

Leeport

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



2021 INTERIM REPORT

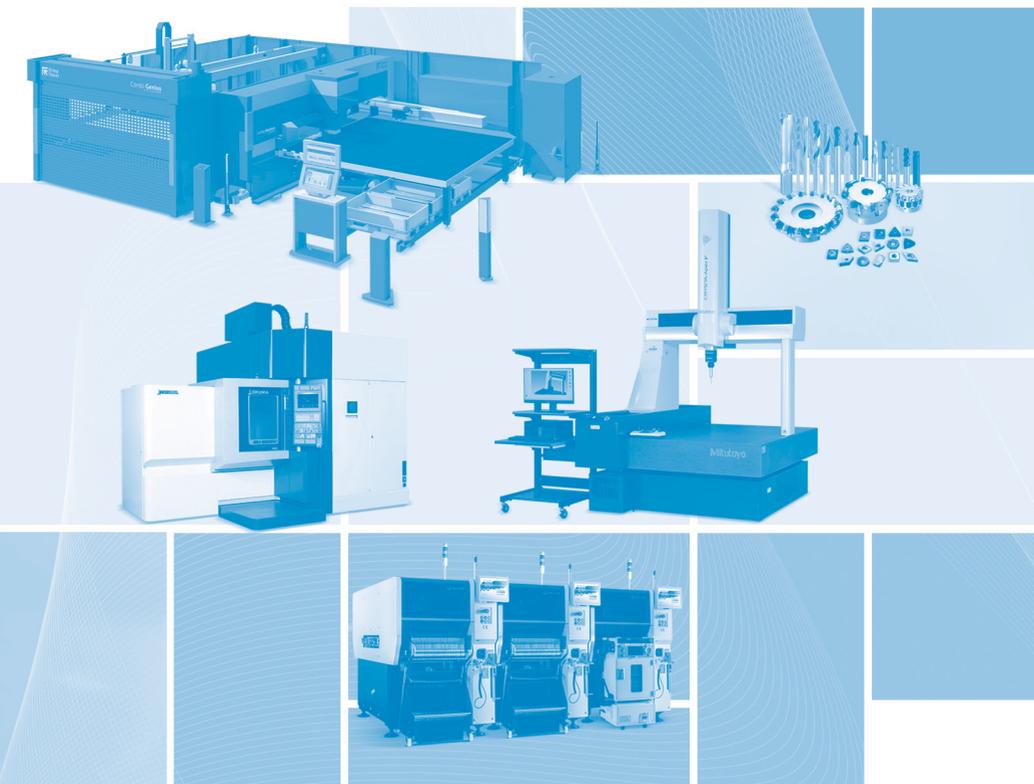
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MANAGEMENT COMMENTARY

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

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 Leepport 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 Macao, namely Lleeport 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 Lleeport Macao Commercial Offshore Limited, has no impact on the total comprehensive income attributable to owners of the Company.

SPECIAL INTERIM 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.

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.

SHARE OPTION SCHEME

On 15th May 2013, a share option scheme (“the Scheme”) has been adopted in the annual general meeting held to replace the old Scheme. Details of the Scheme are set out in the circular dated 15th April 2013 which was sent to the shareholders.

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

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

DETAILS OF THE CHARGES ON THE GROUP’S ASSETS

As at 30th June 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.

USE OF PROCEEDS FROM DISPOSAL IN 2020

On 23rd January 2020, a subsidiary of the Group, Lleeport Machine Tool Company Limited, disposed of 49% of the issued shares in an associate, Mitutoyo Lleeport Metrology Corporation, a trader of measuring tools, for a consideration of HK\$100,000,000, and the net proceeds was amounted to approximately HK\$99,000,000. Details of which have been disclosed in announcements dated 13th November 2019, 21st January 2020 and 23rd January 2020 and a circular dated 27th December 2019. As at 30th June 2021, the net proceeds from Disposal has been utilised as follows:

- Approximately HK\$50,000,000 has been utilised to expand the Group's measuring instrument division in the PRC.
- Approximately HK\$25,482,000 has been utilised to invest in manufacturing equipment supplies.
- Approximately HK\$9,000,000 has been utilised to repay the Group's outstanding bank borrowings.

The remaining of approximately HK\$14,518,000 will be utilised to invest in manufacturing equipment suppliers by year 2023, during which time the Group will continuously monitor the market condition and make the investment decision when the favourable market condition presents a good opportunity to the Group.

