

Leeport

LEEPOR (HOLDINGS) LIMITED

力豐(集團)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 387)

CONNECTED TRANSACTION

ACQUISITION OF 100% EQUITY INTEREST IN

A WHOLLY-OWNED FOREIGN ENTERPRISE IN DONGGUAN, THE PRC

SUMMARY

The Board is pleased to announce that on 25th May 2005, Leeport Metrology Corporation, a non wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Good Winners Limited for the acquisition of 100% equity interest in 三豐儀器(東莞)有限公司(MMD) at the consideration of US\$154,500 (equivalent to approximately HK\$1,205,100) subject to the terms of the Agreement.

Given that the Vendor is a non wholly-owned subsidiary of Mitutoyo Corporation, which is also substantial shareholder of the Company's non wholly-owned subsidiary, i.e. the Purchaser, the Vendor is the connected person of the Company under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction for the Company under the rule 14A.32 of the Listing Rules. The consideration of the Acquisition is more than HK\$1,000,000 and each of the relevant applicable percentage ratios (other than the profits ratio) prescribed by the Listing Rules for the Acquisition is more than 0.1% but less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements under the rule 14A.45 to 14A.47 but does not require the approval of the independent shareholders of the Company.

EQUITY TRANSFER AGREEMENT DATED 25th MAY 2005

1. Parties to the Agreement

- (1) the Vendor: Good Winners Limited, which is incorporated in the British Virgin Islands and is a non wholly-owned subsidiary of Mitutoyo Corporation; and
- (2) the Purchaser: Leeport Metrology Corporation, which is incorporated in the British Virgin Islands and is owned as to 90% by the Company and as to 10% by Mitutoyo Corporation

2. Equity interest to be transferred

Pursuant to the Agreement, the Vendor agrees to sell and the Purchaser agrees to acquire the 100% equity interests held by the Vendor in 三豐儀器(東莞)有限公司(MMD). The net profits before tax and extraordinary items of 三豐儀器(東莞)有限公司(MMD) for the year ended 31st December 2003 and 2004 respectively are RMB188,968 and RMB35,044 (approximately HK\$178,574 and HK\$33,117) while the net profits after tax and extraordinary items of 三豐儀器(東莞)有限公司(MMD) for the year ended 31st December 2003 and 2004 respectively are RMB188,968 and RMB35,044 (approximately HK\$178,574 and HK\$33,117) respectively.

The total assets value of 三豐儀器(東莞)有限公司(MMD) as at 31st December 2003 and 2004 respectively are RMB4,105,194 (approximately HK\$3,879,408) and RMB3,967,556 (approximately HK\$3,749,340). The net tangible asset value of 三豐儀器(東莞)有限公司(MMD) as at 31st December 2003 and 2004 respectively are RMB3,405,749 (approximately HK\$3,218,433) and RMB3,440,793 (approximately HK\$3,251,550) respectively.

3. Consideration of the Acquisition

The consideration of US\$154,500 (equivalent to approximately HK\$1,205,100) has been arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the operation of repair service centre owned by 三豐儀器(東莞)有限公司(MMD) including better utilization of resources and the further achievement of synergy between the Group and Mitutoyo Corporation. The Group has existing service network in the PRC including Fuzhou and Zhuhai, and plans to consolidate its existing service team and the service team of 三豐儀器(東莞)有限公司(MMD) for providing more comprehensive installation and maintenance services to existing and potential customers in the region. For the year ended 31st December 2004, the service income for providing installation and maintenance services for precision measuring instruments was HK\$2,613,126 generated by the Group and was RMB1,725,160 (approximately HK\$1,630,276) generated by 三豐儀器(東莞)有限公司(MMD). According to the Agreement, the consideration will be payable by the Purchaser, in two installments, as to US\$77,300 within three business days after execution of the Agreement and as to the remaining US\$77,200 within three business days after the obtaining from the relevant PRC authorities of the business license of 三豐儀器(東莞)有限公司(MMD) showing the transfer of equity interest. The payment in cash from the Purchaser will be financed out of the Group's internal resources. It is expected to take approximately 15 working days to obtain the new business license from the relevant PRC authorities after the Group's submission of the relevant application documents around 6th June 2005.

