared with HK\$3,532,000 in the same period last year, representing an increase of 65.5%. This was due to a significant increase in the market interest rate.

The Group's net gearing ratio was approximately 32.8% at the end of June 2023, compared with 33.5% at the end of December 2022.

Share of Post-tax Profits of Associates

The share of post-tax profits of associates in the first half of 2023 was HK\$953,000, compared with HK\$2,369,000 in the same period last year, representing a decrease of 59.8%. This decrease was attributable to an operating loss for OPS-Ingersoll Funkenerosion GmbH, despite the fact that there was an increase in the profit for Prima Power Suzhou Company Limited.

Income Tax Expenses

Income tax expenses in the first half of 2023 amounted to HK\$280,000, compared with HK\$124,000 in the same period last year, representing an increase of 125.8%.

Profit/Loss Attributable to Owners of the Company and Earnings/Losses Per Share

In the first half of 2023, the profit attributable to owners of the Company was HK\$5,496,000, compared with a loss attributable to owners of the Company amounting to HK\$5,686,000 in the same period last year.

The operating profit for the trading business was HK\$10,248,000, compared with an operating loss of HK\$5,103,000 in the same period last year.

The basic earnings per share was HK2.39 cents, compared with a basic loss per share of HK2.47 cents in the same period last year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11th September 2023 (Monday) to 13th September 2023 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order for members to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 8th September 2023 (Friday).

Interim Dividend

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2023 (2022: Nil). The dividend will be paid to shareholders whose names appear on the register of members of the Company on 13th September 2023 (the "Record date"). The interim dividend is expected to be distributed to shareholders on or around 29th September 2023 (Friday).

BUSINESS REVIEW

Trading

In the first half of 2023, the recovery of the global economy was weak, and international markets were unpredictable. China's export business faced many challenges, and its domestic market also lacked momentum. In the first half of 2023, China's GDP growth rate was 5.5%, its export value grew by 3.7%, and its industrial value grew by 3.8%. Those figures did not meet the expectations of the market, as most people believed the recovery in China's economy should have been stronger.

The order intake of the Group in the first half of the year came mainly from customers in the new energy car industry. The business situation for other major customer segments of the Group, such as mold-making, mobile phone manufacturing and 3C manufacturing, was not favourable. In the first half of 2023, the car manufacturing industry in China recorded 13 million units, an increase of 9.3% compared with the same period last year. Within the figure of 13 million units, the new energy car manufacturing segment delivered 3.8 million units, an increase of 42.4% compared with the same period last year. The sales volume of mobile phones was 46 million units, a drop of 5% compared with the same period last year.

In the first half of 2023, mechanical and electrical products represented 58.2% of the China's export value, an increase of 6.3% compared with the same period last year. Mechanical and electrical products manufacturers are Leeport's major customer base. This means our business opportunity is still huge in China, so our sales team believes business will be better for Leeport in the second half of the year.

Investment

The economy in Europe in the first half of 2023 was weak, due to the continuing impact of the Russian-Ukrainian war that started in early 2022. The Group's associated company in Germany, OPS-Ingersoll Funkenerosion GmbH, recorded a small loss. Business for our associated company in China, Prima Power Suzhou Company Limited, benefited from orders from the new energy car industry, and the company recorded a reasonable profit in the first half of the year.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash and cash equivalents as at 30th June 2023 was HK\$13,609,000 (31st December 2022: HK\$63,438,000). The decrease in the bank balance was due mainly to the increase in repayment of bank borrowings to reduce financial costs under a high interest rate environment. The Group still maintained a reasonable cash position.

The balance of inventory as at 30th June 2023 was HK\$128,921,000 (31st December 2022: HK\$92,890,000) to support the growth in business. The turnover days of inventory was 69 at the end of June 2023, compared with 46 at the end of December 2022. Increase in inventory was attributable to the increase in holding of machines in-transit before subsequent delivery to customers.

