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**Leeport**  
**LLEPORT (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 2020**

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 2020, 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 2020. There was also no dividend declared for the same period last year.

\* *For identification purpose only*

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2020**

		<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	3	<b>291,756</b>	379,751
Cost of goods sold		<u><b>(246,589)</b></u>	<u>(311,588)</u>
<b>Gross profit</b>		<b>45,167</b>	68,163
Other income and gains – net		<b>7,823</b>	10,345
Selling and distribution costs		<b>(8,008)</b>	(16,900)
Administrative expenses		<b>(50,936)</b>	(68,045)
Net reversal of impairment losses/(impairment losses) on trade receivables		<u><b>456</b></u>	<u>(251)</u>
<b>Operating loss</b>	4	<b>(5,498)</b>	(6,688)
Finance income		<b>724</b>	798
Finance costs		<u><b>(3,487)</b></u>	<u>(3,973)</u>
Finance costs – net		<b>(2,763)</b>	(3,175)
Share of post-tax (loss)/profits of associates		<b>(7,128)</b>	4,884
Gain on disposal of an associate		<u><b>8,479</b></u>	<u>–</u>
<b>Loss before income tax</b>		<b>(6,910)</b>	(4,979)
Income tax expense	5	<u><b>(1,672)</b></u>	<u>(1,889)</u>
<b>Loss for the period</b>		<u><b>(8,582)</b></u>	<u>(6,868)</u>
<b>Loss attributable to owners of the Company</b>		<b>(7,516)</b>	(6,241)
<b>Loss attributable to non-controlling interests</b>		<u><b>(1,066)</b></u>	<u>(627)</u>
		<u><b>(8,582)</b></u>	<u>(6,868)</u>
		<b>HK cents</b>	<b>HK cents</b>
		<b>per Share</b>	<b>per Share</b>
<b>Loss per share attributable to owners of the Company</b>			
<b>Basic loss per share</b>	7	<u><b>(3.27)</b></u>	<u>(2.71)</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30TH JUNE 2020*

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(8,582)</b>	<b>(6,868)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement of deferred tax	297	572
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	<u>(14,264)</u>	<u>(11,266)</u>
	<u>(13,967)</u>	<u>(10,694)</u>
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(1,846)	(1,821)
Share of other comprehensive (loss)/income of associates	(389)	1,051
Release of exchange reserve on disposal of an associate	<u>8,147</u>	<u>–</u>
	<u>5,912</u>	<u>(770)</u>
<b>Other comprehensive loss, net of tax</b>	<u>(8,055)</u>	<u>(11,464)</u>
<b>Total comprehensive loss for the period</b>	<u>(16,637)</u>	<u>(18,332)</u>
<b>Total comprehensive loss attributable to owners of the Company</b>	<b>(15,499)</b>	<b>(17,668)</b>
<b>Total comprehensive loss attributable to non-controlling interests</b>	<u>(1,138)</u>	<u>(664)</u>
	<u>(16,637)</u>	<u>(18,332)</u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2020

	<i>Note</i>	<b>Unaudited 30th June 2020 HK\$'000</b>	Audited 31st December 2019 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment		6,966	7,942
Right-of-use assets		289,907	294,613
Investment properties		55,375	55,674
Investments in associates		56,378	63,895
Loan to an associate		17,668	17,690
Financial assets at fair value through other comprehensive income		8,489	8,489
		434,783	448,303
		434,783	448,303
<b>Current assets</b>			
Inventories		94,533	88,232
Trade and bills receivables	8	101,190	99,003
Other receivables, prepayments and deposits		23,277	24,812
Financial assets at fair value through other comprehensive income		68,963	64,695
Derivative financial instruments		–	253
Amount due from an associate		–	247
Tax recoverable		848	848
Restricted bank deposits		17,474	26,593
Cash and cash equivalents		58,298	60,768
		364,583	365,451
		364,583	365,451
Asset classified as held for sale		–	83,374
		–	83,374
Total current assets		364,583	448,825
		364,583	448,825
<b>Total assets</b>		<b>799,366</b>	<b>897,128</b>
		<b>799,366</b>	<b>897,128</b>

