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**Leeport**  
**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 2021**

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 2021, 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.

**SPECIAL DIVIDEND**

The Directors have resolved to declare a special interim dividend of HK2.5 cents per ordinary share for the six months ended 30th June 2021, due to the disposal of a property with a value of HK\$29.5 million. This dividend will be paid to shareholders whose names appear on the register of members of the Company on 13th September 2021 (the “Record date”). The special interim dividend is expected to be distributed to shareholders on or around 24th September 2021 (Friday). A Special dividend of HK2.5 cents per ordinary share were paid for the year ended 31st December 2020.

\* For identification purpose only

## **FINANCIAL PERFORMANCE**

### **Sales**

Even though the COVID-19 pandemic is not yet over in most countries around the world, the economy of some developed countries, especially the USA and countries in Europe, is recovering steadily. As evidenced by China's higher export value since the beginning of the year, the demand for various kinds of products has become stronger. Domestic consumption in China has also been strong. Both of these factors have resulted in the high demand for manufacturing equipment in the country.

The total value of contracts signed in the first half of 2021 was HK\$466,939,000, compared with HK\$271,691,000 in the same period last year, representing an increase of 71.9%. This significant increase in contract signed amount is most encouraging.

In the first six months of 2021, the Group's sales amounted to HK\$348,436,000, compared with HK\$291,756,000 in the same period last year, representing an increase of 19.4%. Our gross profit amounted to HK\$51,252,000, compared with HK\$45,167,000 in the same period last year, representing an increase of 13.5%. The gross profit percentage was 14.7%, compared with 15.5% in the same period last year.

### **Other Income and Gains**

The total amount of other income and gains was HK\$5,269,000, compared with HK\$7,823,000 in the same period last year, representing a decrease of 32.6%.

The commission income was HK\$389,000, compared with HK\$1,011,000 in the same period of last year, representing a decrease of 61.5%. There was a net loss from derivative financial instruments amounted to HK\$649,000, compared with net gain HK\$223,000 in the same period last year.

Our service income was HK\$4,468,000 in the first half of 2021, compared with HK\$2,724,000 in the same period last year, representing an increase of 64.0%. The demand for service returned to normal, compared with the minimal service activity in same period last year.

In the first six months of last year, a total subsidy of HK\$1,252,000 was granted from the Employment Support Scheme of the Hong Kong Government and from the Chinese Government. However, no subsidy was received in the first six months of 2021.

In the first six months of last year, a management fee income charged against Mitutoyo Leeport Metrology Corporation was HK\$742,000. The service contract was terminated after third quarter of 2020.

### **Operating Expenses**

Selling and distribution costs were HK\$9,736,000, compared with HK\$8,008,000 in the same period last year, representing an increase of 21.6%. The increase in selling and distribution costs was due mainly to the increase in marketing and promotional expenses, exhibition costs and logistics costs.

Administrative expenses amounted to HK\$50,680,000, compared with HK\$50,936,000 in the same period last year, representing a slight decrease of 0.5%. In the first half of year 2021, staff costs were lower than in the same period last year. However, travel and entertainment expenses were higher because our staff made more customer visits during the period, thanks to the successful control of the COVID-19 pandemic in China.

### **Finance Costs – Net**

Finance costs net of interest income were HK\$1,435,000 in the first half of 2021, compared with HK\$2,763,000 in the same period last year.

Finance income in the first half of 2021 was HK\$468,000, compared with HK\$724,000 in the same period last year.

Finance costs in the first half of 2021 were HK\$1,903,000, compared with HK\$3,487,000 in the same period last year, representing a decrease of 45.4%. This was due to the decrease in the level of bank borrowings and the lower market interest rate in the first half of 2021.

The Group's net gearing ratio was approximately 8.7% as at the end of June 2021, compared with 12.5% at the end of December 2020.

### **Share of Post-tax Profits/(Losses) of Associates**

The share of post-tax profits of associates in the first half of 2021 was HK\$1,558,000, compared with a loss of HK\$7,128,000 in the same period last year. Both OPS-Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited made a profit due to the steady recovery of the European and Chinese markets from the adverse impacts of COVID-19.

### **Income Tax Expenses**

Income tax expenses in the first half of 2021 amounted to HK\$420,000, compared with HK\$1,672,000 in the same period last year, representing a decrease of 74.9%.