The balance of trade and bills receivable as at 30th June 2023 was HK\$210,446,000 (31st December 2022: HK\$263,661,000). The turnover days of trade receivables was 94, compared with 110 as at 31st December 2022. The decrease in turnover days of trade receivables was due to the efforts of the Group in expediting the collection of accounts receivable.

The balance of trade and bills payable as at 30th June 2023 was HK\$120,391,000 (31st December 2022: HK\$163,706,000).

The balance of short-term borrowings as at 30th June 2023 was HK\$179,911,000 (31st December 2022: HK\$231,948,000). The reduction in the borrowing level was a reflection of the Group's effort to reduce gearing.

The Group's net gearing ratio was approximately 32.8% as at 30th June 2023, compared with 33.5% as at 31st December 2022. The net gearing ratio was lower than in 2022. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent and restricted bank deposits. The decrease in the net gearing ratio was due in part to the reduction in the Group's borrowing level.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2023, the Group had aggregate banking facilities of approximately HK\$375,716,000, of which approximately HK\$222,951,000 was utilized, bearing interest at prevailing market rates and secured by certain land and buildings, investment properties, a financial asset at fair value through profit or loss and restricted bank deposits of the Group in Hong Kong, Shenzhen and Shanghai, with an aggregate carrying amount of HK\$212,976,000 (31st December 2022: HK\$320,633,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

China's overall economy in the first half of 2023 was reasonable, however the country's export market and domestic market are still facing many challenges. For example, the export value to Europe and the US is weakening. On the other hand, China successfully increased its trading volume with countries in the ASEAN, Latin American, African and Middle Eastern regions. In general, we believe the business situation in China will improve in the second half of the year.

For the Group, the market for new energy cars will continue to flourish, and we are confident that business for this customer segment will be good throughout the second half of the year. Also, we believe our Machine Tool Division and our Electronics Equipment Division will maintain a reasonable level of business, despite the difficult market conditions. Other business divisions need to strive for improvement in the second half of the year. The Group has started to increase its product range in some divisions in order to grow the business in the long term.

Our sales team is working hard to attract more customers in the new energy car, new energy equipment, aerospace and aircraft industries, which are currently promising target markets in China. Also, our service team has enhanced its after-sales service to customers. This is strengthening our relationship with customers and will result in more service income in the future.

The Group will be more cautious about its operating expenses in order to maintain a positive financial performance for the full year. In conclusion, we are cautiously optimistic about the overall performance of the Group in 2023.

EMPLOYEES

As at 30th June 2023, the Group had 226 employees (31st December 2022: 237). Of these, 44 were based in Hong Kong, 169 were based in mainland China, and 13 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 and pension scheme contribution in different countries, the Group offered staff benefits including medical schemes, education subsidies and discretionary performance bonuses.

SHARE OPTION SCHEME

On 15th May 2013, a share option scheme ("the Scheme") has been adopted in the annual general meeting held to replace the old scheme. Details of the Scheme are set out in the circular dated 15th April 2013 which was sent to the shareholders. The Scheme would remain in force for 10 years from the date of its adoption on 15th May 2013 and has expired on 14 May 2023. As at 30th June 2023, the Company has no share option scheme.

No share options were granted, cancelled, exercised or lapsed during the period.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares or underlying shares and/or debt securities, including debentures of the Company or any other body corporate.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2023, certain land and buildings, investment properties, a financial asset at fair value through profit or loss and restricted bank deposits in Hong Kong, Shenzhen and Shanghai, with an aggregate carrying value of approximately HK\$212,976,000 (31st December 2022: HK\$320,633,000), 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 2023, the Group spent a total of HK\$1,019,000 (30th June 2022: HK\$996,000) in capital expenditure, primarily consisting of plant and equipment. As at 30th June 2023, the Group has capital commitment of nil (31st December 2022: Nil). In the meantime, a total of HK\$2,293,000 (31st December 2022: HK\$2,109,000) 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 revenue 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 2023, the Group had not had any outstanding gross-settled foreign currency forward contracts (2022: JPY674,024,000 for HKD43,297,000 and EUR1,028,000 for HKD9,141,000).

