

Leep^ort

LEEP^oRT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0387)



ISO 9001:2000
CERTIFICATE NO. FS 84687



2010

INTERIM REPORT



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MANAGEMENT COMMENTARY

The directors (the “Directors”) of Leeport (Holdings) Limited (the “Company”) would like to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2010, 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

Turnover


As the economic situation in China has improved, the business of the Group also showed significant growth in the first half of year 2010. The turnover of the Group for the six months ended 30th June 2010 was HK\$431,011,000 (2009: HK\$374,675,000), representing an increase of 15.0% as compared with the same period in 2009. Most business divisions achieved reasonable growth in turnover, especially the cutting tools, sheetmetal and electronics divisions, which showed outstanding growth in the first half of year 2010. The gross profit amount for the six months ended 30th June 2010 was HK\$83,317,000 (2009: HK\$66,195,000), representing an increase of 25.9% as compared with the same period in 2009. The growth in gross profit was attributed to the turnover growth of 15.0% and also to the increase in gross profit percentage, i.e. 19.3% in the first half of year 2010 as compared with 17.7% in the same period last year.

Other Gains

The service income of the Group was HK\$9,511,000 for the six months ended 30th June 2010, 7.2% higher than the service income of HK\$8,875,000 in the same period last year. On the other hand, there was commission income of HK\$256,000 only in the first six months of 2010, compared with commission income of HK\$3,724,000 in the same period last year.

Operating Expenses

Selling and distribution costs were HK\$13,767,000 in the first half of 2010, lower than the figure of HK\$17,281,000 in the same period last year, even though turnover increased by 15.0%. The saving was mainly due to lower advertising, exhibition and logistics expenses. Even though the business situation has improved, the Group still has a prudent attitude to participating in exhibitions and promotional activities.



Administrative expenses were HK\$69,491,000 in the first half of 2010, as compared with HK\$80,116,000 in the same period last year. There was a drop of HK\$10,625,000 in administrative expenses. The re-structuring of the Group since last year has contributed significantly to the savings in staff costs and related expenses in the first half of 2010. The reduction in the size of some non-critical offices and warehouses also contributed to the savings in administrative expenses. Finance costs were only HK\$1,547,000 in the first half of 2010, as compared with HK\$3,230,000 in the same period last year. The lower finance costs were attributed to the Group's lower gearing ratio and the lower lending rates as compared with the first six months of 2009. The Group's gearing ratio as at 30th June 2010 was 21.9%, as compared with 43.8% as at 31st December 2009.

Profit Attributable to Equity Holders of the Group and Earnings Per Share

The profit attributable to equity holders of the Group was HK\$11,424,000 for the six months ended 30th June 2010 (2009: Loss of HK\$18,545,000). The earnings per share for the first six months of 2010 was HK5.30 cents, as compared with a loss of HK8.61 cents in the same period last year.

INTERIM DIVIDENDS

The Board has resolved to pay an interim dividend of HK3.0 cents per share for the six months ended 30th June 2010 (2009: Nil per share) to shareholders whose names appear on the register of members of the Company on 3rd September 2010 ("Record Date"). The interim dividend will be payable on or about 8th September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1st September 2010 (Wednesday) to 3rd September 2010 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30p.m. on 31st August 2010 (Tuesday).

BUSINESS REVIEW

During this period of global recession, China has definitely become the most important country in the world in terms of contributing to the recovery of the world's economy. China's GDP growth for the first half of 2010 was 11.1%. China's exports were 35.2% higher than in the same period last year. The value of industrial output also grew 17.6% compared with the same period last year.



Market sentiment in the first half of 2010 was very good. The business of our customers was satisfactory and recovered rapidly. Many customers were able to make speedy and easy decisions about acquiring equipment. Customers are expecting faster delivery times, and our suppliers are facing pressure to improve their delivery lead times. The order-taking situation of the Group was very encouraging. The Group had outstanding contracts valued at about HK\$500 million as at the end of July 2010, which is exceptionally good if we look at the business performance over the past few years.