		<b>Unaudited</b>	Audited
		<b>30th June</b>	31st December
	<i>Note</i>	<b>2020</b>	2019
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		23,007	23,007
Other reserves		226,599	236,347
Retained earnings		169,120	180,623
		<u>418,726</u>	439,977
Non-controlling interests		(2,892)	(1,754)
		<u>415,834</u>	<u>438,223</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		2,529	2,966
Deferred income tax liabilities		32,102	32,399
		<u>34,631</u>	35,365
<b>Current liabilities</b>			
Trade and bills payables	9	109,329	100,661
Other payables, accruals and contract liabilities		50,051	70,793
Derivative financial instruments		72	65
Amount due to an associate		–	668
Amount due to a non-controlling shareholder		9,595	9,595
Borrowings	10	170,651	239,094
Lease liabilities		1,126	1,418
Tax payable		2,325	1,246
Dividend payable		5,752	–
		<u>348,901</u>	<u>423,540</u>
<b>Total liabilities</b>		<u>383,532</u>	<u>458,905</u>
<b>Total equity and liabilities</b>		<u>799,366</u>	<u>897,128</u>

Notes:

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information for the six months ended 30th June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 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 2019, 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 and amendments to standards are mandatory for the financial year beginning on or after 1st January 2020:

HKAS 1 and 8 (Amendment)	Definition of material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge accounting
HKFRS 3 (Amendment)	Definition of a business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

These new standards and amendments to standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

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

The following new standards and amendments to standards have been issued but are not yet effective for the financial period of the Group beginning on 1st January 2020 and have not been early adopted by the Group:

		<b>Effective for the accounting period beginning on or after</b>
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2018-2020 cycle	1st January 2022
HKFRS 17	Insurance contracts	1st January 2023
HKAS 1 (Amendment)	Classification of liabilities as current and non-current	1st January 2023
HKAS 16 (Amendment)	Proceeds before intended use	1st January 2022
HKAS 37 (Amendment)	Onerous contracts – costs of fulfilling a contract	1st January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual framework	1st January 2022
HKFRS 16 (Amendment)	Covid-19-Related rent concessions	1st June 2020
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	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 of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the PRC, Hong Kong and other countries (principally Singapore, Germany, 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, total liabilities 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 2020			
	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>262,455</u>	<u>18,974</u>	<u>10,327</u>	<u>291,756</u>
Segment results	<u>4,413</u>	<u>(2,348)</u>	<u>(7,563)</u>	(5,498)
Finance income				724
Finance costs				(3,487)
Share of post-tax loss of associates				(7,128)
Gain on disposal of an associate				<u>8,479</u>
Loss before income tax				(6,910)
Income tax expense				<u>(1,672)</u>
Loss for the period				<u>(8,582)</u>

	Unaudited			
	Six months ended 30th June 2019			
	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>348,962</u>	<u>19,284</u>	<u>11,505</u>	<u>379,751</u>
Segment results	<u>1,060</u>	<u>(4,068)</u>	<u>(3,680)</u>	(6,688)
Finance income				798
Finance cost				(3,973)
Share of post-tax profits of associates				<u>4,884</u>
Loss before income tax				(4,979)
Income tax expense				<u>(1,889)</u>
Loss for the period				<u>(6,868)</u>



During the period ended 30th June 2020 and 2019, there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue.

As at 30th June 2020, contract liabilities of HK\$18,195,000 (31st December 2019: HK\$36,347,000) 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 2020, 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.

The provision for slow moving inventories for the six months ended 30th June 2020 are HK\$406,000 (2019: HK\$23,000).

The net reversal of impairment losses on trade receivables for the six months ended 30th June 2020 are HK\$456,000 (2019: net impairment losses on trade receivables of HK\$251,000).

