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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)**

**RESULTS ANNOUNCEMENT FOR THE YEAR ENDED  
31ST DECEMBER 2015**

The Board of Directors (the “Directors”) of Leeport (Holdings) Limited (the “Company”) would like to present the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2015, together with the comparative figures for the year ended 31st December 2014. The annual results have been reviewed by the Audit Committee of the Company.

**FINANCIAL PERFORMANCE**

**Sales**

Year 2015 was a challenging year for the manufacturing industry in China. The growth rate in the value of the country’s industrial production was lower than in 2014, and the value of its exports in 2015 also fell, as compared with 2014. The business of the Group in 2015 was marginally maintained and was close to that of 2014 in terms of value. The Group’s sales amounted to HK\$674,980,000, compared with HK\$678,215,000 in 2014, a decrease of 0.5%. Actually, the sales figures for the Group’s China operations were adversely affected by the weakening Renminbi in 2015, when the books were converted to the Hong Kong Dollar. The Group’s gross profit amounted to HK\$123,410,000 in 2015, compared with HK\$131,174,000 in 2014, a decrease of 5.9%. The gross profit percentage was 18.3% in 2015, 1% lower than the gross profit percentage of 19.3% in 2014. The competitive market in 2015 caused this lower gross profit percentage for some of the sales during the year.

\* *For identification purpose only*

## **Other Income and Gains**

The total value of other income and gains was HK\$18,443,000 in 2015, compared with HK\$22,865,000 in 2014, representing a decrease of 19.3%.

Service income was HK\$9,626,000 in 2015, compared with HK\$15,804,000 in 2014, representing a decrease of 39.1%. The service income from both Central and North China was significantly lower than in 2014.

On the other hand, commission income was HK\$2,030,000 in 2015, much higher than the amount of HK\$713,000 in 2014.

The income from the management fee from the associated company, Mitutoyo Leeport Metrology Corporation, was HK\$1,433,000 in 2015, compared with HK\$1,404,000 in 2014. Rental income was HK\$1,511,000 in 2015, compared with HK\$1,617,000 in 2014, because one premises was vacant for a short period of time. There was a loss of HK\$1,774,000 in 2015 due to the forward contracts for the weakening Japanese Yen and the Euro. The loss for the forward contracts in 2014 was HK\$3,539,000.

## **Operating Expenses**

Selling and distribution costs were HK\$28,074,000 in 2015, compared with HK\$34,508,000 in 2014, representing a decrease of 18.6%. There were reductions in the cost of warranty service provision, logistics costs and exhibition expenses in the year as compared with 2014.

Administrative expenses amounted to HK\$107,391,000 in 2015, compared with HK\$112,048,000 in 2014, representing a decrease of 4.2%. There was a reduction in staff costs due to the re-structuring of the Group since 2014. Travelling expenses were also lower because of better control over the operations. The cost of operating leases was also lower, resulting from the integration of the warehouse operation in China.

## **Share of Profit of Associated Companies**

The share of profits of associated companies in 2015 was HK\$16,307,000, compared with HK\$16,685,000 in 2014, representing a decrease of 2.3%.

The share of profit of the associated company, Mitutoyo Leepport Metrology Corporation, was HK\$12,264,000 in 2015, compared with HK\$13,027,000 in 2014, representing a decrease of 5.9%. The business for Mitutoyo Leepport Metrology Corporation slowed down slightly in the second half of 2015. There was also an exchange loss in 2015 due to the weakening Japanese Yen throughout most of the year, which caused a lower net profit at the end of 2015. The share of profit of OPS Ingersoll Funkenerosion GmbH was HK\$6,903,000 in 2015, compared with HK\$6,099,000 in 2014, representing an increase of 13.2%. The business for OPS Ingersoll continued to be outstanding in Germany and Europe. On the other hand, there was a share of loss amounting to HK\$2,860,000 for the joint-venture plant, Prima Power Suzhou Company Limited, in 2015. The share of the loss was HK\$2,441,000 in 2014. The plant generated around HK\$75 million in revenue in 2015 after the commencement of production during the year, and the merging of the import business with Prima Power China, another subsidiary of Prima Industrie S.p.A. However, the actual revenue for the year was significantly below budget. Depreciation for the production facilities and the start-up costs also increased the burden for the plant's operating costs. Leepport's shareholding in Prima Power Suzhou Company Limited increased from 19% in 2014 to 30% in 2015. It is expected that our joint-venture company with Prima Power in China will become profitable in 2016.

