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Leeport
LLEPORT (HOLDINGS) LIMITED
力豐(集團)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 387)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2022**

The Board of Directors (the “Directors” or “Board”) 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 2022, 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.

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30th June 2022 (2021: special interim dividend HK2.5 cents per share). However, subject to the approval of the shareholders at the forthcoming special general meeting and completion of a share disposal transaction (as stated in the announcement dated 18th August 2022), the Board intends to declare a special cash dividend of HK\$0.08 per share to the shareholders whose names appear on the register of members of the Company on a record date to be determined and details of which have been disclosed in the announcement dated 18th August 2022.

* For identification purpose only

FINANCIAL PERFORMANCE

Sales

The first six months of 2022 were full of challenges, from surging inflation globally to the energy crisis in Europe. A two-month lockdown in Shanghai and COVID-19-related restrictions also hit business sentiment in China. Despite the unfavorable situation in China, the Group still achieved a significant amount of growth in business, due mainly to the successful order-intake in machine tools and electronics equipment.

The total value of contracts signed in the first half of 2022 was HK\$757,384,000, compared with HK\$466,939,000 in the same period last year, representing an increase of 62.2%.

In the first half of 2022, the Group's sales amounted to HK\$348,434,000, almost exactly the same as the amount of HK\$348,436,000 in the same period last year. The invoice sales in the first half of 2022 were affected by the lockdown of Shanghai city in April and May. Deliveries from suppliers and deliveries to customers were totally stopped, which seriously affected the business of our Cutting Tools and Measurement Instrument Divisions in particular. The actual invoice sales in the first half of 2022 were below expectations. Our gross profit amounted to HK\$47,859,000, compared with HK\$51,252,000 in the same period last year, representing a decrease of 6.6%. The gross profit percentage was 13.7%, compared with 14.7% in the same period last year.

Other Income and Gains

In the first half of 2022, the total amount of other income and gains was HK\$7,405,000, compared with HK\$5,269,000 in the same period last year, representing an increase of 40.5%.

Our service income was HK\$6,987,000 in the first half of 2022, compared with HK\$4,468,000 in the same period last year, representing an increase of 56.4%. The demand for our professional technical service remained strong, and we were able to win a large service contract in the first half of this year.

In the first half of 2022, there was a net loss from derivative financial instruments amounting to HK\$4,344,000, compared with a net loss HK\$649,000 in the same period last year, representing an increase loss of 569.3%. The Group has hedged with the bank for the foreign exchange risk against its future contract execution and payment. During the first half of this year, the JPY and EUR have been substantially devalued, so a high exchange loss was recorded.

In the first half of 2022, a dividend of HK\$2,314,000 was received from Prima Industrie S.p.A. (“Prima”), a company incorporated in Italy with limited liability, the shares of which are listed on the Milan Exchange (Stock Code: PRI:IM). There was no dividend declared by Prima Industrie S.p.A. in the same period last year.

Operating Expenses

In the first half of 2022, selling and distribution costs were HK\$9,518,000, compared with HK\$9,736,000 in the same period last year, representing a decrease of 2.2%.

In the first half of 2022, administrative expenses amounted to HK\$50,849,000, compared with HK\$50,680,000 in the same period last year, representing a slight increase of 0.3%. In the first half of this year, due to better control over our travel expenses, these kinds of expenses were reduced by HK\$1,630,000 compared with same period last year. The other operating expenses were basically maintained at a similar level as in same period last year.

Finance Costs – Net

Finance costs net of interest income were HK\$2,946,000 in the first half of 2022, compared with HK\$1,435,000 in the same period last year, representing an increase of 105.3%

Finance income in the first half of 2022 was HK\$586,000, compared with HK\$468,000 in the same period last year.

Finance costs in the first half of 2022 were HK\$3,532,000, compared with HK\$1,903,000 in the same period last year, representing an increase of 85.6%. This was due to the increase in the level of bank borrowings and the higher market interest rate in the first half of 2022.

The Group’s net gearing ratio was approximately 42.1% at the end of June 2022, compared with 26.4% at the end of December 2021.