The infrastructure, telecommunication, energy-saving lighting, automotive and industrial machinery industries continued to be the Group's most important customer segments in China. These industries were booming in the first half of the year. China is the biggest consumer of machine tools in the world (in 2009, 35% of the world's production of machine tools were installed in China). The value of imported machine tools was USD3.9 billion in the first half of 2010, an increase of 24.4% compared with the same period in 2009. The production of automobiles was 8.9 million units in the first half of 2010, a 49% increase compared with the same period in 2009. The telecommunication industry grew 21.4% in first half of 2010 compared with the same period in 2009.


Most of the business divisions of the Group achieved significant growth in the first half of the year. Business in the South East Asia region also improved. As the result of the increase in turnover in the first half of the year and the cost reduction programmes implemented since last year, the Group returned to profit in the first half of 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The figure for cash and bank balances was HK\$77,292,000 as at 30th June 2010, HK\$19,479,000 higher than the figure of HK\$57,813,000 as at 31st December 2009. The Group's cash position was very strong in the first half of 2010. The improvement in the cash position was attributed to the Group's strict purchase order policy, which has greatly improved the Group's inventory position. The Group's inventory balance was HK\$160,017,000 as at 30th June 2010, compared with HK\$181,803,000 as at 31st December 2009.

The trade receivables and bills receivables balance was HK\$161,207,000 as at 30th June 2010, compared with HK\$140,470,000 as at 31st December 2009. The trade payables and bills payables balance was HK\$108,553,000 as at 30th June 2010, compared with HK\$103,892,000 as at 31st December 2009. The increase was not significant, even though the Group's business increased. This was attributed to the Group's strict purchase order policy.

The balance of short-term borrowing was HK\$122,011,000 as at 30th June 2010, compared with the figure of HK\$154,144,000 as at 31st December 2009. The Group repaid almost HK\$35 million in short-term loans and HK\$5 million in long-term loans in the first half of the year.



The Group's net gearing ratio was approximately 21.9% (31st December 2009: 43.8%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2010, the Group had aggregate banking facilities of approximately HK\$682,040,000, of which approximately HK\$232,608,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$160,968,000 (31st December 2009: HK\$179,802,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

Currently, it is generally believed that China will continue to enjoy high growth, high employment and low inflation. The strong economic growth in the first half of 2010 is likely to enable the Government to achieve its overall yearly GDP growth target of 8%.

The export situation of the country is improving, but the trend for the second half of the year is still not certain. The domestic consumption market is likely to continue to be strong. Overall, the country's economy is consistently strong. The demand for manufacturing equipment will probably significantly exceed that of last year. However, sentiment in the manufacturing industry seems to be slowing down a bit since the middle of the year. Some potential customers will probably monitor the economic situation carefully before they place any orders.

Basically, the Group has received a highly satisfactory number of orders since early in the year. Due to the quick recovery of orders to our suppliers as compared with last year, the delivery lead-time has become longer. If delivery times can be improved, the Group's results for the second half of the year will be ensured. The Group will therefore work with suppliers to improve the delivery lead-time.

In line with the improvements in the business situation, we will consider recruiting additional sales and service engineers in order to increase our income and market share.

We are confident that the overall business in the second half of year 2010 will continue the momentum of the first half of the year. The Group's financial performance is likely to improve significantly in 2010 as compared with 2009.



EMPLOYEES

As at 30th June 2010, the Group had 507 employees (2009: 587), of whom 147 were based in Hong Kong; 334 were based in mainland China, and 26 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies and discretionary performance bonuses.

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentives and rewards for their continued contributions to the Group.

SHARE OPTIONS

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme"). Share options were granted to directors and selected employees in 2008 and all non-exercised share options granted in 2008 were expired during the period. On 29th March 2010, 7,980,000 new share options have been offered and granted to employees and directors with an exercise price of HK\$0.61 per share. The closing price of the shares on 26th March 2010 (immediately before 29th March 2010, the date those options granted) was HK\$0.60 per share.

The exercise period of the above share options is from 29th March 2011 to 28th March 2012 (both dates inclusive).