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

In the first half of 2021, the loss attributable to owners of the Company was HK\$29,993,000, compared with a loss attributable to owners of the Company amounting to HK\$7,516,000 in the same period last year, representing an increase of loss by 299.1%. The substantial increase in the loss attributable to owners of the Company was due mainly to the reclassification of the HK\$26,343,000 cumulative amount of exchange reserve from equity to profit or loss on the dissolution of a subsidiary in Macau, namely Leeport Macao Commercial Offshore Limited, in compliance with the requirements of the Macao SAR government's law regarding the termination of all offshore business licences in Macao. The loss of HK\$26,343,000 is a non-cash item and has had no impact on the business operations or cash position of the Group.

The operating loss for the trading business was HK\$3,870,000, compared with an operating loss of HK\$5,498,000 in the same period last year, representing a decrease of operating loss by 29.6%.

The basic loss per share was HK13.04 cents, compared with a basic loss per share of HK3.27 cents in the same period last year, representing an increase of 298.8%.

## **Total Comprehensive income/(loss) attributable to owners of the Company**

In the first half of 2021, the total comprehensive income attributable to owners of the Company was HK\$48,002,000, compared with the total comprehensive loss attributable to owners of the Company amounting to HK\$15,499,000 in the same period of last year. The substantial increase in the total comprehensive income attributable to owners of the Company due mainly to an increase in fair value by HK\$45,139,000 of the Group's share investment in Prima Industrie S.p.A., compared with a decrease in fair value by HK\$14,264,000 in the same period of last year.

In the first half of 2021, the release of building revaluation reserve upon disposal of land and building was HK\$4,860,000. However, there was no transaction about the release of building revaluation reserve upon disposal of land and building recorded in the same period of last year.

The reclassification of the HK\$26,343,000 cumulative amount of exchange reserve from equity to profit or loss on the dissolution of a subsidiary in Macao, namely Leeport Macao Commercial Offshore Limited, has no impact on the total comprehensive income attributable to owners of the Company.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 9th September 2021 (Thursday) to 13th September 2021 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order for members to qualify for the special 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8th September 2021 (Wednesday).

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2021**

		<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	3	<b>348,436</b>	291,756
Cost of goods sold		<b>(297,184)</b>	(246,589)
<b>Gross profit</b>		<b>51,252</b>	45,167
Other income and gains – net		<b>5,269</b>	7,823
Selling and distribution costs		<b>(9,736)</b>	(8,008)
Administrative expenses		<b>(50,680)</b>	(50,936)
Net reversal of impairment losses on financial assets		<b>25</b>	456
<b>Operating loss</b>	4	<b>(3,870)</b>	(5,498)
Finance income		<b>468</b>	724
Finance costs		<b>(1,903)</b>	(3,487)
Finance costs - net		<b>(1,435)</b>	(2,763)
Release of exchange reserve upon dissolution of a subsidiary	5	<b>(26,343)</b>	–
Share of post-tax profits/(losses) of associates		<b>1,558</b>	(7,128)
Gain on disposal of an associate		<b>–</b>	8,479
<b>Loss before income tax</b>		<b>(30,090)</b>	(6,910)
Income tax expense	6	<b>(420)</b>	(1,672)
<b>Loss for the period</b>		<b>(30,510)</b>	(8,582)
<b>Loss attributable to owners of the Company</b>		<b>(29,993)</b>	(7,516)
<b>Loss attributable to non-controlling interests</b>		<b>(517)</b>	(1,066)
		<b>(30,510)</b>	(8,582)
		<b>HK cents</b>	<b>HK cents</b>
		<b>per share</b>	<b>per share</b>
<b>Losses per share attributable to owners of the Company</b>			
<b>Basic losses per share</b>	8	<b>(13.04)</b>	(3.27)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30TH JUNE 2021*

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(30,510)</b>	<b>(8,582)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement of deferred tax	<b>236</b>	297
Change in fair value of financial assets at fair value through other comprehensive income	<b>45,139</b>	(14,264)
Release of building revaluation reserve upon disposal of land and building	<b>4,860</b>	–
	<b>50,235</b>	(13,967)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>978</b>	(2,235)
Release of exchange reserve upon dissolution of a subsidiary	<b>26,343</b>	–
Release of exchange reserve upon disposal of an associate	–	8,147
	<b>27,321</b>	5,912
<b>Other comprehensive income/(loss), net of tax</b>	<b>77,556</b>	<b>(8,055)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>47,046</b>	<b>(16,637)</b>
<b>Total comprehensive income/(loss) attributable to owners of the Company</b>	<b>48,002</b>	<b>(15,499)</b>
<b>Total comprehensive loss attributable to non-controlling interests</b>	<b>(956)</b>	<b>(1,138)</b>
	<b>47,046</b>	<b>(16,637)</b>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2021