	<b>Unaudited 30th June 2020 HK\$'000</b>	Audited 31st December 2019 HK\$'000
Segment assets:		
The PRC	<b>335,499</b>	331,977
Hong Kong	<b>296,627</b>	401,595
Other countries ( <i>Note (a)</i> )	<b>167,240</b>	163,556
	<b><u>799,366</u></b>	<u>897,128</u>

Segment assets are allocated based on where the assets are located.

	<b>Unaudited 30th June 2020 HK\$'000</b>	Audited 31st December 2019 HK\$'000
Segment liabilities:		
The PRC	<b>255,753</b>	304,448
Hong Kong	<b>99,338</b>	116,043
Other countries ( <i>Note (a)</i> )	<b>28,441</b>	38,414
	<b><u>383,532</u></b>	<u>458,905</u>

Segment liabilities are allocated based on where the liabilities are located.

The depreciation of plant and equipment and right-of-use assets for the six months ended 30th June 2020 are HK\$5,135,000 (2019: HK\$6,253,000).

	<b>Unaudited</b> <b>30th June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31st December 2019 <i>HK\$'000</i>
Capital expenditure:		
The PRC	<b>17</b>	60
Hong Kong	<b>49</b>	62
	<hr/> <b>66</b> <hr/>	<hr/> 122 <hr/>

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 Germany, Finland, Taiwan, Singapore, Macau, Indonesia and Malaysia.

#### 4. OPERATING LOSS

The following items have been charged to the operating loss during the period:

	<b>Unaudited</b> <b>Six months ended 30th June</b> <b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	<b>245,240</b>	309,685
Depreciation on plant and equipment	<b>964</b>	971
Depreciation on right-of-use assets	<b>4,171</b>	5,282
Employee benefits expenses (including directors' remuneration)	<b>32,553</b>	41,183
Foreign exchange losses, net	<b>214</b>	558
Short-term leases	<b>366</b>	594
Provision for slow moving inventories	<b>406</b>	23
Professional fee	<b>3,659</b>	3,228
	<hr/> <b>3,659</b> <hr/>	<hr/> 3,228 <hr/>

## 5. INCOME TAX EXPENSE

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax:		
– PRC and overseas taxation	<b>1,672</b>	1,385
Deferred income tax	<b>–</b>	504
	<hr/>	<hr/>
	<b>1,672</b>	<b>1,889</b>
	<hr/>	<hr/>

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.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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% (2019: 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% (2019: 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 special dividend of HK\$5,752,000 is payable as at 30th June 2020. (2019: dividend of HK\$5,752,000 that relates to the year ended 31st December 2018 is payable as at 30th June 2019).

No interim dividend is proposed for the period ended 30th June 2020 (2019: Nil).

## 7. LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss from continuing operations attributable to owners of the Company ( <i>HK\$'000</i> )	<u>(7,516)</u>	<u>(6,241)</u>
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<u>230,076</u>	<u>230,076</u>
Basic loss per share attributable to owners of the Company ( <i>HK cents per share</i> )	<u><b>(3.27)</b></u>	<u><b>(2.71)</b></u>

### (b) Diluted

Diluted loss 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 per share. There are no share options issued/outstanding for the period ended 30th June 2020 and 2019, hence no diluted loss per share was presented.

## 8. TRADE AND BILLS RECEIVABLES

At 30th June 2020 and 31st December 2019, the ageing analysis of trade and bills receivables by invoice date are as follows:

	<b>Unaudited</b> <b>30th June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31st December 2019 <i>HK\$'000</i>
Within 3 months	80,343	78,851
4 – 6 months	11,780	6,257
7 – 12 months	7,725	7,959
Over 12 months	5,369	11,504
	<hr/>	<hr/>
	105,217	104,571
Less: provision for impairment of receivables	(4,027)	(5,568)
	<hr/>	<hr/>
	<b>101,190</b>	<b>99,003</b>

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 AND BILLS PAYABLES

At 30th June 2020 and 31st December 2019, the ageing analysis of the trade and bills payables are as follows:

	<b>Unaudited</b> <b>30th June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31st December 2019 <i>HK\$'000</i>
Current	95,035	93,937
1 – 3 months	5,201	4,570
4 – 6 months	4,358	4
7 – 12 months	2,240	637
Over 12 months	2,495	1,513
	<hr/>	<hr/>
	<b>109,329</b>	<b>100,661</b>

## 10. BORROWINGS

	<b>Unaudited</b> <b>30th June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31st December 2019 <i>HK\$'000</i>
<b>Current</b>		
Bank overdrafts	<b>163</b>	–
Trust receipt loans	<b>93,273</b>	113,793
Portions of term loans from banks due for repayment within one year or with repayment on demand clause	<u><b>77,215</b></u>	<u>125,301</u>
<b>Total borrowings</b>	<u><b>170,651</b></u>	<u>239,094</u>

Bank borrowings are secured by certain land and buildings, investment properties and restricted bank deposits of the Group.

Movements in borrowings are analysed as follows:

	<b>Unaudited</b> <i>HK\$'000</i>
As at 1st January 2020	<b>239,094</b>
Repayments of borrowings	<b>(168,235)</b>
Proceeds from borrowings	<b>99,769</b>
Net proceeds from bank overdrafts	<b>163</b>
Exchange difference	<u><b>(140)</b></u>
As at 30th June 2020	<u><b>170,651</b></u>
	Unaudited <i>HK\$'000</i>
As at 1st January 2019	203,408
Repayments of borrowings	(70,569)
Proceeds from borrowings	91,423
Exchange difference	<u>39</u>
As at 30th June 2019	<u>224,301</u>

## **FINANCIAL PERFORMANCE**

### **Sales**

Given the disruption caused worldwide by the COVID-19 pandemic during the first half of 2020, and the complex nature of the global economy amid the trade war between China and the U.S. since the middle of 2018, the business of the Group has been facing significant challenges.

In the first six months of 2020, the Group's sales amounted to HK\$291,756,000, compared with HK\$379,751,000 in the same period last year, representing a decrease of 23.2%. Our gross profit amounted to HK\$45,167,000, compared with HK\$68,163,000 in the same period last year, representing a decrease of 33.7%. The gross profit percentage was 15.5%, compared with 17.9% in the same period last year.

The total value of contracts signed in the first half of 2020 was HK\$271,691,000, compared with HK\$312,289,000 in the same period last year, representing a decrease of 13.0%. The value of the outstanding orders as at the end of June 2020 was HK\$104,636,000, compared with HK\$150,448,000 in the same period of last year, representing a decreased of 30.5%.

### **Other Income and Gains**

The total amount of other income and gains was HK\$7,823,000, compared with HK\$10,345,000 in the same period last year, representing a decrease of 24.4%. The main reason for the decrease in the total amount of other income and gains was that no dividend was received from the investee, Prima Industrie SpA. By contrast, a dividend amounting to HK\$2,030,000 was received in 2019.

Our service income was HK\$2,724,000 in the first half of 2020, compared with HK\$4,900,000 in the same period last year. Other income included rental income of HK\$1,188,000 and a management fee of HK\$742,000 charged against Mitutoyo Leepport Metrology Corporation.

### **Operating Expenses**

Selling and distribution costs were HK\$8,008,000, compared with HK\$16,900,000 in the same period last year, representing a decrease of 52.6%. The decrease in selling and distribution costs was due mainly to the decrease in marketing and promotion expenses, exhibition costs, salesman commission and logistics costs.

Administrative expenses amounted to HK\$50,936,000, compared with HK\$68,045,000 in the same period last year, representing a decrease of 25.1%. This reduction is attributable mainly to the implementation of the Group's cost-reduction program. The area of cost reduction included staff cost, travel and entertainment and other operating expenses.

### **Finance Expenses – Net**

Finance costs net of interest income were HK\$2,763,000 in the first half of 2020, compared with HK\$3,175,000 in the same period last year.

Finance income in the first half of 2020 was HK\$724,000, compared with HK\$798,000 in the same period last year.