Movements in the number of share options during the period and their related exercise prices are set out in Note 9 of the interim report.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2010, certain leasehold land, land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$160,968,000 (31st December 2009: HK\$179,802,000) have been 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 2010, the Group spent a total of HK\$409,000 (30th June 2009: HK\$1,088,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 30th June 2010, the Group had no material capital commitments and HK\$59,984,000 (31st December 2009: HK\$24,425,000) contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

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

The Group is committed to buy the following foreign currency under forward contracts:

	At end 30th June 2010		At end 31st December 2009	
	Buy	For HK\$	Buy	For HK\$
JPY	147,700,000	12,227,974	300,000,000	25,497,000
EUR	2,695,500	26,674,133	1,042,000	11,564,000
		<u>38,902,107</u>		<u>37,061,000</u>

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

At 30th June 2010, 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 the SFO or as notified to the Company, are as follows:

Director		Number of ordinary shares of HK\$0.10 each held			Total	Percentage
		Personal interests	Family interests	Other Interests		
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	7,752,000 shares	816,000 shares (Note (b))	144,529,982 shares (Note (a))	153,097,982 shares	71.06%
Ms. TAN, Lisa Marie ("Ms. Tan")	Long position	816,000 shares	7,752,000 shares (Note (c))	144,529,982 shares (Note (a))	153,097,982 shares	71.06%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	200,000 shares	Nil	Nil	200,000 shares	0.09%
Mr. NIMMO, Walter Gilbert Mearns ("Mr. Nimmo")	Long position	Nil	402,445 shares (Note (d))	Nil	402,445 shares	0.19%

(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 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.

(b) Mr. Lee is the husband of Ms. Tan. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee.

- (c) The personal interests of Mr. Lee above are disclosed as the family interest of Ms. Tan.
- (d) The 402,445 shares are beneficially owned by Mr. Nimmo's spouse.

Other than as disclosed above and other than those as disclosed in the share options section, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

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

At 30th June 2010, the register of substantial shareholders maintained under Section 336 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

The Company has complied with all code provisions of the Code on the Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th June 2010 except the following:

Code Provision A.2.1

Mr. LEE Sou Leung, Joseph is the Chairman and the Managing Director of the Company but the daily operation and management of the Company are monitored by executive directors as well as the senior management to ensure the balance of power and authority.



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 2010.

AUDIT COMMITTEE

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

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LUI Sun Wing and Mr. NIMMO, Walter Gilbert Mearns, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 with the directors.

As at the date of this report, the Board of Directors comprises 3 executive directors, namely Mr. LEE Sou Leung, Joseph, Ms. TAN, Lisa Marie and Mr. CHAN Ching Huen, Stanley and 3 independent non-executive directors, namely Dr. LUI Sun Wing, Mr. PIKE, Mark Terence and Mr. NIMMO, Walter Gilbert Mearns.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2010

	Note	Unaudited 30th June 2010 HK\$'000	31st December 2009 (Restated) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	146,521	153,481
Leasehold land	6	7,103	7,206
		<u>153,624</u>	<u>160,687</u>
Current assets			
Inventories		160,017	181,803
Trade receivables and bills receivables	8	161,207	140,470
Other receivables, prepayments and deposits		65,370	43,989
Derivative financial instruments	7	747	83
Tax recoverable		2,461	136
Restricted bank deposits		43,594	60,027
Cash and cash equivalents		77,292	57,813
		<u>510,688</u>	<u>484,321</u>
Total assets		<u>664,312</u>	<u>645,008</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	21,544	21,544
Other reserves		142,198	146,291
Retained earnings			
– Proposed interim dividend		6,463	–
– Others		99,838	93,620
		<u>270,043</u>	<u>261,455</u>
Minority interest		<u>6,128</u>	<u>6,349</u>
Total equity		<u>276,171</u>	<u>267,804</u>

The notes on pages 18 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2010

	Note	Unaudited 30th June 2010 HK\$'000	31st December 2009 (Restated) HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		11,800	12,261
Borrowings	12	15,875	20,901
		<u>27,675</u>	<u>33,162</u>
Current liabilities			
Trade payables and bills payables	10	108,553	103,892
Other payables, accruals and deposits received	11	128,886	85,684
Derivative financial instruments	7	1,016	322
Borrowings	12	122,011	154,144
		<u>360,466</u>	<u>344,042</u>
Total liabilities		<u>388,141</u>	<u>377,204</u>
Total equity and liabilities		<u>664,312</u>	<u>645,008</u>
Net current assets		<u>150,222</u>	<u>140,279</u>
Total assets less current liabilities		<u>303,846</u>	<u>300,966</u>

