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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 2023

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 2023, along with the unaudited comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and which have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2023 (2022: Nil). The dividend will be paid to shareholders whose names appear on the register of members of the Company on 13th September 2023 (the “Record date”). The interim dividend is expected to be distributed to shareholders on or around 29th September 2023 (Friday).

* For identification purpose only

FINANCIAL PERFORMANCE

Revenue

During the first six months of 2023, China's economy was recovering from the effects of the government's strict measures in controlling COVID-19 in 2022. However, the recovery was not as strong as expected. In particular, the manufacturing industry did not show strong demand after the weakened situation in 2022.

In the first half of 2023, the Group's revenue amounted to HK\$409,610,000 compared with HK\$348,434,000 in the same period last year, representing an increase of 17.6%. The increase was due to the delivery of some major orders received last year. The gross profit amounted to HK\$67,887,000, compared with HK\$47,859,000 in the same period last year, representing an increase of 41.8%. The gross profit percentage was 16.6%, compared with 13.7% in the same period last year.

The total order intake in the first half of 2023 was HK\$407,502,000, including orders with commission income.

Other Income and Gains

In the first half of 2023, the total amount of other income and gains was HK\$2,405,000, compared with HK\$7,405,000 in the same period last year, representing a decrease of 67.5%.

Rental income was HK\$1,563,000 in the first half of 2023, compared with HK\$1,534,000 in the same period last year.

Commission income was HK\$431,000, compared with HK\$71,000 in the same period last year, representing an increase of 507.0%.

Service income from the first half of 2023, totalling HK\$3,002,000, was reclassified to revenue as recurring income from operations. In the same period last year, service income was HK\$6,987,000.

In the first half of 2023, there was a net loss from derivative financial instruments amounting to HK\$402,000, compared with a net loss HK\$4,344,000 in the same period last year.

In the first half of 2022, there was government grant HK\$847,000 which mainly related to subsidies from the Hong Kong Government under the Anti-epidemic Fund. There was no government grant received in 2023.

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). After the disposal of Prima was completed at the end of 2022 (Details of which have been disclosed in the announcement of the Company dated 7 December 2022), there was no dividend received in 2023.

Operating Expenses

In the first half of 2023, selling and distribution costs were HK\$10,607,000, compared with HK\$9,518,000 in the same period last year, representing an increase of 11.4%, while revenue grew 17.6% over the same period last year.

In the first half of 2023, administrative expenses amounted to HK\$49,437,000, compared with HK\$50,849,000 in the same period last year, representing a decrease of 2.8%, even though revenue grew 17.6% over the same period last year.

Finance Costs – Net

Finance costs net of interest income were HK\$5,434,000 in the first half of 2023, compared with HK\$2,946,000 in the same period last year, representing an increase of 84.5%.

Finance income in the first half of 2023 was HK\$411,000, compared with HK\$586,000 in the same period last year.

Finance costs in the first half of 2023 were HK\$5,845,000, compared with HK\$3,532,000 in the same period last year, representing an increase of 65.5%. This was due to a significant increase in the market interest rate.

The Group’s net gearing ratio was approximately 32.8% at the end of June 2023, compared with 33.5% at the end of December 2022.

Share of Post-tax Profits of Associates

The share of post-tax profits of associates in the first half of 2023 was HK\$953,000, compared with HK\$2,369,000 in the same period last year, representing a decrease of 59.8%. This decrease was attributable to an operating loss for OPS-Ingersoll Funkenerosion GmbH, despite the fact that there was an increase in the profit for Prima Power Suzhou Company Limited.

Income Tax Expenses

Income tax expenses in the first half of 2023 amounted to HK\$280,000, compared with HK\$124,000 in the same period last year, representing an increase of 125.8%.

Profit/Loss Attributable to Owners of the Company and Earnings/Losses Per Share

In the first half of 2023, the profit attributable to owners of the Company was HK\$5,496,000, compared with a loss attributable to owners of the Company amounting to HK\$5,686,000 in the same period last year.

The operating profit for the trading business was HK\$10,248,000, compared with an operating loss of HK\$5,103,000 in the same period last year.