Finance costs in the first half of 2020 were HK\$3,487,000, compared with HK\$3,973,000 in the same period last year, representing a decrease of 12.2%. This was due to the decrease in bank borrowings in the first half of 2020.

The Group's net gearing ratio was approximately 22.8% as at the end of June 2020, compared with 34.6% at the end of December 2019.

### **Share of Post-tax (loss)/profits of Associates**

The share of post-tax loss of associates in the first half of 2020 was HK\$7,128,000, compared with a profit of HK\$4,884,000 in the same period last year. The share of loss of associates is a non-cash item and does not affect cash position of the Group. The business for both OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited made a loss due to the adverse impact of COVID-19. The Group's 49% shareholding in Mitutoyo Leepport Metrology Corporation was sold to Mitutoyo Corporation at the beginning of this year, so there was no share of post-tax profits booked in the first half of 2020.

### **Income Tax Expenses**

Income tax expenses in the first half of 2020 amounted to HK\$1,672,000, compared with HK\$1,889,000 in the same period last year, representing a decrease of 11.5%.



## **Loss Attributable to Owners of the Company and Loss Per Share**

In the first half of 2020, the loss attributable to owners of the Company was HK\$7,516,000, compared with a loss attributable to owners of the Company amounting to HK\$6,241,000 in the same period last year, representing an increase of loss by 20.4%.

The operating loss for the trading business was HK\$5,498,000, compared with an operating loss of HK\$6,688,000 in the same period last year, representing a decrease of operating loss by 17.8%. The share of post-tax loss of associates was HK\$7,128,000, compared with the share of post-tax profit HK\$4,884,000 in the same period last year.

The basic loss per share was HK3.27 cents, compared with a basic loss per share of HK2.71 cents in the same period last year, representing an increase of basic loss per share by 20.7%.

## **BUSINESS REVIEW**

### **Trading**

As we all know, the outbreak of COVID-19 at the beginning of 2020 has meant that the economic activities of China and the whole world have basically stopped. Nevertheless, China's GDP fell by only 1.6% in the first half of 2020 compared to the same period last year, and has been outperforming many other countries. The value of industrial production in China fell by 1.3% compared with the same period last year.

The order intake of the Group's business in the first half of 2020 was HK\$271,691,000, compared with HK\$312,289,000 in the same period last year, representing a decrease of 13.0%. Basically, the demand from the customer base in the automotive and mobile phone manufacturing sector was weak in the first half of the year. The customer base for semiconductor and 5G equipment has been more active. The business for cutting tools and assembly tools was stable in the first half of the year. The business for measuring instruments was growing steadily, indicating that production activities have recovered quickly. The business for machine tools and sheetmetal machinery recorded a significant drop. Customers were cautious about making capital investments in manufacturing equipment.

## **Investment**

The Group disposed of its 49% shareholding in Mitutoyo Leepport Metrology Corporation to Mitutoyo Corporation in January 2020, so there was no further sharing of the profit of this associate. In the first half of 2020, the business of OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited was also affected by COVID-19, so the associates also incurred a loss in the period. The business situation for OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited is still challenging for the rest of the year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's balance of cash as at 30th June 2020 was HK\$58,298,000, compared with HK\$60,768,000 as at 31st December 2019. The Group maintained a reasonable cash position. The Group's inventory balance as at 30th June 2020 was HK\$94,533,000, compared with HK\$88,232,000 as at 31st December 2019. The turnover days of inventory was 70 at the end of June 2020, compared with 56 at the end of December 2019. This was due to the fact that during the first half of 2020, the cutting tools and assembly tools business contributed a higher proportion of our total business revenue.

The balance of trade and bill receivable was HK\$101,190,000 as at 30th June 2020, compared with HK\$99,003,000 as at 31st December 2019. The turnover days of trade receivables was 63, compared with 52 as at 31st December 2019. The turnover days of trade receivables was higher due to the higher proportion of revenue from the cutting tools and assembly tools business in the first half of 2020. The credit period for these business types is relatively longer than for the equipment business.