Share of Post-tax Profits of Associates

The share of post-tax profits of associates in the first half of 2022 was HK\$2,369,000, compared with HK\$1,558,000 in the same period last year, representing an increase of 52.1%. 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 2022 amounted to HK\$124,000, compared with HK\$420,000 in the same period last year, representing a decrease of 70.5%.

Loss Attributable to Owners of the Company and Losses Per Share

In the first half of 2022, the loss attributable to owners of the Company was HK\$5,686,000, compared with a loss attributable to owners of the Company amounting to HK\$29,993,000 in the same period last year, representing a decrease of 81%. In the first half of last year, there was a reclassification of the HK\$26,343,000 cumulative amount of exchange reserve from equity to profit or loss on the dissolution of a subsidiary in Macau, namely Leeport Macao Commercial Offshore Limited, in compliance with the requirements of the Macao SAR Government's law regarding the termination of all offshore business licences in Macao.

The operating loss for the trading business was HK\$5,103,000, compared with an operating loss of HK\$3,870,000 in the same period last year, representing an increase of 31.9%. After excluding the total of the losses from derivative financial instruments and foreign exchange losses of HK\$6,884,000 in the first half of 2022, the operating loss became an operating profit of HK\$1,781,000, compared with an operating loss of HK\$1,235,000 (after excluding the total of the losses from derivative financial instruments and foreign exchange losses of HK\$2,635,000) in the same period last year.

The basic loss per share was HK2.47 cents, compared with a basic loss per share of HK13.04 cents in the same period last year, representing a decrease of 81.1%.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2022

		Unaudited	
		Six months ended 30th June	
	<i>Note</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	3	348,434	348,436
Cost of goods sold		(300,575)	(297,184)
Gross profit		47,859	51,252
Other income and gains – net		7,405	5,269
Selling and distribution costs		(9,518)	(9,736)
Administrative expenses		(50,849)	(50,680)
Net reversal of impairment losses on financial assets		–	25
Operating loss	4	(5,103)	(3,870)
Finance income		586	468
Finance costs		(3,532)	(1,903)
Finance costs – net		(2,946)	(1,435)
Release of exchange reserve upon dissolution of a subsidiary	5	–	(26,343)
Share of post-tax profits of associates		2,369	1,558
Loss before income tax		(5,680)	(30,090)
Income tax expense	6	(124)	(420)
Loss for the period		(5,804)	(30,510)
Loss attributable to owners of the Company		(5,686)	(29,993)
Loss attributable to non-controlling interests		(118)	(517)
		(5,804)	(30,510)
		HK cents	HK cents
		per share	per share
Losses per share attributable to owners of the Company			
Basic losses per share	8	(2.47)	(13.04)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2022

	Unaudited	
	Six months ended 30th June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(5,804)	(30,510)
Other comprehensive (loss)/income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement of deferred tax	234	236
Change in fair value of financial assets at fair value through other comprehensive income	(33,273)	45,139
Release of building revaluation reserve upon disposal of land and building	<u>–</u>	<u>4,860</u>
	(33,039)	50,235
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Currency translation differences	(14,000)	978
Release of exchange reserve upon dissolution of a subsidiary	<u>–</u>	<u>26,343</u>
	(14,000)	27,321
Other comprehensive (loss)/income, net of tax	<u>(47,039)</u>	<u>77,556</u>
Total comprehensive (loss)/income for the period	<u>(52,843)</u>	<u>47,046</u>
Total comprehensive (loss)/income attributable to owners of the Company	(53,193)	48,002
Total comprehensive income/(loss) attributable to non-controlling interests	<u>350</u>	<u>(956)</u>
	<u>(52,843)</u>	<u>47,046</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30TH JUNE 2022

	<i>Note</i>	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Assets			
Non-current assets			
Plant and equipment		11,669	11,893
Right-of-use assets		255,503	260,962
Investment properties		69,615	69,789
Investments in associates		62,072	63,009
Loan to an associate		16,450	17,717
Financial assets at fair value through other comprehensive income		8,689	8,689
Financial asset at fair value through profit or loss		7,840	–
		431,838	432,059
Current assets			
Inventories		111,056	111,908
Trade and bill receivables	9	162,483	109,980
Other receivables, prepayments and deposits		122,209	42,596
Financial assets at fair value through other comprehensive income		74,811	110,865
Derivative financial instruments		–	25
Restricted bank deposits		10,883	10,917
Cash and cash equivalents		51,823	65,522
		533,265	451,813
Assets classified as held for sale		61	1,451
Total current assets		533,326	453,264
Total assets		965,164	885,323