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

At 30th June 2021, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO or as notified to the Company, were as follows:

		Number of ordinary shares of HK\$0.10 each held				Total	Percentage
		Personal Interests	Corporation interests	Other interests	Share option		
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	24,376,000 shares	300,000 shares (Note(b))	144,529,982 shares (Note (a))	Nil	169,205,982 shares	73.54%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	1,104,000 shares	Nil	Nil	Nil	1,104,000 shares	0.48%
Mr. ZAVATTI Samuel Mario ("Mr. Zavatti")	Long position	110,000 shares	Nil	Nil	Nil	110,000 shares	0.05%

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

(b) 300,000 shares are registered in the name of J AND LEM Limited which is wholly-owned by Mr. Lee. Mr. Lee is deemed to be interested in these shares under SFO.

Save as disclosed above, as at 30th June 2021, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

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

At 30th June 2021, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

CORPORATE GOVERNANCE

During the six months ended 30th June 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 and this report with the directors.

CHANGE IN INFORMATION IN RESPECT OF DIRECTOR

In accordance with Rule 13.51B(1) of the Listing Rules, the change in information required to be disclosed is set out below:

The name of Mr. Zavatti Samuel, an independent non-executive director of the Company, has been changed to Mr. Zavatti Samuel Mario.

As at the date of this report, 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.

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

Hong Kong, 23rd August 2021

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30th JUNE 2021

	Note	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Assets			
Non-current assets			
Plant and equipment	7	5,577	5,582
Right-of-use assets	7	257,385	261,465
Investment properties	7	70,088	70,205
Investments in associates	8	61,930	61,397
Loan to an associate	21(c)	18,624	19,166
Financial assets at fair value through other comprehensive income		9,289	9,289
Prepayments		3,837	–
		426,730	427,104
Current assets			
Inventories		85,273	76,798
Trade and bills receivables	10	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
Assets classified as held for sale	9	2,186	31,377
Total current assets		464,134	419,425
Total assets		890,864	846,529

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30th JUNE 2021

	Note	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	11	23,007	23,007
Other reserves		324,755	260,883
Retained earnings		158,722	182,645
		506,484	466,535
Non-controlling interests		(5,223)	(4,267)
Total equity		501,261	462,268
Liabilities			
Non-current liabilities			
Other payables		3,595	5,212
Lease liabilities		1,709	2,301
Deferred income tax liabilities		29,939	35,034
		35,243	42,547
Current liabilities			
Trade and bills payables	12	122,992	103,960
Other payables, accruals and contract liabilities		63,578	71,431
Derivative financial instruments		635	–
Borrowings	13	155,101	161,472
Lease liabilities		1,225	1,495
Tax payable		2,443	3,356
Dividend payable		8,053	–
		354,027	341,714
Liabilities directly associated with assets classified as held for sale	9	333	–
Total current liabilities		354,360	341,714
Total liabilities		389,603	384,261
Total equity and liabilities		890,864	846,529

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

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30th JUNE 2021

	Note	Unaudited Six months ended 30th June	
		2021 HK\$'000	2020 HK\$'000
Sales	6	348,436	291,756
Cost of goods sold		(297,184)	(246,589)
Gross profit		51,252	45,167
Other income and gains – net		5,269	7,823
Selling and distribution costs		(9,736)	(8,008)
Administrative expenses		(50,680)	(50,936)
Net reversal of impairment losses on financial assets		25	456
Operating loss	14	(3,870)	(5,498)
Finance income		468	724
Finance costs		(1,903)	(3,487)
Finance costs – net		(1,435)	(2,763)
Release of exchange reserve upon dissolution of a subsidiary	15	(26,343)	–
Share of post-tax profits/(losses) of associates	8	1,558	(7,128)
Gain on disposal of an associate	9	–	8,479
Loss before income tax		(30,090)	(6,910)
Income tax expense	16	(420)	(1,672)
Loss for the period		(30,510)	(8,582)
Loss attributable to owners of the Company		(29,993)	(7,516)
Loss attributable to non-controlling interests		(517)	(1,066)
		(30,510)	(8,582)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30th JUNE 2021

		Unaudited	
		Six months ended 30th June	
	Note	2021	2020
		HK cents	HK cents
		per share	per share
<hr/>			
Losses per share attributable to owners of the Company			
Basic losses per share	17	(13.04)	(3.27)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30th JUNE 2021