The balance of trade and bills payable was HK\$109,329,000 as at 30th June 2020, compared with HK\$100,661,000 as at 31st December 2019. The balance of short-term borrowings was HK\$170,651,000 as at 30th June 2020, compared with HK\$239,094,000 as at 31st December 2019. The Group used part of the amount of HK\$100 million received from the disposal of its 49% shareholding in Mitutoyo Leepport Metrology Corporation to settle the short-term borrowing.

The Group's net gearing ratio was approximately 22.8% as at 30th June 2020, compared with 34.6% as at 31st December 2019. The net gearing ratio was lower than in 2019. 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 reduction in the net gearing ratio was due to the decrease in the borrowing level, while the cash and cash equivalent level stayed at a similar level.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2020, the Group had aggregate banking facilities of approximately HK\$671,607,000, of which approximately HK\$184,464,000 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\$323,800,000 (31st December 2019: HK\$285,067,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## **FUTURE PLANS AND PROSPECTS**

The pandemic in China has been contained since March 2020, and economic activities have quickly returned to normal. The country's economy has recovered strongly since the beginning of the second quarter of the year.

Production volume in the automotive and mobile phone sector has increased significantly since the beginning of the second quarter of the year, however capital investment in manufacturing equipment might not pick up fast enough. The booming industry of semi-conductor and 5G equipment made a significant contribution to the Group's business in the first half of the year. We believe that the strong demand for semi-conductor and 5G equipment will continue in the second half of the year.

One major concern regarding the Group's business is the grim outlook of the export business of our customers. Although the global economy is showing signs of recovery, orders from abroad is still limited.

Since the disposal of the 49% shareholding in Mitutoyo Leepport Metrology Corporation, the Group has been committed to expanding its investment in the measuring instrument business, and has built up a stronger technical team for the Division. A new technical centre for measuring instruments will be completed at our Shenzhen showroom in the third quarter of the year. We predict that the business of measuring instruments will achieve significant growth in the coming years. We also expect that the business for cutting tools will grow in the second half of the year.

Since the beginning of the year, the Group has taken prompt action to significantly reduce its operating expenses, and the total saving is likely to be at least HK\$40 million in 2020. We expect that the leaner and more productive organisational structure will soon pave the way for the Group's return to profitability.

The business of the Group in the second half of 2020 is expected to be better than in the first half of the year. There is likely to be a loss again in the second half of the year, however the Group aims to reduce the amount of loss in the second half of the year, compared to the first half.

## **EMPLOYEES**

As at 30th June 2020, the Group had 268 employees (31st December 2019: 310). Of these, 62 were based in Hong Kong, 179 were based in mainland China, and 27 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 2020, certain land and buildings, investment properties and restricted bank deposits in Hong Kong, Shenzhen and Singapore, with an aggregate carrying value of approximately HK\$323,800,000 (31st December 2019: HK\$285,067,000), 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 2020, the Group spent a total of HK\$66,000 (30th June 2019: HK\$116,000) in capital expenditure, primarily consisting of plant and equipment. As at 30th June 2020 and 31st December 2019, the Group had no capital commitment. In the meantime, a total of HK\$6,301,000 (31st December 2019: HK\$10,281,000) 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 2020, the Group had outstanding gross-settled foreign currency forward contracts to buy GBP360,000 for HKD3,486,000; JPY22,800,000 for HKD1,653,000 and USD874,000 for HKD6,775,000 (2019: EUR3,112,000 for HKD26,977,000; GBP277,000 for HKD2,898,000; JPY193,500,000 for HKD13,797,000; and USD300,000 for HKD2,338,000).

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 2020, 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 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 2020.

## **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 2020 with the directors.

## **2020 INTERIM REPORT**

The interim report of the Company for the six months ended 30th June 2020 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 2020.

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

Hong Kong, 24th August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHU Weiman, and Mr. CHAN Ching Huen, Stanley, and the independent non-executive directors are Mr. ZAVATTI Samuel, Mr. FUNG Wai Hing and Mr. WONG Tat Cheong, Frederick.*