#### **Finance Expenses – Net**

Finance costs net of interest income were HK\$223,000 in 2015, compared with HK\$605,000 in 2014. Finance costs were HK\$3,023,000 in 2015, compared with HK\$3,661,000 in 2014, representing a decrease of 17.4%. In general throughout the year, the short-term loan level, including the trust receipt loan, was lower than in 2014. Finance income was HK\$2,800,000, compared with HK\$3,056,000 in 2014, representing a decrease of 8.4%. Interest income derived from the loan to OPS Ingersoll Funkenerosion GmbH was HK\$1,228,000 in 2015, compared with HK\$1,469,000 in 2014. The reduction was due solely to the weakening Euro during the year, as the loan interest was in Euro base. Interest income from other bank deposits in 2015 was slightly lower than in 2014.

## **Profit Attributable to Owners of the Company and Earnings Per Share**

The profit attributable to owners of the Company was HK\$21,458,000 in 2015, compared with HK\$22,565,000 in 2014, representing a decrease of 4.9%. The lower gross profit in 2015 compared with 2014 caused the lower operating profit in 2015. The reduction in service income in 2015 also adversely affected the operating profit in 2015. On the other hand, the Group achieved a significant reduction in selling and distribution costs and administrative expenses in 2015. The operating profit was HK\$6,388,000 in 2015, compared with HK\$7,483,000 in 2014, representing a decrease of 14.6%.

The basic earnings per share were HK9.63 cents in 2015, compared with the basic earnings per share of HK10.17 cents in 2014, representing a decrease of 5.3%.

## **DIVIDEND**

An interim dividend of HK3.5 cents per ordinary share, totaling HK\$7,829,000 was paid to the shareholders of the Company on 16th October 2015.

The Directors recommended a final dividend of HK1.5 cents per ordinary share, totaling HK\$3,355,000 (2014: the final dividend was HK3.5 cents per ordinary share, totaling HK\$7,829,000) This recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 27th May 2016. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 24th June 2016 to shareholders of the Company whose names appear on the register of members on 10th June 2016.

The total dividend paid per ordinary share for the year ended 31st December 2015 will be HK5.0 cents, compared with HK3.5 cents per ordinary share for the year ended 31st December 2014, representing an increase of 42.9%.

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2015**

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales	2	<b>674,980</b>	678,215
Cost of goods sold	4	<u><b>(551,570)</b></u>	<u>(547,041)</u>
<b>Gross profit</b>		<b>123,410</b>	131,174
Other income and gains – net	3	<b>18,443</b>	22,865
Selling and distribution costs	4	<b>(28,074)</b>	(34,508)
Administrative expenses	4	<u><b>(107,391)</b></u>	<u>(112,048)</u>
<b>Operating profit</b>		<b>6,388</b>	7,483
Finance income		<b>2,800</b>	3,056
Finance expenses		<u><b>(3,023)</b></u>	<u>(3,661)</u>
Finance expenses – net		<b>(223)</b>	(605)
Share of profits of associates	9(a)	<u><b>16,307</b></u>	<u>16,685</u>
<b>Profit before income tax</b>		<b>22,472</b>	23,563
Income tax expense	5	<u><b>(1,014)</b></u>	<u>(998)</u>
<b>Profit for the year</b>		<u><b>21,458</b></u>	<u>22,565</u>
<b>Profit attributable to:</b>			
Owners of the Company		<u><b>21,458</b></u>	<u>22,565</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
<b>Basic earnings per share (Hong Kong cents)</b>	7	<u><b>HK9.63 cents</b></u>	<u>HK10.17 cents</u>
<b>Diluted earnings per share (Hong Kong cents)</b>	7	<u><b>HK9.56 cents</b></u>	<u>HK10.17 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2015**

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>21,458</b>	22,565
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences	–	8,305
Gain on revaluation of land and buildings	<b>13,153</b>	9,663
Movement of deferred tax	<b>(1,218)</b>	(730)
	<b>11,935</b>	17,238
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets, net of tax	<b>(2,461)</b>	4,880
Currency translation differences	<b>(5,524)</b>	(23,213)
Share of other comprehensive loss of associates	<b>(3,078)</b>	(9,770)
	<b>(11,063)</b>	(28,103)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>872</b>	(10,865)
<b>Total comprehensive income for the year</b>	<b>22,330</b>	11,700
Total comprehensive income attributable to owners of the company	<b>22,330</b>	11,700