	<i>Note</i>	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		23,007	23,007
Other reserves		256,167	303,644
Retained earnings		133,941	145,409
		<u>413,115</u>	472,060
Non-controlling interests		(4,965)	(5,315)
		<u>408,150</u>	<u>466,745</u>
Liabilities			
Non-current liabilities			
Other payables		1,212	3,212
Lease liabilities		661	1,175
Deferred income tax liabilities		30,067	30,385
		<u>31,940</u>	<u>34,772</u>
Current liabilities			
Trade and bills payable	<i>10</i>	140,020	111,331
Other payables, accruals and contract liabilities		136,688	66,661
Derivative financial instruments		4,977	657
Borrowings	<i>11</i>	234,549	199,867
Lease liabilities		872	962
Tax payable		2,216	4,051
Dividend payable		5,752	–
		<u>525,074</u>	<u>383,529</u>
Liabilities directly associated with assets classified as held for sale		–	277
		<u>525,074</u>	<u>383,806</u>
Total current liabilities		<u>525,074</u>	<u>383,806</u>
Total liabilities		<u>557,014</u>	<u>418,578</u>
Total equity and liabilities		<u>965,164</u>	<u>885,323</u>

Notes:

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information for the six months ended 30th June 2022 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31st December 2021, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standard as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

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

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

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

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, represented by Board of Directors, that are used to make strategic decisions.

The Board considers the business from a geographic region perspective. Geographically, management considers the performance in the People's Republic of China ("Mainland China"), Hong Kong and other countries.

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

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

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

	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>	(3,870)
Finance income				468
Finance cost				(1,903)
Release of exchange reserve upon dissolution of a subsidiary				(26,343)
Share of post-tax profits of associates				<u>1,558</u>
Loss before income tax				(30,090)
Income tax expenses				<u>(420)</u>
Loss for the period				<u>(30,510)</u>

During the periods ended 30th June 2022 and 2021, there is no revenue derived from a single customer amounted to 10% or more of the Group's revenue.

As at 30th June 2022, contract liabilities of HK\$113,639,000 (31st December 2021: HK\$46,543,000) 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 2022, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue. Decrease in contract liabilities is mainly due to the decrease in sales orders with advanced payments.

The provision for slow moving inventories for the six months ended 30th June 2022 are HK\$970,000 (2021: HK\$310,000).

The net reversal of impairment losses on financial assets for the six months ended 30th June 2022 are nil (2021: HK\$25,000)

	Unaudited 30th June 2022 <i>HK\$'000</i>	Audited 31st December 2021 <i>HK\$'000</i>
Segment assets:		
Mainland China	513,144	404,247
Hong Kong	284,558	285,982
Other countries (<i>Note (a)</i>)	167,462	195,094
	<u>965,164</u>	<u>885,323</u>

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

	Unaudited 30th June 2022 <i>HK\$'000</i>	Audited 31st December 2021 <i>HK\$'000</i>
Segment liabilities:		
Mainland China	420,261	302,960
Hong Kong	105,176	88,172
Other countries (<i>Note (a)</i>)	31,577	27,446
	<u>557,014</u>	<u>418,578</u>

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

The depreciation of plant and equipment and right-of-use assets for the six months ended 30th June 2022 are HK\$4,561,000 (2021: HK\$4,737,000).

	Unaudited 30th June 2022 <i>HK\$'000</i>	Audited 31st December 2021 <i>HK\$'000</i>
Capital expenditure:		
Mainland China	142	1,130
Hong Kong	854	7,251
Other countries (<i>Note (a)</i>)	–	160
	<u>996</u>	<u>8,541</u>

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

Capital expenditure comprises mainly additions to plant and equipment.