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th June 2023, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules, were as follows:

		Number of ordinary shares of HK\$0.10 each held				Total	Percentage
		Personal Interests	Corporation interests	Other interests	Share option		
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	25,176,000 shares	1,500,000 shares (Note(b))	144,529,982 shares (Note(a))	Nil	171,205,982 shares	74.41%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	1,104,000 shares	Nil	Nil	Nil	1,104,000 shares	0.48%
Mr. ZAVATTI Samuel Mario ("Mr. Zavatti")	Long position	110,000 shares	Nil	Nil	Nil	110,000 shares	0.05%

- (a) The 144,529,982 shares are held by Peak Power Technology Limited in its capacity as the trustee of The Lee Family Unit Trust holding the same for the benefit of holders of units issued by The Lee Family Unit Trust. HSBC International Trustee Limited is the trustee of the LMT Trust whose discretionary objects are Ms. Tan Lisa Marie and Mr. Lee's family members. The aforesaid shares that Mr. Lee and Ms. Tan are deemed to be interested refer to the same parcel of shares. Ms. Tan is deemed to be interested in all the interests held by Mr. Lee, her husband.
- (b) 1,500,000 shares are registered in the name of J AND LEM Limited which is wholly-owned by Mr. Lee. Mr. Lee is deemed to be interested in these shares under SFO.

Save as disclosed above, as at 30th June 2023, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 30th June 2023, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

CORPORATE GOVERNANCE

During the six months ended 30th June 2023, the Company has complied with the code provisions set out in part 2 of 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 C.2.1

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and the Group Chief Executive Officer 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.

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 2023.

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 2023 and this report with the directors.

As at the date of this report, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHAN Ching Huen, Stanley and Mr. POON Yiu Ming, and the independent non-executive directors of the Company are Mr. ZAVATTI Samuel Mario, Mr. WONG Tat Cheong, Frederick and Mr. KRACHT Jurgen Ernst Max.

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

Hong Kong, 25th August 2023

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2023

	Note	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Assets			
Non-current assets			
Plant and equipment	7	10,697	10,805
Right-of-use assets	7	245,120	249,227
Investment properties	7	77,090	77,123
Investments in associates	8	63,227	62,243
Loan to an associate	18(c)	12,774	16,673
Financial assets at fair value through other comprehensive income		8,389	8,389
Financial assets at fair value through profit and loss		49,607	6,408
Prepayments for acquisition of financial asset		-	42,095
		466,904	472,963
Current assets			
Inventories		128,921	92,890
Trade and bills receivables	9	210,446	263,661
Other receivables, prepayments and deposits		30,293	92,730
Derivative financial instruments		-	823
Restricted bank deposits		12,734	11,022
Cash and cash equivalents		13,609	63,438
		396,003	524,564
Total assets		862,907	997,527

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2023

	Note	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	10	23,007	23,007
Other reserves		276,580	282,879
Retained earnings		173,679	169,117
		473,266	475,003
Non-controlling interests		(4,906)	(5,113)
Total equity		468,360	469,890
Liabilities			
Non-current liabilities			
Other payables		–	1,212
Lease liabilities		41	50
Deferred income tax liabilities		30,228	30,244
		30,269	31,506
Current liabilities			
Trade and bills payables	11	120,391	163,706
Other payables, accruals and contract liabilities		57,235	78,834
Borrowings	12	179,911	231,948
Lease liabilities		32	46
Tax payable		4,408	3,191
Dividend payable		2,301	18,406
		364,278	496,131
Total liabilities		394,547	527,637
Total equity and liabilities		862,907	997,527