**CONSOLIDATED BALANCE SHEET**  
*AS AT 31ST DECEMBER 2015*

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>190,522</b>	187,168
Leasehold land		<b>8,332</b>	8,895
Investment property	8	<b>43,000</b>	40,400
Investments in associates	9(a)	<b>96,996</b>	81,482
Loan to an associate	9(b)	<b>25,430</b>	28,281
Prepayments		<b>19,029</b>	7,449
		<u><b>383,309</b></u>	<u>353,675</u>
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<b>Current assets</b>			
Inventories		<b>62,231</b>	80,899
Trade and bills receivables	10	<b>115,055</b>	106,073
Other receivables, prepayments and deposits		<b>20,236</b>	20,618
Available-for-sale financial assets		<b>34,016</b>	22,122
Derivative financial instruments	11	<b>320</b>	25
Amounts due from an associate		-	234
Tax Recoverable		<b>357</b>	-
Restricted bank deposits		<b>24,151</b>	56,905
Cash and cash equivalents		<b>45,476</b>	58,737
		<u><b>301,842</b></u>	<u>345,613</u>
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<b>Total assets</b>		<u><b>685,151</b></u>	<u>699,288</u>

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>12</i>	<b>22,367</b>	22,193
Other reserves	<i>12</i>	<b>157,498</b>	158,377
Retained earnings	<i>12</i>	<b>179,414</b>	168,563
<b>Total equity</b>		<b>359,279</b>	349,133
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>24,578</b>	23,315
<b>Current liabilities</b>			
Trade payables and bills payables	<i>13</i>	<b>103,702</b>	107,270
Other payables, accruals and deposits received		<b>62,454</b>	70,792
Derivative financial instruments	<i>11</i>	<b>458</b>	3,749
Borrowings	<i>14</i>	<b>134,175</b>	144,390
Tax payable		<b>270</b>	639
Amounts due to an associate		<b>235</b>	–
		<b>301,294</b>	326,840
<b>Total liabilities</b>		<b>325,872</b>	350,155
<b>Total equity and liabilities</b>		<b>685,151</b>	699,288



Notes:

## 1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land in Hong Kong and buildings, investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

- (i) The following amendments to standards are mandatory for the Group’s financial year beginning on 1st January 2015. The adoption of these amendments has not had any significant impact to the results and financial position of the Group:

HKAS 19 (Amendment) Annual Improvements Project	Defined Benefit Plans: Employee Contributions Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle
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In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

- (ii) The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1st January 2015 and have not been early adopted by the Group:

		<b>Effective for the accounting period beginning on or after</b>
HKAS 1 Amendment	Disclosure Initiative	1st January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1st January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1st January 2016
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	1st January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 9 (2014)	Financial Instruments	1st January 2018
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1st January 2016

The Group is currently assessing the impact of the adoption of the above standards, amendments to standards and interpretations to standards that have been issued but are not yet effective for financial years beginning on 1st January 2015, and does not expect there will be a significant impact to the Group's financial statements.

## 2. SEGMENT INFORMATION

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

The Board considers the business from a geographic perspective. Geographically, management considers the performance in the PRC, Hong Kong and other countries.

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

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

	<b>For the year ended 31st December 2015</b>			
	<b>The PRC</b>	<b>HK</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>548,561</u>	<u>99,881</u>	<u>26,538</u>	<u>674,980</u>
Segment results	<u>6,783</u>	<u>2,725</u>	<u>(3,120)</u>	6,388
Finance expense – net				(223)
Share of profit of associates				<u>16,307</u>
Profit before income tax				22,472
Income tax expenses				<u>(1,014)</u>
Profit for the year				<u>21,458</u>

	For the year ended 31st December 2014			
	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>517,790</u>	<u>123,238</u>	<u>37,187</u>	<u>678,215</u>
Segment results	<u>10,309</u>	<u>859</u>	<u>(3,685)</u>	7,483
Finance expense – net				(605)
Share of profit of associates				<u>16,685</u>
Profit before income tax				23,563
Income tax expenses				<u>(998)</u>
Profit for the year				<u>22,565</u>

During the year ended 31st December 2015, revenue derived from the Group's largest customer amounted to HK\$99,533,000 or 14.7% of the Group's revenue. In 2014, there is no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenues.