	<i>Note</i>	<b>Unaudited 30th June 2021 HK\$'000</b>	Audited 31st December 2020 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment		5,577	5,582
Right-of-use assets		257,385	261,465
Investment properties		70,088	70,205
Investment in associates		61,930	61,397
Loan to an associate		18,624	19,166
Financial assets at fair value through other comprehensive income		9,289	9,289
Prepayments		3,837	–
		426,730	427,104
		426,730	427,104
<b>Current assets</b>			
Inventories		85,273	76,798
Trade and bill receivables	9	100,402	102,429
Other receivables, prepayments and deposits		31,320	22,685
Financial assets at fair value through other comprehensive income		133,132	81,623
Derivative financial instruments		–	14
Tax recoverable		186	910
Restricted bank deposits		10,938	10,998
Cash and cash equivalents		100,697	92,591
		461,948	388,048
		461,948	388,048
Assets classified as held for sale		2,186	31,377
Total current assets		464,134	419,425
<b>Total assets</b>		<b>890,864</b>	<b>846,529</b>



	<i>Note</i>	<b>Unaudited 30th June 2021 HK\$'000</b>	Audited 31st December 2020 HK\$'000
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		23,007	23,007
Other reserves		324,755	260,883
Retained earnings		<u>158,722</u>	<u>182,645</u>
		<b>506,484</b>	466,535
Non-controlling interests		<u>(5,223)</u>	<u>(4,267)</u>
<b>Total equity</b>		<b><u>501,261</u></b>	<b><u>462,268</u></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other payables		3,595	5,202
Lease liabilities		1,709	2,301
Deferred income tax liabilities		<u>29,939</u>	<u>35,034</u>
		<b>35,243</b>	42,547
<b>Current liabilities</b>			
Trade and bills payable	<i>10</i>	122,992	103,960
Other payables, accruals and contract liabilities		63,578	71,431
Derivative financial instruments		635	–
Borrowings	<i>11</i>	155,101	161,472
Lease liabilities		1,225	1,495
Tax payable		2,443	3,356
Dividend payable		<u>8,053</u>	<u>–</u>
		<b>354,027</b>	341,714
Liabilities directly associated with assets classified as held for sale		<u>333</u>	<u>–</u>
<b>Total current liabilities</b>		<b><u>354,360</u></b>	<b><u>341,714</u></b>
<b>Total liabilities</b>		<b><u>389,603</u></b>	<b><u>384,261</u></b>
<b>Total equity and liabilities</b>		<b><u>890,864</u></b>	<b><u>846,529</u></b>

*Notes:*

## **1. BASIS OF PREPARATION**

These unaudited condensed consolidated interim financial information for the six months ended 30th June 2021 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 2020, 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 2020, 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) Amended standards adopted by the Group**

The following amendment to standards is mandatory for the financial year beginning on or after 1st January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and Interest Rate Benchmark Reform – Phase 2  
HKFRS 16 (Amendment)

The amendment 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 2021 and have not been early adopted by the Group:

		<b>Effective for the accounting period beginning on or after</b>
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1st January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1st January 2022
HKFRS 4 (Amendment)	Extension of the temporary exemption from applying HKFRS 9	1st January 2023
HKFRS 16 (Amendment)	Covid-19-related rent concessions beyond 30 June 2021	1st April 2021
HKFRS 17	Insurance Contracts	1st January 2023
HKFRS 17 (Amendment)	Amendments to HKFRS 17	1st January 2023
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1st January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendment)	Disclosure of accounting policies	1st January 2023
HKAS 8 (Amendment)	Definition of accounting estimates	1st January 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	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
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1st January 2022
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
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 ("Mainland China"), 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 Mainland China, Hong Kong and other countries (principally Singapore, Germany, Malaysia and Indonesia). The "Mainland China" segment, 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 Mainland China. The Group's sales by geographical location are determined by the country in which the customer is located.