The notes on pages 18 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Note	Unaudited Six months ended 30th June	
		2010 HK\$'000	2009 HK\$'000
Sales	4	431,011	374,675
Cost of goods sold	14	(347,694)	(308,480)
Gross profit		83,317	66,195
Other gains-net	13	12,671	14,257
Selling and distribution costs	14	(13,767)	(17,281)
Administrative expenses	14	(69,491)	(80,116)
Operating profit/(loss)		12,730	(16,945)
Finance costs-net		(1,547)	(3,230)
Profit/(loss) before income tax		11,183	(20,175)
Income tax credits	15	133	1,060
Profit/(loss) for the period		11,316	(19,115)
Attributable to:			
– equity holders of the Company		11,424	(18,545)
– minority interest		(108)	(570)
		11,316	(19,115)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company, expressed in cents per share			
– basic	16	HK5.30cents	(HK8.61cents)
– diluted		HK5.27cents	(HK8.61cents)
Dividends	17	6,463	–

The notes on pages 18 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Profit/(loss) for the period	11,316	(19,115)
Other comprehensive income/(loss)		
Movement of deferred tax	207	115
Currency translation differences	(3,534)	(21,060)
Other comprehensive loss, net of tax	(3,327)	(20,945)
Total comprehensive income/(loss) for the period	7,989	(40,060)
Total comprehensive income/(loss) for the period attributable to:		
– equity holders of the Company	8,210	(39,487)
– minority interest	(221)	(573)
	7,989	(40,060)

The notes on pages 18 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Unaudited								
	Attributable to equity holders of the Company								
	Properties								Total
	Share capital	Share premium	Share revaluation reserves	Exchange reserves	Other reserves	Merger reserves	Retained earnings	Minority interest	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1st January 2010	21,544	26,480	62,892	44,566	1,043	11,310	93,620	6,349	267,804
Comprehensive income									
Profit/(loss) for the period	-	-	-	-	-	-	11,424	(108)	11,316
Other comprehensive income									
Movement of deferred tax	-	-	207	-	-	-	-	-	207
Transfer of property revaluation reserve to retain earnings on depreciation of buildings	-	-	(1,257)	-	-	-	1,257	-	-
Currency translation differences	-	-	7	(3,428)	-	-	-	(113)	(3,534)
Total comprehensive income for the period	-	-	(1,043)	(3,428)	-	-	12,681	(221)	7,989
Transaction with owners									
Share option scheme – value of services provided	-	-	-	-	378	-	-	-	378
Total transaction with owners	-	-	-	-	378	-	-	-	378
Balance at 30th June 2010	21,544	26,480	61,849	41,138	1,421	11,310	106,301	6,128	276,171

The notes on pages 18 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserves HK\$'000	Exchange reserves HK\$'000	Other reserves HK\$'000	Merger reserves HK\$'000	Retained earnings HK\$'000	Minority interest HK\$'000	Total HK\$'000
Balance at 1st January 2009	21,544	26,480	35,208	55,493	664	11,310	126,676	5,599	282,974
Comprehensive income									
Loss for the period	-	-	-	-	-	-	(18,545)	(570)	(19,115)
Other comprehensive income									
Movement of deferred tax	-	-	115	-	-	-	-	-	115
Transfer of property revaluation reserve to retain earnings on depreciation of buildings	-	-	(699)	-	-	-	699	-	-
Currency translation differences	-	-	(15)	(21,042)	-	-	-	(3)	(21,060)
Total comprehensive loss for the period	-	-	(599)	(21,042)	-	-	(17,846)	(573)	(40,060)
Transaction with owners									
Share option scheme – value of services provided	-	-	-	-	379	-	-	-	379
Total transaction with owners	-	-	-	-	379	-	-	-	379
Balance as at 30th June 2009	21,544	26,480	34,609	34,451	1,043	11,310	108,830	5,026	243,293

The notes on pages 18 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	40,157	(17,780)
Net cash generated from/(used in) investing activities	16,210	(15,328)
Net cash (used in)/generated from financing activities	(39,969)	33,036
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	16,398	(72)
Cash, cash equivalents and bank overdrafts at 1st January	57,600	18,088
Exchange loss/(gains) on cash and bank overdrafts	672	(108)
Cash, cash equivalents and bank overdrafts at 30th June	74,670	17,908
Analysis of balances of cash, cash equivalents and bank overdrafts		
– cash and cash equivalents	77,292	23,120
– bank overdrafts	(2,622)	(5,212)
	74,670	17,908

The notes on pages 18 to 38 form an integral part of this condensed consolidated interim financial information.