Note:

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

4. OPERATING LOSS

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

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	298,207	294,685
Depreciation on plant and equipment	1,081	943
Depreciation on right-of-use assets	3,480	3,794
Employee benefits expenses (including directors' remuneration)	30,386	29,039
Foreign exchange losses, net	2,540	1,985
Short-term leases	220	163
Provision for slow moving inventories	970	310
Professional fee	2,957	3,194
Loss on disposal of right-of-use assets	–	55

5. RELEASE OF EXCHANGE RESERVE UPON DISSOLUTION OF A SUBSIDIARY

The Group completed the dissolution of a subsidiary during the period ended 30th June 2021, which has a functional currency of JPY since its incorporation. The Company changed its functional currency from JPY to HK\$ with effect from 1st July 2014 and the subsidiary became a foreign operation of the Company. Upon dissolution of the subsidiary, exchange reserve of approximately HK\$16,757,000 that was accumulated in respect of the subsidiary before 1st July 2014 is transferred to retained earnings. Cumulative translation difference of approximately HK\$26,343,000 was reclassified from exchange reserve to the condensed consolidated interim income statement, as a loss on dissolution of the subsidiary.

6. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax:		
– Mainland China and overseas taxation	208	420
Deferred income tax	(84)	–
	<u>124</u>	<u>420</u>

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

No provision for Hong Kong profits tax has been made as the Group has tax loss brought forward to set off against current period tax provision (2021: Nil).

Enterprise income tax ("EIT") in Mainland China has been provided at the rate of 25% (2021: 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% (2021: 17%) on the estimated assessable profit for the period.

Taxation on other overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

7. DIVIDENDS

A final dividend of HK\$5,752,000 that relates to the year ended 31st December 2021 was payable as at 30th June 2022. (2021: final dividend of HK\$8,053,000 that relates to the year ended 31st December 2020 was payable as at 30th June 2021).

No interim dividend is proposed for the period ended 30th June 2022 (2021: Nil).

8. LOSSES PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30th June	
	2022	2021
Loss from continuing operations attributable to owners of the Company (<i>HK\$'000</i>)	<u>(5,686)</u>	<u>(29,993)</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>230,076</u>	<u>230,076</u>
Basic losses per share attributable to owners of the company (<i>HK cents per share</i>)	<u>(2.47)</u>	<u>(13.04)</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 2022 and 2021, hence no diluted loss per share was presented.

9. TRADE AND BILLS RECEIVABLES

At 30th June 2022 and 31st December 2021, the ageing analysis of trade and bills receivables by invoice date are as follows:

	Unaudited 30th June 2022 <i>HK\$'000</i>	Audited 31st December 2021 <i>HK\$'000</i>
Within 3 months	141,068	90,742
4 – 6 months	8,098	8,360
7 – 12 months	7,219	6,412
Over 12 months	9,052	7,499
	165,437	113,013
Less: provision for impairment of receivables	(2,954)	(3,033)
	162,483	109,980

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

10. TRADE AND BILLS PAYABLES

At 30th June 2022 and 31st December 2021, the ageing analysis of the trade and bills payables are as follows:

	Unaudited 30th June 2022 <i>HK\$'000</i>	Audited 31st December 2021 <i>HK\$'000</i>
Current	132,285	87,454
1 – 3 months	933	13,265
4 – 6 months	384	1,991
7 – 12 months	1,461	114
Over 12 months	4,957	8,507
	140,020	111,331

11. BORROWINGS

	Unaudited 30th June 2022 <i>HK\$'000</i>	Audited 31st December 2021 <i>HK\$'000</i>
Current		
Trust receipt loans	94,010	78,936
Term loans from banks due for repayment within one year	140,539	120,931
	<hr/>	<hr/>
Total borrowings	234,549	199,867
	<hr/>	<hr/>

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

Movements in borrowings are analysed as follows:

	Unaudited HK\$'000
As at 1st January 2022	199,867
Repayments of borrowings	(80,404)
Proceeds from borrowings	115,307
Exchange difference	(221)
	<hr/>
As at 30th June 2022	234,549
	<hr/>
	Unaudited <i>HK\$'000</i>
As at 1st January 2021	161,472
Repayment of borrowings	(174,382)
Proceeds from borrowings	168,508
Exchange difference	(497)
	<hr/>
As at 30th June 2021	155,101
	<hr/>

BUSINESS REVIEW

Trading

In the first half of 2022, the COVID-19 pandemic continued to have a significant impact on economic activities in China. The city of Shanghai was fully locked down in April and May 2022, and the economy of the whole country was adversely affected in the second quarter of the year. The GDP growth rate in the first half of 2022 was only 2.5%, compared with 12.7% in the same period last year. The overall manufacturing industry in China was weak in the first half of the year, achieving only 2.8% growth, compared with 17% in the same period last year.