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30th JUNE 2021

	Unaudited										
	Attributable to owners of the Company									Non-Controlling interests	Total equity
	Share capital	Share premium	Land and building revaluation reserve	Exchange reserve	Other reserves	Merger reserve	Retained earnings	Total			
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
Balance at 1st January 2021	23,007	37,510	262,393	(47,476)	(2,854)	11,310	182,645	466,535	(4,267)	462,268	
Comprehensive loss											
Loss for the period	-	-	-	-	-	-	(29,993)	(29,993)	(517)	(30,510)	
Other comprehensive income/(loss)											
Movement of deferred tax	-	-	236	-	-	-	-	236	-	236	
Transfer of land and building revaluation reserve to retained earnings upon depreciation of buildings	-	-	(1,429)	-	-	-	1,429	-	-	-	
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	45,139	-	-	45,139	-	45,139	
Currency translation differences	-	-	(160)	1,577	-	-	-	1,417	(439)	978	
Release of exchange reserve upon dissolution of a subsidiary	-	-	-	43,100	-	-	(16,757)	26,343	-	26,343	
Release of building revaluation reserve upon disposal of land and building	-	-	(24,591)	-	-	-	29,451	4,860	-	4,860	
Total comprehensive (loss)/income for the period ended 30th June 2021	-	-	(25,944)	44,677	45,139	-	(15,870)	48,002	(956)	47,046	
Transaction with owners, recognised directly in equity											
Dividend payable relating to 2020	-	-	-	-	-	-	(8,053)	(8,053)	-	(8,053)	
Total transaction with owners, recognised directly in equity	-	-	-	-	-	-	(8,053)	(8,053)	-	(8,053)	
Balance at 30th June 2021	23,007	37,510	236,449	(2,799)	42,285	11,310	158,722	506,484	(5,223)	501,261	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30th JUNE 2021

	Unaudited									
	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Land and building revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-Controlling interests HK\$'000	Total equity HK\$'000
Balance at 1st January 2020	23,007	37,510	253,614	(64,490)	(1,597)	11,310	180,623	439,977	(1,754)	438,223
Comprehensive loss										
Loss for the period	-	-	-	-	-	-	(7,516)	(7,516)	(1,066)	(8,582)
Other comprehensive income/(loss)										
Movement of deferred tax	-	-	297	-	-	-	-	297	-	297
Transfer of land and building revaluation reserve to retained earnings upon depreciation of buildings	-	-	(1,801)	-	-	-	1,801	-	-	-
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(14,264)	-	-	(14,264)	-	(14,264)
Currency translation differences	-	-	(277)	(1,886)	-	-	-	(2,163)	(72)	(2,235)
Release of exchange reserve upon disposal of an associate	-	-	-	8,147	-	-	-	8,147	-	8,147
Total comprehensive (loss)/income for the period ended 30th June 2020	-	-	(1,781)	6,261	(14,264)	-	(5,715)	(15,499)	(1,138)	(16,637)
Transfer of loss on disposal on equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	36	-	(36)	-	-	-
Transaction with owners, recognised directly in equity										
Special dividend payable	-	-	-	-	-	-	(5,752)	(5,752)	-	(5,752)
Total transaction with owners, recognised directly in equity	-	-	-	-	-	-	(5,752)	(5,752)	-	(5,752)
Balance at 30th June 2020	23,007	37,510	251,833	(58,229)	(15,825)	11,310	169,120	418,726	(2,892)	415,834

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30th JUNE 2021

	Note	Unaudited Six months ended 30th June	
		2021 HK\$'000	2020 HK\$'000
Cash flow from operating activities			
Cash used in operations		(5,052)	(23,167)
Interest paid		(2,502)	–
Income tax paid		(609)	(593)
Net cash used in operating activities		(8,163)	(23,760)
Cash flow from investing activities			
Purchase of plant and equipment		(1,177)	(66)
Purchase of financial assets at fair value through other comprehensive income		(6,370)	(18,950)
Disposal of financial assets at fair value through other comprehensive income		–	418
Proceeds from sale of interest in an associate	9	–	100,000
Proceeds from sale of land and building	9	29,500	–
Other investing cash flow – net		1,296	724
Net cash generated from investing activities		23,249	82,126
Cash flows from financing activities			
Net repayment to collateralised borrowings and bank loans	13	(5,874)	(68,466)
Release of restricted bank deposits		63	9,119
Principal elements of lease liabilities		(837)	(839)
Net cash used in financing activities		(6,648)	(60,186)
Net increase/(decrease) in cash and cash equivalents		8,438	(1,820)
Cash and cash equivalents at beginning of the period		92,591	60,768
Effect of the exchange rate for the period		(332)	(813)
Cash and cash equivalents at end of the period		100,697	58,135

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 23rd August 2021.

These condensed consolidated interim financial information has not been audited.

2 Basis of preparation

These unaudited condensed consolidated interim financial information for the six months ended 30th June 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”).

3 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.