	Unaudited			
	Six months ended 30th June 2021			
	Mainland China	Hong Kong	Other countries	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>323,637</u>	<u>13,837</u>	<u>10,962</u>	<u>348,436</u>
Segment results	<u>3,319</u>	<u>(3,134)</u>	<u>(4,055)</u>	(3,870)
Finance income				468
Finance cost				(1,903)
Release of exchange reserve upon dissolution of a subsidiary				(26,343)
Share of post tax profits of associates				<u>1,558</u>
Loss before income tax				(30,090)
Income tax expenses				<u>(420)</u>
Loss for the period				<u>(30,510)</u>

	Unaudited			
	Six months ended 30th June 2020			
	Mainland China <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Other countries <i>HK\$'000</i>	Total <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 cost				(3,487)
Share of post tax losses of associates				(7,128)
Gain on disposal of an associate				<u>8,479</u>
Loss before income tax				(6,910)
Income tax expenses				<u>(1,672)</u>
Loss for the period				<u>(8,582)</u>

During the period ended 30th June 2021 and 2020, there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue.

As at 30th June 2021, contract liabilities of HK\$41,814,000 (31st December 2020: HK\$43,093,000) 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 2021, 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 2021 are HK\$310,000 (2020: HK\$406,000).

The net reversal of impairment losses on financial assets for the six months ended 30th June 2021 are HK\$25,000 (2020: HK\$456,000)

	<b>Unaudited</b> <b>30th June</b> <b>2021</b> <i>HK\$'000</i>	Audited 31st December 2020 <i>HK\$'000</i>
Segment assets:		
Mainland China	371,169	361,867
Hong Kong	293,373	304,483
Other countries ( <i>Note (a)</i> )	226,322	180,179
	<u>890,864</u>	<u>846,529</u>

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

	<b>Unaudited</b> <b>30th June</b> <b>2021</b> <i>HK\$'000</i>	Audited 31st December 2020 <i>HK\$'000</i>
Segment liabilities:		
Mainland China	265,635	231,082
Hong Kong	81,675	97,864
Other countries ( <i>Note (a)</i> )	42,293	55,315
	<u>389,603</u>	<u>384,261</u>

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

The depreciation of plant and equipment and right-of-use assets for the six months ended 30th June 2021 are HK\$4,737,000 (2020: HK\$5,135,000).

	<b>Unaudited</b> <b>30th June</b> <b>2021</b> <i>HK\$'000</i>	Audited 31st December 2020 <i>HK\$'000</i>
Capital expenditure:		
Mainland China	996	49
Hong Kong	23	19
Other countries ( <i>Note (a)</i> )	158	54
	<u>1,177</u>	<u>122</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 Germany, Finland, Taiwan, Singapore, Macau, Indonesia and Malaysia.

#### 4. OPERATING LOSS

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

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	294,685	245,240
Depreciation on plant and equipment	943	964
Depreciation on right-of-use assets	3,794	4,171
Employee benefits expenses (including directors' remuneration)	29,039	32,553
Foreign exchange losses, net	1,985	214
Short-term leases	163	366
Provision for slow moving inventories	310	406
Professional fee	3,194	3,659
Loss on disposal of right-of-use assets	55	–

#### 5. RELEASE OF EXCHANGE RESERVE UPON DISSOLUTION OF A SUBSIDIARY

The Group completed the dissolution of a subsidiary during the six months ended 30 June 2021 and reclassified cumulative currency translation difference of approximately HK\$26,343,000 from exchange reserve to the condensed consolidated interim income statement.

#### 6. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax:		
– Mainland China and overseas taxation	420	1,672
Deferred income tax	–	–
	<u>420</u>	<u>1,672</u>

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 (2020: Nil).

Enterprise income tax ("EIT") in Mainland China has been provided at the rate of 25% (2020: 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% (2020: 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.

## 7. DIVIDENDS

A final dividend in respect of the year ended 31st December 2020 of HK\$8,053,000 is payable as at 30th June 2021 (30th June 2020: nil)

A special interim dividend of HK\$5,752,000 is declared for the six months ended 30th June 2021.

No interim dividend is proposed for both periods ended 30th June 2021 and 30th June 2020.

## 8. LOSSES PER SHARE

### (a) Basic

Basic losses 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>2021</b>	<b>2020</b>
Loss from continuing operations attributable to owners of the Company ( <i>HK\$'000</i> )	<u>(29,993)</u>	<u>(7,516)</u>
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<u>230,076</u>	<u>230,076</u>
Basic losses per share attributable to owners of the company ( <i>HK cents per share</i> )	<u><b>(13.04)</b></u>	<u><b>(3.27)</b></u>

### (b) Diluted

Diluted 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 losses per share. There are no share options issued/outstanding for the period ended 30th June 2021 and 2020, hence no diluted loss per share was presented.