On the other hand, the Group recorded a total order intake amounting to HK\$757,384,000 in the first half of 2022, compared with HK\$466,939,000 in the same period last year, representing an increase of 62.2%. That increase was due mainly to the orders from a key customer in the automobile industry.

In China, the production volume of automobiles in the first half of 2022 was 12.1 million units, 3.7% less than in the same period last year. Even though the automobile industry in China slowed down in the first half of the year, the machine tool and electronics equipment business of the Group benefited from the active orders from the new energy car industry. The production volume of new energy cars in the first half of 2022 was 2.6 million units, 120% more than in the same period last year. The production value of mobile phone manufacturing, the other major customer segment of the Group, was 2.7% less than in the same period last year.

The lockdown of Shanghai in April and May 2022 seriously affected the operations of our Shanghai logistics centre. During those two months, deliveries to the centre from our suppliers were stopped due to the lockdown of the port operations in Shanghai, and similarly, our deliveries to our customers were stopped due to the lockdown of the city. This significantly affected the revenue of our Cutting Tools and Measurement Instrument Divisions. In the meantime, the delivery cycles of suppliers are still longer than normal due to the issue of the shortage of computer chips. The business of the Group has therefore been affected.

The value of outstanding orders as at the end of July 2022 was HK\$759,099,000, and the value of invoice sales was HK\$348,434,000 in the first half of 2022. We expect that the delivery and invoice sales amount will catch up in the second half of 2022 and be much higher than the amount in the first half of the year.

Investment

The business of our associated company, OPS Ingersoll Funkenerosion GmbH in Germany, improved significantly in the first half of 2022, compared with same period last year. The business projection for the second half of 2022 is even better.

Our other associated company, Prima Power Suzhou Company Limited in China, is facing the problem of delays in the supply of components. Production is behind schedule, even though the size of orders is not bad. It is expected that revenue will improve in the second half of the year, if the supply of components returns to normal.

The Group is working on the disposal of shares in Prima Industrie S.p.A., an Italian manufacturer of sheetmetal machinery and equipment. The transaction amount is around Euro 16.2 million, equivalent to HK\$131.8 million. The new investors of Prima Industrie S.p.A. plan to grow the Company with new management structure and strategies. Leeport will become the shareholder by re-investing Euro 5 million in the new privatised company. The Group will work with the new management in developing new business strategies in China and South East Asia market. The Company will declare a special dividend of HK\$0.08 per share upon completion of the share disposal and subject to the shareholder approval at the forthcoming special general meeting. The Group will have sufficient capital to prepare investments in promising suppliers of manufacturing technologies in the market.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash and cash equivalents as at 30th June 2022 was HK\$51,823,000 (31st December 2021: HK\$65,522,000). The decrease of bank balance is due mainly to the deposits paid to suppliers as large sales orders were placed. The Group still maintained a reasonable cash position.

The balance of inventory as at 30th June 2022 was HK\$111,056,000 (31st December 2021: HK\$111,908,000). The turnover days of inventory was 67 at the end of June 2022, compared with 67 at the end of December 2021.

The balance of trade and bill receivable as at 30th June 2022 was HK\$162,483,000 (31st December 2021: HK\$109,980,000). The turnover days of trade receivables was 85, compared with 57 as at 31st December 2021. The increase of turnover days of trade receivables was due to the increase in the sales of equipment business of which the credit period for customers was longer.

The balance of trade and bills payable as at 30th June 2022 was HK\$140,020,000 (31st December 2021: HK\$111,331,000). The higher balances trade payables were due to the increase in shipment in June 2022 subsequent to the reopen of one major city in PRC after city lockdown for the pandemic.