The above condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2023

	Note	Unaudited Six months ended 30th June	
		2023 HK\$'000	2022 HK\$'000
Revenue	6	409,610	348,434
Cost of goods sold		(341,723)	(300,575)
Gross profit		67,887	47,859
Other income and gains – net		2,405	7,405
Selling and distribution costs		(10,607)	(9,518)
Administrative expenses		(49,437)	(50,849)
Operating profit/(loss)	13	10,248	(5,103)
Finance income		411	586
Finance costs		(5,845)	(3,532)
Finance costs – net		(5,434)	(2,946)
Share of post-tax profits of associates	8	953	2,369
Profit/(loss) before income tax		5,767	(5,680)
Income tax expense	14	(280)	(124)
Profit/(loss) for the period		5,487	(5,804)
Profit/(loss) attributable to owners of the Company		5,496	(5,686)
Loss attributable to non-controlling interests		(9)	(118)
		5,487	(5,804)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2023

		Unaudited Six months ended 30th June	
	Note	2023 HK cents per share	2022 HK cents per share
<hr/>			
Earnings/(losses) per share attributable to owners of the Company			
Basic earnings/(losses) per share	15	2.39	(2.47)

The above condensed consolidated interim income statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2023

	Unaudited Six months ended 30th June	
	2023 HK\$'000	2022 HK\$'000
Profit/(loss) for the period	5,487	(5,804)
Other comprehensive income/(loss)		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement of deferred tax	16	234
Change in fair value of financial assets at fair value through other comprehensive income	–	(33,273)
	16	(33,039)
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Currency translation differences	(4,732)	(14,000)
	(4,732)	(14,000)
Other comprehensive loss, net of tax	(4,716)	(47,039)
Total comprehensive income/(loss) for the period	771	(52,843)
Total comprehensive income/(loss) attributable to owners of the Company	564	(53,193)
Total comprehensive income attributable to non-controlling interests	207	350
	771	(52,843)

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2023

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Land and building revaluation reserve	Exchange reserve	Other reserves	Merger reserve	Retained earnings	Total	Non-Controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2023	23,007	37,510	241,645	(8,325)	739	11,310	169,117	475,003	(5,113)	469,890
Comprehensive income										
Profit for the period	-	-	-	-	-	-	5,496	5,496	(9)	5,487
Other comprehensive income/(loss)										
Movement of deferred tax	-	-	16	-	-	-	-	16	-	16
Transfer of land and building revaluation reserve to retained earnings upon depreciation of buildings	-	-	(1,367)	-	-	-	1,367	-	-	-
Currency translation differences	-	-	(579)	(4,369)	-	-	-	(4,948)	216	(4,732)
Total comprehensive income/(loss) for the period ended 30th June 2023	-	-	(1,930)	(4,369)	-	-	6,863	564	207	771
Transaction with owners, recognised directly in equity										
Dividend payable relating to 2022	-	-	-	-	-	-	(2,301)	(2,301)	-	(2,301)
Total transaction with owners, recognised directly in equity	-	-	-	-	-	-	(2,301)	(2,301)	-	(2,301)
Balance at 30th June 2023	23,007	37,510	239,715	(12,694)	739	11,310	173,679	473,266	(4,906)	468,360