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, installation and provision of after-sales service 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 Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 10th August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2009, 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.

3 Accounting policies (Continued)

- (a) For the six months ended 30th June 2010, the following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1st January 2010 that are relevant for the Group:

HKFRS 3 (Revised)	Business combinations
HKAS 27 (Revised)	Consolidated and separate financial statements
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners
HKAS 17 (Amendment)	Leases

The amendments to HKFRS 3 and HK(IFRIC)-Int 17 have had no material impact on the Group's condensed consolidated interim financial information as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these standards on the condensed consolidated interim financial information is as follows:

- HKAS 27 (Revised). The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the condensed consolidated interim income statement.
- HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

3 Accounting policies (Continued)

The accounting for land interest classified as finance lease is as below:

If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Decrease in leasehold land	44,191	45,115
Increase in property, plant and equipment	44,191	45,115

The adoption of this amendment did not result in any change in opening retained earnings as at 1st January 2009.

Apart from the above, the HKICPA has also issued improvement to HKFRSs 2009* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments are effective for annual periods beginning on or after 1st January 2010 although there is separate transitional provision for each standard.

* Improvements to HKFRSs 2009 contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 7, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 16, HKFRS 3 and HKAS 18.

- (b) The following new standards, amendments to standards and its interpretations are mandatory for the first time for the financial year beginning 1st January 2010, but are not relevant for the Group.

HKAS 39 (Amendment)	Financial instrument: Recognition and measurement
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based payment

4 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. Geographically, management considers the performance of wholesale in the PRC, Hong Kong and other countries.

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

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

4 Segment information (Continued)

	Six months ended 30th June 2010			
	The PRC HK\$'000	Hong Kong HK\$'000	Other countries (Note (a)) HK\$'000	Total HK\$'000
Sales	299,470	103,171	28,370	431,011
Segment results	11,482	126	1,122	12,730
Finance costs-net				(1,547)
Profit before income tax				11,183
Income tax credits				133
Profit for the period				11,316

	Six months ended 30th June 2009			
	The PRC HK\$'000	Hong Kong HK\$'000	Other countries (Note (a)) HK\$'000	Total HK\$'000
Sales	281,720	75,653	17,302	374,675
Segment results	(6,838)	(8,072)	(2,035)	(16,945)
Finance costs-net				(3,230)
Loss before income tax				(20,175)
Income tax credits				1,060
Loss for the period				(19,115)

There are no sales or other transactions between the geographical segments.

4 Segment information (Continued)

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Total assets:		
The PRC	351,140	300,387
Hong Kong	275,824	315,539
Other countries (Note (a))	37,348	29,082
	664,312	645,008

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

Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, receivables, derivative financial instruments, operating cash and restricted cash.

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Capital expenditure:		
The PRC	293	2,833
Hong Kong	103	694
Other countries (Note (a))	13	21
	409	3,548

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

Capital expenditure comprises mainly additions to property, plant and equipment.

Notes:

- (a) Other countries mainly include Taiwan, Singapore, United States, Macau, Greece, United Kingdom, Italy and Malaysia.

5 Property, plant and equipment

	Unaudited HK\$'000
As at 1st January 2010 (as previously reported)	108,366
Adjustment for adoption of amendment to HKAS 17	45,115
As at 1st January 2010 (as restated)	153,481
Additions	409
Disposal	(247)
Depreciation (Note 14)	(5,808)
Exchange differences	(1,314)
As at 30th June 2010	146,521
As at 1st January 2009 (as previously reported)	83,779
Adjustment for adoption of amendment to HKAS 17	45,655
As at 1 January 2009 (as restated)	129,434
Additions	1,088
Disposal	(204)
Depreciation (Note 14)	(5,721)
Exchange differences	(3,679)
As at 30th June 2009	120,918

5 Property, plant and equipment (Continued)

The Group's buildings located in Hong Kong and the PRC were revalued at 31st December 2009. Valuations were made on the basis of open market values by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The Group's buildings located outside Hong Kong and the PRC were revalued at 31st December 2009 on the basis of their open market values by Dickson Property Consultant Pte Ltd., an independent firm of professional valuers. No valuation was performed during the period as there was no indication of significant changes in the values since previous annual reporting date.