The balance of short-term borrowings as at 30th June 2022 was HK\$234,549,000 (31st December 2021: HK\$199,867,000). A higher borrowing level was to satisfy the investment in financial assets and deposit payment for suppliers.

The Group's net gearing ratio was approximately 42.1% as at 30th June 2022, compared with 26.4% as at 31st December 2021. The net gearing ratio was higher than in 2021. 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 increase in the net gearing ratio was due to the higher borrowing level and the lower total equity.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2022, the Group had aggregate banking facilities of approximately HK\$467,249,000, of which approximately HK\$254,516,000 was utilized, bearing interest at prevailing market rates and secured by certain land and buildings, investment properties, financial asset at fair value through profit or loss and restricted bank deposits of the Group in Hong Kong, Shenzhen and Shanghai, with an aggregate carrying amount of HK\$318,426,000 (31st December 2021: HK\$259,520,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

The order intake amount of the Group in the first half of 2022 was HK\$757,384,000, which was an outstanding result. After the serious effects of the lockdowns of some major cities in the first half of the year, indications now suggest that China's economy will be better in the second half of the year.

Regarding the business of the Group, we are still receiving customer enquiries for machine tools and electronics equipment. The business for new energy cars in China is booming – it is projected that the overall sales volume of new energy cars in 2022 will increase by 56% compared with last year, so the Group's business will continue to benefit from that industry. The Government will also continue to support the building of infrastructure and the transportation system by injecting a significant amount of capital into the market. Also, the Government's tax-reduction measures will stimulate the sales of private cars, and the subsidy for the replacement of old home appliances by green products in rural areas will improve the business of the home appliance manufacturing industry.

On the other hand, there is still uncertainty about whether there will be a recession in Europe and the U.S., and the prospects for China's export trading are uncertain. Also, some segments of China's economy are sluggish due to weak demand in the domestic market.

Because the order intake of the Group in first half of the year was outstanding, we expect that the financial performance of the Group for the whole year will be secure, as long as deliveries catch up in the second half of the year.

We have confidence that the Group will achieve a profitable year in 2022.

EMPLOYEES

As at 30th June 2022, the Group had 249 employees (31st December 2021: 250). Of these, 52 were based in Hong Kong, 187 were based in mainland China, and 10 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries and pension scheme contribution in different countries, the Group offered staff benefits including medical schemes, education subsidies and discretionary performance bonuses.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 30th June 2022, certain land and buildings, investment properties, financial asset at fair value through profit or loss and restricted bank deposits in Hong Kong, Shenzhen and Singapore, with an aggregate carrying value of approximately HK\$318,426,000 (31st December 2021: HK\$259,520,000), 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 2022, the Group spent a total of HK\$996,000 (30th June 2021: HK\$1,177,000) in capital expenditure, primarily consisting of plant and equipment. As at 30th June 2022, the Group has capital commitment of nil (31st December 2021: Nil). In the meantime, a total of HK\$1,218,000 (31st December 2021: HK\$3,676,000) 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 2022, the Group had outstanding gross-settled foreign currency forward contracts to buy JPY674,024,000 for HKD43,297,000 and EUR1,028,000 for HKD9,141,000 (2021: JPY227,275,000 for HKD16,184,000 and EUR1,660,000 for HKD15,608,000).

Foreign exchange gains and losses are calculated on the settlement of monetary transactions and on the translation of monetary assets and liabilities at the exchange rates of the end of the period.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

During the six months ended 30th June 2022, 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 C.2.1

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and the Group Chief Executive Officer of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company.

Compliance with Rules 3.10(1), 3.21 and 3.25 of the Listing Rules

As disclosed in the announcement dated 6 July 2022, following the unexpected passing away of Mr. Fung Wai Hing as an independent non-executive director on 2 July 2022, the Company did not meet the requirement of Rules 3.10(1), 3.21 and 3.25 of the Listing Rules. The Board will take steps to fulfill the requirement of the Listing Rules as soon as practicable. Further announcement will be made by the Company as and when appropriate.

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 2022.

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 2022 with the directors.

2022 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2022 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders by the end of September 2022.

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

Hong Kong, 19th August 2022

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