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2023

	Unaudited									
	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Land and building revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- Controlling interests HK\$'000	Total equity HK\$'000
Balance at 1st January 2022	23,007	37,510	241,627	282	12,915	11,310	145,409	472,060	(5,315)	466,745
Comprehensive loss										
Loss for the period	-	-	-	-	-	-	(5,686)	(5,686)	(118)	(5,804)
Other comprehensive income/(loss)										
Movement of deferred tax	-	-	234	-	-	-	-	234	-	234
Transfer of land and building revaluation reserve to retained earnings upon depreciation of buildings	-	-	(1,417)	-	-	-	1,417	-	-	-
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(33,273)	-	-	(33,273)	-	(33,273)
Currency translation differences	-	-	(1,252)	(13,216)	-	-	-	(14,468)	468	(14,000)
Total comprehensive income/(loss) for the period ended 30th June 2022	<u>-</u>	<u>-</u>	<u>(2,435)</u>	<u>(13,216)</u>	<u>(33,273)</u>	<u>-</u>	<u>(4,269)</u>	<u>(53,193)</u>	<u>350</u>	<u>(52,843)</u>
Transfer of loss on disposal on equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	1,447	-	(1,447)	-	-	-
Transaction with owners, recognised directly in equity										
Dividend payable relating to 2021	-	-	-	-	-	-	(5,752)	(5,752)	-	(5,752)
Total transaction with owners, recognised directly in equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,752)</u>	<u>(5,752)</u>	<u>-</u>	<u>(5,752)</u>
Balance at 30th June 2022	<u>23,007</u>	<u>37,510</u>	<u>239,192</u>	<u>(12,934)</u>	<u>(18,911)</u>	<u>11,310</u>	<u>133,941</u>	<u>413,115</u>	<u>(4,965)</u>	<u>408,150</u>

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE 2023

	Note	Unaudited Six months ended 30th June	
		2023 HK\$'000	2022 HK\$'000
Cash flow from operating activities			
Cash generated from/(used in) operations		26,712	(35,570)
Interest paid		(5,845)	(3,532)
Income tax refund/(paid)		(477)	(2,043)
Net cash generated from/(used in) operating activities		20,390	(41,145)
Cash flow from investing activities			
Purchase of plant and equipment	7	(1,019)	(996)
Purchase of financial assets at fair value through other comprehensive income		–	(15,673)
Disposal of financial assets at fair value through other comprehensive income		–	18,454
Purchase of financial assets at fair value through profit and loss		–	(7,840)
Repayment of loan due from an associate		4,285	–
Interest received		411	586
Net cash generated from/(used in) investing activities		3,677	(5,469)
Cash flows from financing activities			
Dividends paid to the Company's shareholders		(18,406)	–
Net (repayment to)/drawdown from collateralised borrowings and bank loans	12	(51,312)	34,903
Increase in restricted bank deposits		(1,712)	–
Release of restricted bank deposits		–	34
Principal elements of lease liabilities		(24)	(479)
Net cash (used in)/generated from financing activities		(71,454)	34,458
Net decrease in cash and cash equivalents		(47,387)	(12,156)
Cash and cash equivalents at beginning of the period		63,438	65,522
Effect of the exchange rate for the period		(2,442)	(1,543)
Cash and cash equivalents at end of the period		13,609	51,823

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Leeport (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the trading of metalworking machinery, measuring instruments, cutting tools and electronic equipment.

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 25th August 2023.

These condensed consolidated interim financial information has not been audited.

2 Basis of preparation

These unaudited condensed consolidated interim financial information for the six months ended 30th June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31st December 2022, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standard as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 Accounting policies (Continued)

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustment as a result of adopting these standard.

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

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2022.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2022.

There have been no changes in the risk management since year end or in any risk management policies.

5 Financial risk management (Continued)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data.

See Note 7 for disclosure of the plant and equipment, right-of-use assets and investment properties that are measured at fair value.

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2023.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income				
– unlisted securities	–	–	8,389	8,389
Financial assets at fair value through profit and loss				
– unlisted key management insurance contract	–	–	6,539	6,539
– unlisted securities	–	–	43,068	43,068
	<u>–</u>	<u>–</u>	<u>57,996</u>	<u>57,996</u>

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2022.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	-	823	-	823
Financial assets at fair value through other comprehensive income				
- unlisted securities	-	-	8,389	8,389
Financial asset at fair value through profit or loss				
- unlisted key management insurance contract	-	-	6,408	6,408
	<u>-</u>	<u>-</u>	<u>6,408</u>	<u>6,408</u>
	<u>-</u>	<u>823</u>	<u>14,797</u>	<u>15,620</u>

The Group's unlisted securities were revalued at 31st December 2022. The directors considered that there were no significant changes in the values since previous annual reporting date.