## 9. TRADE AND BILLS RECEIVABLES

At 30th June 2021 and 31st December 2020, the ageing analysis of trade and bills receivables by invoice date are as follows:

	<b>Unaudited</b> <b>30th June</b> <b>2021</b> <i>HK\$'000</i>	Audited 31st December 2020 <i>HK\$'000</i>
Within 3 months	<b>80,288</b>	77,752
4 – 6 months	<b>6,099</b>	8,285
7 – 12 months	<b>7,605</b>	9,121
Over 12 months	<b>8,895</b>	9,791
	<b>102,887</b>	104,949
Less: provision for impairment of receivables	<b>(2,485)</b>	(2,520)
	<b>100,402</b>	102,429

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. TRADE AND BILLS PAYABLES

At 30th June 2021 and 31st December 2020, the ageing analysis of the trade and bills payables are as follows:

	<b>Unaudited</b> <b>30th June</b> <b>2021</b> <i>HK\$'000</i>	Audited 31st December 2020 <i>HK\$'000</i>
Current	<b>107,313</b>	85,367
1 – 3 months	<b>6,666</b>	10,608
4 – 6 months	–	1,448
7 – 12 months	<b>959</b>	1,181
Over 12 months	<b>8,054</b>	5,356
	<b>122,992</b>	103,960

## 11. BORROWINGS

	<b>Unaudited</b> <b>30th June</b> <b>2021</b> <i>HK\$'000</i>	Audited 31st December 2020 <i>HK\$'000</i>
<b>Current</b>		
Trust receipt loans	<b>86,305</b>	70,072
Term loans from banks due for repayment within one year	<b>68,796</b>	91,400
	<hr/>	<hr/>
<b>Total borrowings</b>	<b>155,101</b>	161,472
	<hr/>	<hr/>

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 2021	<b>161,472</b>
Repayments of borrowings	<b>(174,382)</b>
Proceeds from borrowings	<b>168,508</b>
Exchange difference	<b>(497)</b>
	<hr/>
As at 30th June 2021	<b>155,101</b>
	<hr/>
	Unaudited <i>HK\$'000</i>
As at 1st January 2020	239,094
Repayment of borrowings	<b>(168,235)</b>
Proceeds from borrowings	99,769
Net proceeds from bank overdrafts	163
Exchange difference	<b>(140)</b>
	<hr/>
As at 30th June 2020	<b>170,651</b>
	<hr/>

## **BUSINESS REVIEW**

### **Trading**

In the first half of 2021, China's economy demonstrated a strong ability to recover from the effects of the global pandemic. Given the complicated economic situation during that time, this achievement was far beyond the expectations of the rest of the world. In the country's manufacturing industry, domestic consumption and capital investment in fixed assets recorded more than double-digit growth compared with the same period in 2020. The country's GDP grew by 12.7% in the first half of 2021, its industrial value increased by 15.9%, and its export value increased by 28.1% compared with the same period in 2020.

The value of the order intake of the Group's business in the first half of 2021 was HK\$466,939,000, compared with HK\$271,691,000 in same period last year, representing a significant growth of 71.9%. This rebound in the demand for the Group's products was most encouraging, and it was also due in large part to the efforts of our sales team.

We have definitely seen evidence of the prosperity of the manufacturing industry in China. Basically every Division of the Group recorded a significant increase in order-taking in the first half of this year. According to China's National Bureau of Statistics, the country's manufacturing industry grew by 17.1% in the first half of 2021, and capital investment in that industry grew by 19.2%. Production volume for some of our major customer bases increased significantly in the first half of the year. For example, automobile manufacturing increased by 26.4%, producing 12.8 million cars, mobile phone manufacturing increased by 13.7%, computer manufacturing increased by 43.9%, and integrated circuit board manufacturing increased by 48.1%.

### **Investment**

The economic situation in Europe has improved since the beginning of 2021. The business of our associated company in Germany, OPS-Ingersoll Funkenerosion GmbH, recorded a small profit in the first half of 2021, compared with a significant loss in the same period last year. The business for sheetmetal machinery also recovered in China in the first half of 2021. Prima Power Suzhou Company Limited recorded a small profit in the first half of 2021, compared with a loss in the same period last year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's balance of cash as at 30th June 2021 was HK\$100,697,000, compared with HK\$92,591,000 as at 31st December 2020. The Group maintained a reasonable cash position. The increase of bank balance comes from the improved Group cash flow position and the customer deposit received at the end of June 2021. The Group's inventory balance as at 30th June 2021 was HK\$85,273,000, compared with HK\$76,798,000 as at 31st December 2020. The turnover days of inventory was 53 at the end of June 2021, compared with 53 at the end of December 2020. The higher inventory level at 30th June 2021 was commensurate with the increased sales orders booked and for the goods delivery in the upcoming months.