The basic earnings per share was HK2.39 cents, compared with a basic loss per share of HK2.47 cents in the same period last year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11th September 2023 (Monday) to 13th September 2023 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order for members to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 8th September 2023 (Friday).

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2023

		Unaudited	
		Six months ended 30th June	
	<i>Note</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	409,610	348,434
Cost of goods sold		<u>(341,723)</u>	<u>(300,575)</u>
Gross profit		67,887	47,859
Other income and gains – net		2,405	7,405
Selling and distribution costs		(10,607)	(9,518)
Administrative expenses		<u>(49,437)</u>	<u>(50,849)</u>
Operating profit/(loss)	4	10,248	(5,103)
Finance income		411	586
Finance costs		<u>(5,845)</u>	<u>(3,532)</u>
Finance costs – net		(5,434)	(2,946)
Share of post-tax profits of associates		<u>953</u>	<u>2,369</u>
Profit/(loss) before income tax		5,767	(5,680)
Income tax expense	5	<u>(280)</u>	<u>(124)</u>
Profit/(loss) for the period		<u>5,487</u>	<u>(5,804)</u>
Profit/(loss) attributable to owners of the Company		5,496	(5,686)
Loss attributable to non-controlling interests		<u>(9)</u>	<u>(118)</u>
		<u>5,487</u>	<u>(5,804)</u>
		HK cents	HK cents
		per share	per share
Earnings/(losses) per share attributable to owners of the Company			
Basic earnings/(losses) per share	7	<u>2.39</u>	<u>(2.47)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2023

	Unaudited	
	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	5,487	(5,804)
Other comprehensive income/(loss)		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement of deferred tax	16	234
Change in fair value of financial assets at fair value through other comprehensive income	<u>–</u>	<u>(33,273)</u>
	16	(33,039)
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(4,732)</u>	<u>(14,000)</u>
	(4,732)	(14,000)
Other comprehensive loss, net of tax	<u>(4,716)</u>	<u>(47,039)</u>
Total comprehensive income/(loss) for the period	<u>771</u>	<u>(52,843)</u>
Total comprehensive income/(loss) attributable to owners of the Company	564	(53,193)
Total comprehensive income attributable to non-controlling interests	<u>207</u>	<u>350</u>
	<u>771</u>	<u>(52,843)</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30TH JUNE 2023

	<i>Note</i>	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Assets			
Non-current assets			
Plant and equipment		10,697	10,805
Right-of-use assets		245,120	249,227
Investment properties		77,090	77,123
Investments in associates		63,227	62,243
Loan to an associate		12,774	16,673
Financial assets at fair value through other comprehensive income		8,389	8,389
Financial asset at fair value through profit or loss		49,607	6,408
Prepayment for acquisition of financial asset		–	42,095
		466,904	472,963
Current assets			
Inventories		128,921	92,890
Trade and bill receivables	8	210,446	263,661
Other receivables, prepayments and deposits		30,293	92,730
Derivative financial instruments		–	823
Restricted bank deposits		12,734	11,022
Cash and cash equivalents		13,609	63,438
		396,003	524,564
Total assets		862,907	997,527

	<i>Note</i>	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		23,007	23,007
Other reserves		276,580	282,879
Retained earnings		173,679	169,117
		<u>473,266</u>	<u>475,003</u>
Non-controlling interests		(4,906)	(5,113)
		<u>468,360</u>	<u>469,890</u>
Liabilities			
Non-current liabilities			
Other payables		–	1,212
Lease liabilities		41	50
Deferred income tax liabilities		30,228	30,244
		<u>30,269</u>	<u>31,506</u>
Current liabilities			
Trade and bills payable	9	120,391	163,706
Other payables, accruals and contract liabilities		57,235	78,834
Borrowings	10	179,911	231,948
Lease liabilities		32	46
Tax payable		4,408	3,191
Dividend payable		2,301	18,406
		<u>364,278</u>	<u>496,131</u>
Total liabilities		<u>394,547</u>	<u>527,637</u>
Total equity and liabilities		<u>862,907</u>	<u>997,527</u>

Notes:

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information for the six months ended 30th June 2023 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 2022, 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 2022, 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 the 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 and territories.