INFORMATION ON 三豐儀器(東莞)有限公司(MMD)

三豐儀器(東莞)有限公司(MMD) was established by the Vendor as its wholly-owned foreign enterprise in Dongguan, the PRC in 2001 with registered capital of US\$483,000. The Vendor is owned by a Taiwan company, namely, Mitutoyo Taiwan Co., Ltd. of which 52% is owned by Mitutoyo Corporation and the remaining 48% is owned by other investors. The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, these other investors are third parties independent of the Company and connected persons of the Company. Mitutoyo Corporation is the world's leading measuring-instrument manufacturer in Japan and is the Company's existing major supplier of measuring instruments and related tools. The purchases from Mitutoyo Corporation accounted for 22% and 24% of the total purchases of the Group for the year ended 31st December 2003 and 2004 respectively. Prior to the Acquisition, 三豐儀器(東莞)有限公司(MMD) is principally engaged in running a repair service centre for providing after sales services to the customers of Mitutoyo Taiwan Co., Ltd. in Southern China.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in the trading and the installation of machine tools and related products including metalcutting machinery, metalforming machinery, precision measuring instruments and cutting tools, product design equipment and education training machinery and software and equipment for the electronics industry. For its ongoing business development, the Group has been investing its resources to enhance sales and service support to its customers, including establishing more offices, showrooms and technical centres in the PRC. Moreover, the Group is the selling agent of Mitutoyo Corporation. The Directors consider that the acquisition of an established repair service centre from the existing supplier could enable the Group to provide better services to the customers in Southern China and also to reinforce the links with the existing business partner. The running of the repair service centre by the Group after the Acquisition could potentially enlarge the Group's customer base. In view of maintaining relationship with more customers, it is expected to create more sales opportunities for the Group and would bring overall advantage to the Group's business development. Furthermore, the Group would achieve a gain on the Acquisition with reference to the net tangible asset value of 三豐儀器(東莞)有限公司(MMD) as at 31st December 2004.

The Directors, including the independent non-executive Directors, are of the view that the Agreement has been entered into on normal commercial terms after arm's length negotiation between the parties thereto and that the terms thereof are fair and reasonable and are in the best interests of the Company and its shareholders as a whole.

CONNECTED TRANSACTION

Given that the Vendor is a non wholly-owned subsidiary of Mitutoyo Corporation, which is also substantial shareholder the Company's non wholly-owned subsidiary, i.e. the Purchaser, the Vendor is connected person of the Company under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction for the Company under the rule 14A.32 of the Listing Rules. The consideration of the Acquisition is more than HK\$1,000,000 and each of the relevant applicable percentage ratios (other than the profits ratio) prescribed by the Listing Rules for the Acquisition is more than 0.1% but less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements under the rule 14A.45 to 14A.47 but does not require the approval of the independent shareholders of the Company.

The relevant details of the Agreement will be included in the next published annual report and accounts of the Company. Mitutoyo Corporation became a substantial shareholder of the Company's non wholly-owned subsidiary on 31st October 2003. If applicable, the Company will make announcement under the Listing Rules for continuing connected transaction regarding the ongoing purchases of measuring instruments and related tools from Mitutoyo Corporation by the Group under an existing agent agreement.

GENERAL

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Acquisition"	the acquisition of 三豐儀器(東莞)有限公司(MMD) by the Purchaser from the Vendor pursuant to the Agreement
"Agreement"	the agreement dated 25th May, 2005 entered into between the Vendor and the Purchaser for the Acquisition
"Board" or "Directors"	the board of directors of the Company
"Company"	Leepor (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Group"	the Company and its subsidiaries
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"MMD"	Mitutoyo Metrology (Dongguan) Limited which is the unofficial English translation of 三豐儀器(東莞)有限公司
"PRC"	the People's Republic of China
"Purchaser"	Leepor Metrology Corporation, which is incorporated in the British Virgin Islands and is the Company's non wholly-owned subsidiary
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	United States dollars, the lawful currency of United States of America
"Vendor"	Good Winners Limited, which is incorporated in the British Virgin Islands and is a non wholly-owned subsidiary of Mitutoyo Corporation

(Note: an exchange rate of RMB1 to HK\$0.945 and an exchange rate of US\$1 to HK\$7.8 have been used herein for reference only.)

By order of the Board
LEE Sou Leung, Joseph
Chairman

Hong Kong, 23rd June 2005

* for the purpose of identification only

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Journal.*