Bank borrowings are secured on land and buildings with an carrying amount of HK\$115,539,000 (31st December 2009: HK\$117,907,000) (Note 12).

6 Leasehold land

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	Unaudited 30th June 2010 HK\$'000	31st December 2009 (Restated) HK\$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	7,103	7,206

6 Leasehold land (Continued)

Movements of the lease prepayment for land are as follows:

	Unaudited HK\$'000
As at 1st January 2010 (as previously reported)	52,321
Adjustment for adoption of amendment to HKAS 17	(45,115)
As at 1st January 2010 (as restated)	7,206
Exchange differences	4
Amortisation (Note 14)	(107)
As at 30th June 2010	<u>7,103</u>
As at 1st January 2009 (as previously reported)	53,009
Adjustment for adoption of amendment to HKAS 17	(45,655)
As at 1st January 2009 (as restated)	7,354
Exchange differences	(7)
Amortisation (Note 14)	(107)
As at 30th June 2009	<u>7,240</u>

Bank borrowings are secured on leasehold land with an carrying amount of HK\$1,835,000 (31st December 2009: HK\$1,868,000) (Note 12).

7 Derivative financial instruments

	Unaudited As at 30th June 2010	
	Assets HK\$'000	Liabilities HK\$'000
Forward foreign exchange contracts – non-hedging instruments	<u>747</u>	<u>1,016</u>

7 Derivative financial instruments (Continued)

	Audited	
	As at 31st December 2009	
	Assets	Liabilities
	HK\$'000	HK\$'000
Forward foreign exchange contracts		
– non-hedging instruments	83	322

8 Trade receivables and bills receivables

At 30th June 2010 and 31st December 2009, the ageing analysis of the trade receivables and bills receivables based on due date is as follows:

	Unaudited	Audited
	30th June 2010	31st December 2009
	HK\$'000	HK\$'000
Current	103,005	92,925
1-3 months	38,032	29,533
4-6 months	7,395	8,231
7-12 months	8,032	1,444
Over 12 months	8,567	17,928
	165,031	150,061
Less: provision for impairment of receivables	(3,824)	(9,591)
	161,207	140,470

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

9 Share capital

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
215,444,062 ordinary shares of HK\$0.10 each	21,544	21,544
	Number of shares (in thousand)	Share Capital HK\$'000
At 30th June 2010 and 31st December 2009	215,444	21,544

Share options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme"). Share options were granted to directors and selected employees in 2008 and all non-exercised share options granted in 2008 were expired during the period. On 29th March 2010, 7,980,000 new share options have been offered and granted to employees and directors with an exercise price of HK\$0.61 per share. The closing price of the shares on 26th March 2010 (immediately before 29th March 2010, the date those options granted) was HK\$0.60 per share.

9 Share capital (Continued)

The Company has been using the Black-Scholes Valuation model to value the share options granted. The key parameters used in the model and the corresponding fair value of the options granted during 2010 are as follows:

	Unaudited 30th June 2010
Date of granted	29th March 2010
Number of share options granted	7,980,000
Total option value (HK\$)	1,915,200
Share price at date of grant (HK\$)	0.61
Exercise price (HK\$)	0.61
Expected life of options	2 years
Annualised volatility	76%
Risk free interest rate	0.72%
Dividend payout rate	0%

The exercise period of the above share options is from 29th March 2011 to 28th March 2012 (both dates inclusive).

The share based payment recognised in the condensed consolidated interim income statement for the share options granted to directors and employees for the six months ended 30th June 2010 is HK\$378,000 (2009: HK\$379,000).

Pursuant to the share option scheme, the share options will be fully vested on 29th March 2011.