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 and territories (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 revenue by geographical location are determined by the country in which the customer is located.

	Unaudited			
	Six months ended 30th June 2023			
	Mainland China	Hong Kong	Other countries and territories	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>360,188</u>	<u>33,614</u>	<u>15,808</u>	<u>409,610</u>
Segment results	<u>8,153</u>	<u>2,321</u>	<u>(226)</u>	<u>10,248</u>
Finance income				411
Finance cost				(5,845)
Share of post-tax profits of associates				<u>953</u>
Profit before income tax				5,767
Income tax expenses				<u>(280)</u>
Profit for the period				<u>5,487</u>

	Unaudited			
	Six months ended 30th June 2022			
	Mainland	Hong Kong	Other	Total
	China		countries	
	and		territories	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<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>

During the six months ended 30th June 2023, revenue of approximately HK\$210,706,000 were derived from one customer (2022: there was no revenue derived from a single customer amounted to 10% or more of the Group's revenue), which individually accounted for over 10% of the Group's total revenue.

As at 30th June 2023, contract liabilities of HK\$28,746,000 (31st December 2022: HK\$59,328,000) 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 2023, 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 charged for the six months ended 30th June 2023 are HK\$2,177,000 (2022: HK\$970,000).

	Unaudited 30th June 2023 <i>HK\$'000</i>	Audited 31st December 2022 <i>HK\$'000</i>
Segment assets:		
Mainland China	465,568	534,598
Hong Kong	317,303	376,034
Other countries and territories (<i>Note (a)</i>)	80,036	86,895
	862,907	997,527

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

	Unaudited 30th June 2023 <i>HK\$'000</i>	Audited 31st December 2022 <i>HK\$'000</i>
Segment liabilities:		
Mainland China	291,728	395,474
Hong Kong	78,549	103,973
Other countries (<i>Note (a)</i>)	24,270	28,190
	394,547	527,637

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 2023 are HK\$4,853,000 (2022: HK\$4,561,000).

	Unaudited 30th June 2023 <i>HK\$'000</i>	Audited 31st December 2022 <i>HK\$'000</i>
Capital expenditure:		
Mainland China	75	423
Hong Kong	941	894
Other countries and territories (<i>Note (a)</i>)	3	–
	1,019	1,317

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 Italy, Luxembourg, Germany, Finland, Taiwan, Singapore, Indonesia and Malaysia.

4. OPERATING PROFIT/(LOSS)

The following items have been charged to the operating profit/(loss) during the period:

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventories sold	337,256	298,207
Depreciation on plant and equipment	1,095	1,081
Depreciation on right-of-use assets	3,758	3,480
Employee benefits expenses (including directors' remuneration)	29,140	30,386
Foreign exchange losses, net	2,146	2,540
Short-term leases	248	220
Provision for slow moving inventories	2,177	970
Professional fee	3,989	2,957

5. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Current income tax:		
– Mainland China and overseas taxation	280	208
Deferred income tax	–	(84)
	<u>280</u>	<u>124</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 (2022: Nil).

Enterprise income tax ("EIT") in Mainland China has been provided at the rate of 25% (2022: 25%) on the estimated assessable profit for the period with certain preferential provisions.

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

6. DIVIDENDS

A final dividend of HK\$2,301,000 that relates to the year ended 31st December 2022 was payable as at 30th June 2023 (2022: final dividend of HK\$5,752,000 that relates to the year ended 31st December 2021 was payable as at 30th June 2022).

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30th June 2023 (2022: Nil). The dividend will be paid to shareholders whose names appear on the register of members of the Company on 13th September 2023. This dividend was declared after the end of the reporting period, and therefore it has not been included as a liability in the condensed consolidated statement of financial position.

7. EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(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	
	2023	2022
Profit/(loss) from continuing operations attributable to owners of the Company (<i>HK\$'000</i>)	<u>5,496</u>	<u>(5,686)</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>230,076</u>	<u>230,076</u>
Basic earnings/(losses) per share attributable to owners of the Company (<i>HK cents per share</i>)	<u>2.39</u>	<u>(2.47)</u>

(b) Diluted

Diluted earnings/(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 2023 and 2022, hence no diluted earnings/(loss) per share was presented.