There were no transfers between Levels 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

5.4 Valuation techniques used to derive Level 2 fair values

Level 2 trading derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in active market. The effects of discounting are generally insignificant for Level 2 derivatives.

5.5 Valuation techniques used to derive Level 3 fair values

Fair values of unlisted securities of the Group are generally determined by the market approach, using the quoted market prices of comparable companies in the market existed at balance sheet date. The key unobservable data includes price-to-revenue ratios of the comparable companies and discount for lack of marketability.

Fair value of unlisted insurance policy investment that was not traded in an active market was considered to be the cash surrender value of the insurance policy.

5 Financial risk management (Continued)

5.6 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and bills receivables
- Other receivables and deposits
- Loan to an associate
- Restricted bank deposits
- Cash and cash equivalents
- Trade and bills payables
- Other payables and accruals
- Borrowings
- Lease liabilities

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, represented by the 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 ("Mainland China"), Hong Kong and other countries and territories.

The Group is principally engaged in the trading of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely Mainland China, Hong Kong and other countries and territories (principally Singapore, Germany, Malaysia and Indonesia). The "Mainland China" segment, for the purpose of this condensed consolidated interim financial information, excludes Hong Kong and Taiwan.

The Board assesses the performance of the operating segments based on a measure of segment result, total assets, total liabilities and total capital expenditure. The Group primarily operates in Hong Kong and Mainland China. The Group's revenue by geographical location are determined by the country in which the customer is located.

6 Segment information (Continued)

	Unaudited Six months ended 30th June 2023			
	Mainland China HK\$'000	Hong Kong HK\$'000	Other countries and territories HK\$'000	Total HK\$'000
Revenue	360,188	33,614	15,808	409,610
Segment results	8,153	2,321	(226)	10,248
Finance income				411
Finance costs				(5,845)
Share of post-tax profits of associates				953
Profit before income tax				5,767
Income tax expense				(280)
Profit for the period				5,487

6 Segment information (Continued)

	Unaudited Six months ended 30th June 2022			Total HK\$'000
	Mainland China HK\$'000	Hong Kong HK\$'000	Other countries and territories HK\$'000	
Revenue	323,557	17,213	7,664	348,434
Segment results	(20)	(3,174)	(1,909)	(5,103)
Finance income				586
Finance costs				(3,532)
Share of post-tax profits of associates				2,369
Loss before income tax				(5,680)
Income tax expense				(124)
Loss for the period				(5,804)

During the six months ended 30th June 2023, revenue of approximately HK\$210,706,000 were derived from one customer (2022: there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue), which individually accounted for over 10% of the Group's total revenue.

As at 30th June 2023, contract liabilities of HK\$28,746,000 (31st December 2022: HK\$59,328,000) were classified within "other payables, accruals and contract liabilities". It represents advanced payments received from customers for goods that have not been transferred to the customers. During the six months ended 30th June 2023, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue. Decrease in contract liabilities is mainly due to the decrease in sales orders with advanced payments.

6 Segment information (Continued)

The provision for slow moving inventories charged for the six months ended 30th June 2023 are HK\$2,177,000 (2022: HK\$970,000).

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Segment assets:		
Mainland China	465,568	534,598
Hong Kong	317,303	376,034
Other countries and territories (Note (a))	80,036	86,895
	862,907	997,527

Segment assets are allocated by reference to the principal markets in which the Group operates.

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Segment liabilities:		
Mainland China	291,728	395,474
Hong Kong	78,549	103,973
Other countries and territories (Note (a))	24,270	28,190
	394,547	527,637

Segment liabilities are allocated by reference to the principal markets in which the Group operates.

6 Segment information (Continued)

The depreciation of plant and equipment and right-of-use assets for the six months ended 30th June 2023 are HK\$4,853,000 (2022: HK\$4,561,000).

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Capital expenditure:		
Mainland China	75	423
Hong Kong	941	894
Other countries and territories (Note (a))	3	–
	<u>1,019</u>	<u>1,317</u>

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

Capital expenditure comprises mainly additions to plant and equipment.