The balance of trade and bill receivable was HK\$100,402,000 as at 30th June 2021, compared with HK\$102,429,000 as at 31st December 2020. The turnover days of trade receivables was 53, compared with 61 as at 31st December 2020. The turnover days of trade receivables was lower due to the higher proportion of revenue from the equipment business in the first half of 2021 as compared with the same period last year. The credit period for this business type is relatively shorter than for the Small Tools and Measuring Instruments business.

The balance of trade and bills payable was HK\$122,992,000 as at 30th June 2021, compared with HK\$103,960,000 as at 31st December 2020. The balance of short-term borrowings was HK\$155,101,000 as at 30th June 2021, compared with HK\$161,472,000 as at 31st December 2020.

The Group's net gearing ratio was approximately 8.7% as at 30th June 2021, compared with 12.5% as at 31st December 2020. The net gearing ratio was lower than in 2020. 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 and the increase of total equity mainly from the appreciation of financial assets of shareholdings in Prima Industrie S.p.A.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2021, the Group had aggregate banking facilities of approximately HK\$439,688,000, of which approximately HK\$148,304,000 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 Shanghai, with an aggregate carrying amount of HK\$303,692,000 (31st December 2020: HK\$274,183,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## **FUTURE PLANS AND PROSPECTS**

The global economy is improving in 2021, even though the pandemic situation is still unstable. It is quite clear that the momentum of economic recovery in China will continue in the second half of 2021.

The demand for various lines of Leeport's products is strong. To enhance our marketing efforts, the Group has participated in a number of exhibitions again this year. Due to the optimism we have seen in the market, we have started to restructure our sales organisation by adding more managers and frontline staff in various Divisions. With the stronger technical support within the Group, we are promoting the cross-selling of products across Divisions, and have already started to see the positive effects.

We are confident that as the economic situation in Europe and China continues to improve, the financial performance of our associated companies, OPS-Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited, will improve further in the second half of 2021.

We are very positive about the current market in China, and we foresee that the current upward trend in the value of our order intake will continue in the second half of 2021. Assuming that there are no other crises, the total order intake amount for the full 2021 year will be the highest since 2012.

The major challenge facing the Group at the moment is the delivery time of our suppliers. Due to the shortage in the supply of computer chips on a global basis, and also the problems with freight shipping due to the COVID-19 pandemic, the supply chain of most suppliers has been interrupted. This has resulted in a longer delivery time for end products. We do not expect to see any improvement in this situation within a short period of time, and this will affect our invoiced amount for the whole year, even if there is a satisfactory level of order-taking.

In conclusion, we are confident about the financial performance of the Group in the second half of 2021, and we foresee a profitable result for the whole year.

## **EMPLOYEES**

As at 30th June 2021, the Group had 254 employees (31st December 2020: 262). Of these, 63 were based in Hong Kong, 180 were based in mainland China, and 11 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 and 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 2021, certain land and buildings, investment properties and restricted bank deposits in Hong Kong, Shenzhen and Singapore, with an aggregate carrying value of approximately HK\$303,692,000 (31st December 2020: HK\$274,183,000), 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 2021, the Group spent a total of HK\$1,177,000 (30th June 2020: HK\$66,000) in capital expenditure, primarily consisting of plant and equipment. As at 30th June 2021, the Group has capital commitment of HK\$2,116,000 (31st December 2020: Nil). In the meantime, a total of HK\$4,739,000 (31st December 2020: HK\$6,964,000) 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 2021, the Group had outstanding gross-settled foreign currency forward contracts to buy JPY227,275,000 for HKD16,184,000 and EUR1,660,000 for HKD15,608,000 (2020: GBP360,000 for HKD3,486,000; JPY22,800,000 for HKD1,653,000; and USD874,000 for HKD6,775,000).

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 2021, 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 2021.

## **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 2021 with the directors.

## **2021 INTERIM REPORT**

The interim report of the Company for the six months ended 30th June 2021 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 2021.

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

Hong Kong, 23rd August 2021

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