8. TRADE AND BILLS RECEIVABLES

At 30th June 2023 and 31st December 2022, the ageing analysis of trade and bills receivables by invoice date are as follows:

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Within 3 months	165,685	238,785
4 – 6 months	17,795	11,934
7 – 12 months	18,330	8,543
Over 12 months	12,407	7,868
	214,217	267,130
Less: provision for impairment	(3,771)	(3,469)
	210,446	263,661

At 30th June 2023 and 31st December 2022, the ageing analysis of trade and bills receivables by payment due date are as follows:

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Current	191,146	246,258
1 – 3 months	8,480	6,595
4 – 6 months	4,260	5,510
7 – 12 months	1,763	3,161
Over 12 months	8,568	5,606
	214,217	267,130
Less: provision for impairment	(3,771)	(3,469)
	210,446	263,661

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

9. TRADE AND BILLS PAYABLES

At 30th June 2023 and 31st December 2022, the ageing analysis of the trade and bills payables are as follows:

	Unaudited 30th June 2023 <i>HK\$'000</i>	Audited 31st December 2022 <i>HK\$'000</i>
Current	99,592	138,088
1 – 3 months	1,805	15,056
4 – 6 months	7,191	1,061
7 – 12 months	3,486	1,021
Over 12 months	8,317	8,480
	120,391	163,706

10. BORROWINGS

	Unaudited 30th June 2023 <i>HK\$'000</i>	Audited 31st December 2022 <i>HK\$'000</i>
Current		
Trust receipt loans	93,065	86,832
Term loans from banks due for repayment within one year	86,846	145,116
Total borrowings	179,911	231,948

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

Movements in borrowings are analysed as follows:

	Unaudited HK\$'000
As at 1st January 2023	231,948
Repayments of borrowings	(129,640)
Proceeds from borrowings	78,328
Exchange difference	(725)
	<hr/>
As at 30th June 2023	179,911
	<hr/>
	Unaudited HK\$'000
As at 1st January 2022	199,867
Repayment of borrowings	(80,404)
Proceeds from borrowings	115,307
Exchange difference	(221)
	<hr/>
As at 30th June 2022	234,549
	<hr/>

BUSINESS REVIEW

Trading

In the first half of 2023, the recovery of the global economy was weak, and international markets were unpredictable. China's export business faced many challenges, and its domestic market also lacked momentum. In the first half of 2023, China's GDP growth rate was 5.5%, its export value grew by 3.7%, and its industrial value grew by 3.8%. Those figures did not meet the expectations of the market, as most people believed the recovery in China's economy should have been stronger.

The order intake of the Group in the first half of the year came mainly from customers in the new energy car industry. The business situation for other major customer segments of the Group, such as mold-making, mobile phone manufacturing and 3C manufacturing, was not favourable. In the first half of 2023, the car manufacturing industry in China recorded 13 million units, an increase of 9.3% compared with the same period last year. Within the figure of 13 million units, the new energy car manufacturing segment delivered 3.8 million units, an increase of 42.4% compared with the same period last year. The sales volume of mobile phones was 46 million units, a drop of 5% compared with the same period last year.

In the first half of 2023, mechanical and electrical products represented 58.2% of the China's export value, an increase of 6.3% compared with the same period last year. Mechanical and electrical products manufacturers are Leeport's major customer base. This means our business opportunity is still huge in China, so our sales team believes business will be better for Leeport in the second half of the year.

Investment

The economy in Europe in the first half of 2023 was weak, due to the continuing impact of the Russian-Ukrainian war that started in early 2022. The Group's associated company in Germany, OPS-Ingersoll Funkenerosion GmbH, recorded a small loss. Business for our associated company in China, Prima Power Suzhou Company Limited, benefited from orders from the new energy car industry, and the company recorded a reasonable profit in the first half of the year.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash and cash equivalents as at 30th June 2023 was HK\$13,609,000 (31st December 2022: HK\$63,438,000). The decrease in the bank balance was due mainly to the increase in repayment of bank borrowings to reduce finance costs under a high interest rate environment. The Group still maintained a reasonable cash position.