Note:

- (a) Other countries mainly include Italy, Luxembourg, Germany, Finland, Taiwan, Singapore, Indonesia and Malaysia.

7 Plant and equipment, right-of-use assets and investment properties

	Right-of-use assets HK\$'000	Unaudited Plant and equipment HK\$'000	Investment properties HK\$'000
As at 1st January 2023	249,227	10,805	77,123
Additions	–	1,019	–
Depreciation (Note 13)	(3,758)	(1,095)	–
Exchange differences	(349)	(32)	(33)
As at 30th June 2023	<u>245,120</u>	<u>10,697</u>	<u>77,090</u>
As at 1st January 2022	260,962	11,893	69,789
Additions	–	996	–
Depreciation (Note 13)	(3,480)	(1,081)	–
Exchange differences	(1,979)	(139)	(174)
As at 30th June 2022	<u>255,503</u>	<u>11,669</u>	<u>69,615</u>

At 30th June 2023, the Group's right-of-use assets includes land and buildings of HK\$245,048,000 (31st December 2022: HK\$249,134,000) and leased properties of HK\$72,000 (31st December 2022: HK\$93,000).

The Group's land and buildings and investment properties were revalued at 31st December 2022. The directors considered that there were no significant changes in the values since previous annual reporting date.

Bank borrowings are secured on land and buildings and investment properties with a carrying amount of HK\$193,703,000 (31st December 2022: HK\$303,203,000) (Note 12).

8 Investments in associates

Movements of investments in associates are as follows:

	Unaudited	
	30th June 2023	30th June 2022
	HK\$'000	HK\$'000
Beginning of the period	62,243	63,009
Share of post-tax profits of associates	953	2,369
Currency translation difference	31	(3,306)
End of the period	63,227	62,072

9 Trade and bills receivables

At 30th June 2023 and 31st December 2022, the ageing analysis of trade and bills receivables by invoice date are as follows:

	Unaudited	Audited
	30th June 2023	31st December 2022
	HK\$'000	HK\$'000
Within 3 months	165,685	238,785
4 – 6 months	17,795	11,934
7 – 12 months	18,330	8,543
Over 12 months	12,407	7,868
Less: provision for impairment	214,217 (3,771)	267,130 (3,469)
	210,446	263,661

9 Trade and bills receivables (Continued)

At 30th June 2023 and 31st December 2022, the ageing analysis of trade and bills receivables by due date are as follows:

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Current	191,146	246,258
1 – 3 months	8,480	6,595
4 – 6 months	4,260	5,510
7 – 12 months	1,763	3,161
Over 12 months	8,568	5,606
	214,217	267,130
Less: provision for impairment	(3,771)	(3,469)
	210,446	263,661

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.

10 Share capital

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
	Number of shares (in thousand)	Share capital HK\$'000
Issued and fully paid:		
At 30th June 2022, 1st January 2023, and 30th June 2023	230,076	23,007

11 Trade and bills payables

At 30th June 2023 and 31st December 2022, the ageing analysis of the trade and bills payables by due date are as follows:

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Current	99,592	138,088
1 – 3 months	1,805	15,056
4 – 6 months	7,191	1,061
7 – 12 months	3,486	1,021
Over 12 months	8,317	8,480
	120,391	163,706

12 Borrowings

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Current		
Trust receipt loans	93,065	86,832
Term loans from banks due for repayment within one year	86,846	145,116
Total borrowings	179,911	231,948

Bank borrowings are secured by certain land and buildings, investment properties (Note 7), restricted bank deposits and a financial asset at fair value through profit or loss of the Group.