3 Accounting policies (Continued)

(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, HKFRS7, HKFRS 9 and HKFRS 16 (Amendment)	Interest Rate Benchmark Reform – Phase 2
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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:

		Effective for the accounting period beginning on or after
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

3 Accounting policies (Continued)

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

		Effective for the accounting period beginning on or after
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.

4 Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2020.

5 Financial risk management

5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2020.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

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

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

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

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2021.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income				
– listed securities	133,132	–	–	133,132
– unlisted securities	–	–	9,289	9,289
	<u>133,132</u>	<u>–</u>	<u>9,289</u>	<u>142,421</u>
Liabilities				
Derivative financial instruments	–	635	–	635
	<u>–</u>	<u>635</u>	<u>–</u>	<u>635</u>

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2020.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	14	–	14
Financial assets at fair value through other comprehensive income				
– listed securities	81,623	–	–	81,623
– unlisted securities	–	–	9,289	9,289
	<u>81,623</u>	<u>14</u>	<u>9,289</u>	<u>90,926</u>

The Group's unlisted securities were revalued at 31st December 2020. The directors considered that there were no significant changes in the values since previous annual reporting date.

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

There were no changes in valuation techniques during the period.

5 Financial risk management (Continued)

5.4 Valuation techniques used to derive Level 2 fair values

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

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

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

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

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, represented by 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.

6 Segment information (Continued)

	Unaudited Six months ended 30th June 2021			
	Mainland China HK\$'000	Hong Kong HK\$'000	Other countries HK\$'000	Total HK\$'000
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>	<u>(3,870)</u>
Finance income				468
Finance costs				(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 expense				<u>(420)</u>
Loss for the period				<u><u>(30,510)</u></u>

6 Segment information (Continued)

	Unaudited			Total HK\$'000
	Six months ended 30th June 2020			
	Mainland China HK\$'000	Hong Kong HK\$'000	Other countries HK\$'000	
Sales	262,455	18,974	10,327	291,756
Segment results	4,413	(2,348)	(7,563)	(5,498)
Finance income				724
Finance costs				(3,487)
Share of post-tax losses of associates				(7,128)
Gain on disposal of an associate				8,479
Loss before income tax				(6,910)
Income tax expense				(1,672)
Loss for the period				(8,582)

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.

6 Segment information (Continued)

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).

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

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

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

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

6 Segment information (Continued)

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

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Capital expenditure:		
Mainland China	996	49
Hong Kong	23	19
Other countries (Note (a))	158	54
	1,177	122

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.

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

	Right-of-use assets HK\$'000	Unaudited Plant and equipment HK\$'000	Investment property HK\$'000
As at 1st January 2021	261,465	5,582	70,205
Additions	–	1,177	–
Disposal	–	(227)	–
Depreciation (Note 14)	(3,794)	(943)	–
Exchange differences	(286)	(12)	(117)
As at 30th June 2021	<u>257,385</u>	<u>5,577</u>	<u>70,088</u>
As at 1st January 2020	294,613	7,942	55,674
Additions	135	66	–
Depreciation (Note 14)	(4,171)	(964)	–
Lease modification	(56)	–	–
Exchange differences	(614)	(78)	(299)
As at 30th June 2020	<u>289,907</u>	<u>6,966</u>	<u>55,375</u>

At 30th June 2021, the Group's right-of-use assets includes land and buildings of HK\$254,571,000 (31st December 2020: HK\$257,780,000) and leased properties of HK\$2,814,000 (31st December 2020: HK\$3,685,000).

The Group's land and buildings and investment property were revalued at 31st December 2020. The directors considered that there were no significant changes in the values since previous annual reporting date.

Bank borrowings are secured on land and buildings and investment property with a carrying amount of HK\$303,692,000 (31st December 2020: HK\$233,685,000) (Note 13).

8 Investments in associates

Movements of investments in associates are as follows:

	Unaudited	
	30th June 2021 HK\$'000	30th June 2020 HK\$'000
Beginning of the period	61,397	63,895
Share of post-tax profits/(losses) of associates	1,558	(7,128)
Currency translation difference	(1,025)	(389)
End of the period	61,930	56,378

9 Assets classified as held for sale

(i) Land and building classified as held for sale

In December 2020, the directors decided to sell a warehouse in Hong Kong, which was originally classified as right-of-use assets. The provisional sales and purchase agreement was signed On 16th December 2020 at a consideration of HK\$29,500,000.

As at 31st December 2020, right-of-use assets of HK\$29,500,000 has been classified as held for sale in the consolidated balance sheet. The transaction was completed in May 2021.