The balance of inventory as at 30th June 2023 was HK\$128,921,000 (31st December 2022: HK\$92,890,000), to support the growth in business. The turnover days of inventory was 69 at the end of June 2023, compared with 46 at the end of December 2022. Increase in inventory was attributable to the increase in holding of machines in-transit before subsequent delivery to customers.

The balance of trade and bills receivable as at 30th June 2023 was HK\$210,446,000 (31st December 2022: HK\$263,661,000). The turnover days of trade receivables was 94, compared with 110 as at 31st December 2022. The decrease in turnover days of trade receivables was due to the efforts of the Group in expediting the collection of accounts receivable.

The balance of trade and bills payable as at 30th June 2023 was HK\$120,391,000 (31st December 2022: HK\$163,706,000).

The balance of short-term borrowings as at 30th June 2023 was HK\$179,911,000 (31st December 2022: HK\$231,948,000). The reduction in the borrowing level was a reflection of the Group's efforts to reduce gearing.

The Group's net gearing ratio was approximately 32.8% as at 30th June 2023, compared with 33.5% as at 31st December 2022. The net gearing ratio was lower than in 2022. 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 decrease in the net gearing ratio was due in part to the reduction in the Group's borrowing level.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30th June 2023, the Group had aggregate banking facilities of approximately HK\$375,716,000, of which approximately HK\$222,951,000 was utilised, bearing interest at prevailing market rates and secured by certain land and buildings, investment properties, a 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\$212,976,000 (31st December 2022: HK\$320,633,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

China's overall economy in the first half of 2023 was reasonable, however the country's export market and domestic market are still facing many challenges. For example, the export value to Europe and the US is weakening. On the other hand, China successfully increased its trading volume with countries in the ASEAN, Latin American, African and Middle Eastern regions. In general, we believe the business situation in China will improve in the second half of the year.

For the Group, the market for new energy cars will continue to flourish, and we are confident that business for this customer segment will be good throughout the second half of the year. Also, we believe our Machine Tool Division and our Electronics Equipment Division will maintain a reasonable level of business, despite the difficult market conditions. Other business divisions need to strive for improvement in the second half of the year. The Group has started to increase its product range in some divisions in order to grow the business in the long term.

Our sales team is working hard to attract more customers in the new energy car, new energy equipment, aerospace and aircraft industries, which are currently promising target markets in China. Also, our service team has enhanced its after-sales service to customers. This is strengthening our relationship with customers and will result in more service income in the future.

The Group will be more cautious about its operating expenses in order to maintain a positive financial performance for the full year. In conclusion, we are cautiously optimistic about the overall performance of the Group in 2023.

EMPLOYEES

As at 30th June 2023, the Group had 226 employees (31st December 2022: 237). Of these, 44 were based in Hong Kong, 169 were based in mainland China, and 13 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 2023, certain land and buildings, investment properties, a 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\$212,976,000 (31st December 2022: HK\$320,633,000), 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 2023, the Group spent a total of HK\$1,019,000 (30th June 2022: HK\$996,000) in capital expenditure, primarily consisting of plant and equipment. As at 30th June 2023, the Group has capital commitment of nil (31st December 2022: Nil). In the meantime, a total of HK\$2,293,000 (31st December 2022: HK\$2,109,000) 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 revenue 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 2023, the Group had not had any outstanding gross-settled foreign currency forward contracts (2022: JPY674,024,000 for HKD43,297,000 and EUR1,028,000 for HKD9,141,000).

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 2023, the Company has complied with the code provisions set out in part 2 of 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.

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 2023.

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 2023 with the directors.

2023 INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2023 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 2023.

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

Hong Kong, 25th August 2023

As at the date of this announcement, the executive Directors are Mr. LEE Sou Leung, Joseph, Mr. CHAN Ching Huen, Stanley and Mr. POON Yiu Ming and the independent non-executive Directors are Mr. ZAVATTI Samuel Mario, Mr. WONG Tat Cheong, Frederick and Mr. KRACHT Jurgen Ernst Max.