Movements in borrowings are analysed as follows:

	Unaudited HK\$'000
As at 1st January 2023	231,948
Repayments of borrowings	(129,640)
Proceeds from borrowings	78,328
Exchange difference	(725)
As at 30th June 2023	179,911

	Unaudited HK\$'000
As at 1st January 2022	199,867
Repayments of borrowings	(80,404)
Proceeds from borrowings	115,307
Exchange difference	(221)
As at 30th June 2022	234,549

13 Operating profit/(loss)

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

	Unaudited Six months ended 30th June	
	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold	337,256	298,207
Depreciation on plant and equipment	1,095	1,081
Depreciation on right-of-use assets	3,758	3,480
Employee benefits expenses (including directors' remuneration)	29,140	30,386
Foreign exchange losses, net	2,146	2,540
Short-term leases	248	220
Provision for slow moving inventories	2,177	970
Professional fee	3,989	2,957
	<u>337,256</u>	<u>298,207</u>

14 Income tax expense

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

	Unaudited Six months ended 30th June	
	2023 HK\$'000	2022 HK\$'000
Current income tax:		
– Mainland China and overseas taxation	280	208
Deferred income tax	–	(84)
	<u>280</u>	<u>124</u>

14 Income tax expense (Continued)

Income tax expense is recognised based on management's best estimate of the projected annual effective income tax rate which is expected for the full financial year.

No provision for Hong Kong profits tax has been made as the Group has tax loss brought forward to set off against current period tax provision (2022: Nil).

Enterprise income tax ("EIT") in Mainland China has been provided at the rate of 25% (2022: 25%) on the estimated assessable profit for the period with certain preferential provisions.

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.

15 Earnings/(losses) per share

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) 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	
	2023	2022
Profit/(loss) from continuing operations attributable to owners of the Company (HK\$'000)	5,496	(5,686)
Weighted average number of ordinary shares in issue (in thousands)	230,076	230,076
Basic earnings/(losses) per share attributable to owners of the Company (HK cents per share)	2.39	(2.47)

15 Earnings/(losses) per share (Continued)

(b) Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings/(losses) per share. There are no share options issued/outstanding for the period ended 30th June 2023 and 2022, hence no diluted earnings/(loss) per share was presented.

16 Dividends

A final dividend of HK\$2,301,000 that relates to the year ended 31st December 2022 was payable as at 30th June 2023. (2022: final dividend of HK\$5,752,000 that relates to the year ended 31st December 2021 was payable as at 30th June 2022).

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2023 (2022: Nil). The dividend will be paid to shareholders whose names appear on the register of members of the Company on 13th September 2023. This dividend was declared after the end of the reporting period, and therefore it has not been included as a liability in the condensed consolidated statement of financial position.

17 Contingent liabilities

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Letters of guarantee given to customers	2,293	2,109

Certain subsidiaries have given undertakings to banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided letters of guarantee to third parties on behalf of these subsidiaries.

18 Related party transactions

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Islands), which owns 62.8% of the Company's shares. The remaining 37.2% of the shares are widely held.

Other than those as disclosed in other notes to the condensed consolidated interim financial information, the Group has entered into the following significant transactions with related parties during the period:

(a) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee service is shown below:

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	3,278	4,211
Pension costs – defined contribution plans	45	45
	3,323	4,256

18 Related party transactions (Continued)

(b) Sales and purchase of goods and services

	Unaudited Six months ended 30th June	
	2023 HK\$'000	2022 HK\$'000
Purchase of goods from an associate – Prima Power Suzhou Company Limited	<u>1,456</u>	<u>4,979</u>

The transaction price was determined by the directors and agreed with the related parties.

(c) Loan to an associate

The balance represents a loan effectively made to OPS-Ingersoll Holding GmbH (“OPS”). The loan is unsecured, interest bearing at 6% per annum and will not be repaid within the next twelve months from the reporting date. During the period, interest received from OPS amounted to HK\$386,000 (2022: HK\$458,000).

As at 30th June 2023, the carrying value of the loan to an associate was HK\$12,774,000 (31st December 2022: HK\$16,673,000). Based on the assessment on the recoverability of the balance, loss allowance of HK\$165,000 (31st December 2022: HK\$165,000) was provided.