Bank borrowings were secured on land and building held for sale with a carrying amount of HK\$29,500,000 as at 31st December 2020. The security was released during six months ended 30th June 2021.

	Unaudited 30th June 2021 HK\$'000
Consideration	29,500
Less: – Carrying amount of warehouse – Transaction cost	(29,500) (55)
Loss on disposal of land and building	(55)

9 Assets classified as held for sale (Continued)

(ii) Assets and liabilities of disposal group classified as held for sale

In May 2020, the Group entered into a sale and purchase agreement for sale of two subsidiaries, Screw & Fastener International Ltd and 昌賢威國際貿易(上海)有限公司, at a consideration of HK\$4,754,000. The associated assets and liabilities were consequently presented as held for sale in the consolidated balance sheet. The transaction is expected to complete in 2021.

The following assets were reclassified as held for sale in relation to the disposal group held for sale as at 30th June 2021 and 31st December 2020:

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Assets classified as held for sale		
Trade receivables	365	367
Other receivables, prepayments and deposits	1,466	1,141
Cash and cash equivalents	355	369
	2,186	1,877
Liabilities directly associated with assets classified as held for sale		
Other payables and accruals	333	-

9 Assets classified as held for sale (Continued)

(iii) Investment in an associate classified as held for sale

MLMC, a 49% owned associate of the Group, has been presented as held for sale following the signing of sale and purchase agreement for a consideration of HK\$100,000,000 and approval by the Stock Exchange of Hong Kong Limited in December 2019.

As at 31st December 2020, investment in an associate of HK\$61,397,000 has been classified as held for sale in the consolidated balance sheet.

On 23rd January 2020, a subsidiary of the Group, Leeport Machine Tool Company Limited, disposed 49% of the issued shares in MLMC.

	Unaudited 30th June 2020 HK\$'000
Consideration	100,000
Carrying amount of investment in MLMC	<u>(83,374)</u>
	16,626
Release of accumulated exchange reserve	<u>(8,147)</u>
	8,479
Gain on disposal of an associate	<u><u>8,479</u></u>

10 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:

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

11 Share capital

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
	Number of shares (in thousand)	Share capital HK\$'000
Issued and fully paid:		
At 30th June 2020, 1st January 2021, and 30th June 2021	230,076	23,007

12 Trade and bills payables

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

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

13 Borrowings

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

Bank borrowings are secured by certain land and buildings, investment properties (Note 7) and restricted bank deposits of the Group.

13 Borrowings (Continued)

Movements in borrowings are analysed as follows:

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

14 Operating loss

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

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 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	-

15 Release of exchange reserve upon dissolution of a subsidiary

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

16 Income tax expense

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

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

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.

17 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.

	Unaudited Six months ended 30th June	
	2021	2020
Loss from continuing operations attributable to owners of the Company (HK\$'000)	<u>(29,993)</u>	<u>(7,516)</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>230,076</u>	<u>230,076</u>
Basic losses per share attributable to owners of the Company (HK cents per share)	<u>(13.04)</u>	<u>(3.27)</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.

18 Dividends

A final dividend of HK\$8,053,000 that relates to the year ended 31st December 2020 was payable as at 30th June 2021. (2020: special dividend of HK\$5,752,000 was payable as at 30th June 2020).

On 23rd August 2021, the Board has resolved to declare a special interim dividend of HK2.5 cents per share, amounting to HK\$5,752,000.

No interim dividend is proposed for the period ended 30th June 2021 (2020: Nil).

19 Contingent liabilities

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Letters of guarantee given to customers	4,739	6,964

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.

20 Capital commitment

The Group had the following authorised and contracted capital commitments:

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Acquisition of plant and equipment	2,116	–

21 Related party transactions

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

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

(a) Key management compensation

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

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	5,123	5,180
Pension costs - defined contribution plans	76	123
	5,199	5,303

(b) Sales and purchase of goods and services

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Sales of goods to an associate – Prima Power Suzhou Co., Ltd.	3,962	–
Purchase of goods from an associate – Prima Power Suzhou Co., Ltd.	11,667	3,177

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

21 Related party transactions (Continued)

(c) Loan to an associate

The balance represents a loan effectively made to OPS-Ingersoll Holding GmbH (“OPS”). The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months but within two years from the reporting date. During the period, interest received from OPS amounted to HK\$399,000 (2020: HK\$539,000).

As at 30th June 2021, the carrying value of the loan to an associate was HK\$18,624,000 (31st December 2020: HK\$19,166,000). Based on the assessment on the recoverability of the balance, loss allowance of HK\$117,000 (31st December 2020: HK\$117,000) was provided.