9 Share capital (Continued)

Movements in the number of share options during the period and their related exercise prices are as follows:

Eligible participants	Date of grant	Exercise Price HK\$	At beginning of period	Granted during the period	Exercised during the period	Expired/ Lapsed/ Cancelled during the period	At end of period
Director							
Mr. LEE Sou Leung,	22nd April 2008	1.25	500,000	-	-	(500,000)	-
Joseph (Mr. Lee)	29th March 2010	0.61	-	580,000	-	-	580,000
Ms. TAN, Lisa Marie (Ms. Tan)	22nd April 2008	1.25	500,000	-	-	(500,000)	-
	29th March 2010	0.61	-	580,000	-	-	580,000
Mr. CHAN Ching Huen, Stanley (Mr. Chan)	22nd April 2008	1.25	500,000	-	-	(500,000)	-
	29th March 2010	0.61	-	580,000	-	-	580,000
Dr. LUI Sun Wing (Dr. Lui)	22nd April 2008	1.25	100,000	-	-	(100,000)	-
	29th March 2010	0.61	-	100,000	-	-	100,000
Mr. PIKE, Mark Terence (Mr. Pike)	22nd April 2008	1.25	100,000	-	-	(100,000)	-
	29th March 2010	0.61	-	100,000	-	(100,000)	-
Mr. NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	22nd April 2008	1.25	100,000	-	-	(100,000)	-
	29th March 2010	0.61	-	100,000	-	-	100,000
Employees							
(excluding directors)	22nd April 2008	1.25	5,548,000	-	-	(5,548,000)	-
	29th March 2010	0.61	-	5,940,000	-	-	5,940,000
			<u>7,348,000</u>	<u>7,980,000</u>	<u>-</u>	<u>(7,448,000)</u>	<u>7,880,000</u>

10 Trade payables and bills payables

At 30th June 2010 and 31st December 2009, the ageing analysis of the trade payables and bills payables based on due date is as follows:

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Current	101,659	97,158
1-3 months	3,658	2,058
4-6 months	99	3,380
7-12 months	1,996	254
Over 12 months	1,141	1,042
	108,553	103,892

11 Other payables, accruals and deposits received

Included in other payables, accruals and deposits received is a warranty provision for repairs or replacement of products which are still under warranty at the reporting date. The Group normally provides one-year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Movements in warranty provision are set out below:

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
At the beginning of the period/year	2,397	3,285
Charged to the income statement:		
– Additional provision	3,587	4,632
– Utilised during the period/year	(2,713)	(5,520)
At the end of the period/year	3,271	2,397

12 Borrowings

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Current borrowings		
Trust receipts loans	56,914	56,514
Short-term bank loans	62,475	97,417
Bank overdrafts	2,622	213
	122,011	154,144
Long-term borrowings	15,875	20,901
Total borrowings	137,886	175,045

Certain bank facilities are secured by the leasehold land (Note 6), land and buildings (Note 5) and restricted bank deposits of the Group.

Movements in borrowings are analysed as follows:

	Unaudited HK\$'000
Six months ended 30th June 2010	
Opening amount as at 1st January 2010	175,045
Repayments of borrowings	(157,436)
Proceeds from borrowings	120,199
Exchange differences	78
Closing amount as at 30th June 2010	137,886
Six months ended 30th June 2009	
Opening amount as at 1st January 2009	220,880
Repayments of borrowings	(332,467)
Proceeds from borrowings	306,582
Exchange differences	(943)
Closing amount as at 30th June 2009	194,052

Interest expenses on borrowings and loans for the six months ended 30th June 2010 is HK\$1,547,000 (30th June 2009: HK\$3,230,000).

13 Other gains – net

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Derivative instruments – forward contracts:		
– Net fair value (loss)/gain (realised and unrealised)	(30)	1,132
Service income	9,511	8,875
Commission income	256	3,724
Other income	2,934	526
	12,671	14,257

14 Expenses by nature

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

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	5,808	5,721
Amortisation on leasehold land	107	107
Provision for slow moving inventories	2,976	2,207
Provision for impairment of trade receivables	1,689	998
Employee benefits expenses (including directors' remuneration)	37,139	44,925
Costs of inventories sold	341,044	304,442
Other expenses	42,189	47,477
Total cost of goods sold, selling and distribution costs and administrative expenses	430,952	405,877

15 Income tax credits

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The National People's Congress of the PRC approved the Unified Corporate Income Tax Law (the "New CIT Law") on 16th March 2007. During the period, the PRC tax rate applicable to the Group is 25% (six months ended 30th June 2009: 25%) on the estimated assessable profit for the year, with certain preferential provisions.

Therefore, the PRC taxation has been provided on the estimated profits of the Group's subsidiaries operating in the PRC and subject to Enterprise Income Tax ("EIT") at a rate of 25%, unless preferential rates are applicable.

The amount of income tax credited to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	–	–
– Overseas taxation	121	238
Under-provision in previous years	–	104
Deferred income tax	(254)	(1,402)
Income tax credits	(133)	(1,060)

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

16 Earnings/(loss) per share

The calculations of basic and diluted earnings/(loss) per share are based on the Group's profit attributable to equity holders of HK\$11,424,000 (2009: Loss of HK\$18,545,000).

The basic earnings/(loss) per share is based on the weighted average number of ordinary shares in issue during the period of 215,444,000 (2009: 215,444,000).

The diluted earnings/(loss) per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted, during the period of 216,662,000 (2009: 215,444,000).

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK cents per share	
Earnings/(loss) per share attributable to the equity holders of the Company		
– basic	5.30	(8.61)
– diluted	5.27	(8.61)

17 Dividends

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Interim, proposed, HK3.0 cents (2009: HK Nil cents) per ordinary share	6,463	–

At a board meeting held on 10th August 2010, the directors proposed HK3.0 cents per ordinary share for the period ended 30th June 2010. This interim dividend, amounting to HK\$6,463,000 (2009: Nil), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholder's equity in the year ending 31st December 2010.

18 Contingent liabilities

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Letters of guarantee given to customers	59,984	24,425

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. As at 30th June 2010, the amount of guarantees outstanding was HK\$59,984,000 (2009: HK\$24,425,000).

19 Capital commitments

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Commitments for foreign currency forward contracts		
Contracted obligations for foreign currency forward contracts	38,902	37,061

20 Related party transactions

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 67.08% of the Company's shares. The remaining 32.92% 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:

			Unaudited	
			Six months ended 30th June	
	Note	2010 HK\$'000	2009 HK\$'000	
Rental paid to a director, Mr. LEE Sou Leung, Joseph	(a)	42	42	

- (a) One of the subsidiaries of the Group has entered into lease agreements with a director, Mr. LEE Sou Leung, Joseph to lease office spaces for the six months ended 30th June 2010 amounted to HK\$42,000 (2009: HK\$42,000). In the opinion of the directors, the transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.

20 Related party transactions (Continued)

(b) Key management compensation

Key management includes directors (executive and non-executive), members of Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee service is shown below:

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	4,936	4,987
Pension costs – defined contribution plans	157	159
Share based compensation	170	145
	5,263	5,291

- (c) The Company has entered into a deed of guarantee with BTMU Bank Limited, DBS Bank (Hong Kong) Limited, Dah Sing Bank Limited and Hang Seng Bank Limited on 12th June 2006, 22nd June 2006, 18th April 2005 and 23rd July 2009 respectively whereby the Company guarantees to secure the repayment of various banking facilities granted to the Company's wholly-owned subsidiary, Lleeport Machine Tool Company Limited ("LMTCL") and the Company's non-wholly-owned subsidiary, Lleeport Metrology (Hong Kong) Limited ("LMHK") in the total amount of HK\$157 million. The Company holds 90% equity interests indirectly in LMHK while the remaining 10% equity interests are held by a third party minority shareholder. These guarantees provided by the Company have the effect of granting financial assistance to LMHK as a non-wholly owned subsidiary and the minority shareholder of LMHK has not provided guarantees in proportion to its equity interests in LMHK. The aforesaid banking facilities guaranteed by the Company will be used for general corporate purpose and as general working capital of LMTCL and LMHK (as the case may be). The directors consider that the aforesaid guarantees are provided upon normal commercial terms and are in the interests of the Company and of its shareholders as a whole.

On behalf of the Board
LEE Sou Leung, Joseph
Chairman

Hong Kong, 10th August 2010