#### Assets

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets:		
The PRC	237,385	224,280
Hong Kong	376,010	370,142
Other countries ( <i>Note (a)</i> )	<u>71,756</u>	<u>104,866</u>
	<u>685,151</u>	<u>699,288</u>

#### Note:

(a) Other countries include Taiwan, Singapore, Macau, Indonesia and Malaysia.

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

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

The depreciation of property, plant and equipment and amortisation of leasehold land for the year ended 31st December 2015 are HK\$9,354,000 (2014: HK\$8,898,000) and HK\$309,000 (2014: HK\$317,000) respectively.

**Capital expenditure:**

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Capital expenditure:		
The PRC	75	831
Hong Kong	<u>4,232</u>	<u>2,960</u>
	<u><b>4,307</b></u>	<u>3,791</u>

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

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

**3. OTHER INCOME AND GAINS – NET**

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value loss	(1,774)	(3,539)
Rental income	1,511	1,617
Service income	9,626	15,804
Commission income	2,030	713
Net fair value gain on an investment property	2,600	2,700
Other income	3,017	4,166
Management fee income from an associate	<u>1,433</u>	<u>1,404</u>
	<u><b>18,443</b></u>	<u>22,865</u>

#### 4. EXPENSES BY NATURE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditors' remuneration – Audit services	2,559	2,478
Cost of inventories sold	550,472	539,935
Depreciation on property, plant and equipment	9,354	8,898
Amortisation on leasehold land	309	317
Operating lease rentals	2,758	3,671
(Write back of)/provision for slow moving inventories	(2,425)	1,997
Net provision for impairment of trade and bills receivables	721	2,166
Foreign exchange loss/(gain)	1,947	(13,863)
Employee benefits expenses (including directors' remuneration)	60,300	73,388
Other expenses	61,040	74,610
	<u>687,035</u>	<u>693,597</u>
Total cost of goods sold, selling and distribution costs and administrative expenses	<u>687,035</u>	<u>693,597</u>

#### 5. INCOME TAX EXPENSE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	104	286
– PRC and overseas taxation	644	167
– Under provision in previous years	221	148
Deferred income tax	45	397
	<u>1,014</u>	<u>998</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax (“EIT”) in the PRC has been provided at the rate of 25% (2014: 25%) on the estimated assessable profit for the year with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2014: 17%) on the estimated assessable profit for the year.

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

## 6. DIVIDENDS

The dividends paid in 2015 and 2014 were HK\$15,658,000 (HK7 cents per share) and HK\$3,329,000 (HK1.5 cents per share) respectively. A dividend in respect of the year ended 31st December 2015 of HK1.5 cents per share, amounting to a total dividend of HK\$3,355,000, is to be proposed at the annual general meeting on 27th May 2016. These financial statements do not reflect this dividend payable.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim, paid, of HK3.5 cents (2014: HK Nil cents) per ordinary share	7,829	–
Final, proposed, of HK1.5 cents (2014: HK3.5 cents) per ordinary share	<u>3,355</u>	<u>7,768</u>
	<u><u>11,184</u></u>	<u><u>7,768</u></u>

## 7. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>21,458</u>	<u>22,565</u>
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<u>222,930</u>	<u>221,934</u>
Basic earnings per share attributable to equity owners of the Company ( <i>HK cents per share</i> )	<u><u>9.63</u></u>	<u><u>10.17</u></u>

### (b) Diluted

Diluted earnings 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 earnings per share.

	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	<u>21,458</u>	<u>22,565</u>
Weighted average number of ordinary shares in issue (in thousands)	222,930	221,934
Adjustments for:		
– Share options (in thousands)	<u>1,631</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<u>224,561</u>	<u>221,934</u>
Diluted earnings per share (HK cents)	<u>9.56</u>	<u>10.17</u>

## 8. INVESTMENT PROPERTY

	2015 HK\$'000	2014 HK\$'000
<b>At fair value</b>		
Opening balance at 1st January	40,400	37,700
Net gain from fair value adjustment	<u>2,600</u>	<u>2,700</u>
Closing balance at 31st December	<u>43,000</u>	<u>40,400</u>

### (a) Amounts recognised in profit and loss for investment property

	2015 HK\$'000	2014 HK\$'000
Rental income	<u>1,346</u>	<u>1,476</u>

As at 31st December 2015, the Group had no unprovided contractual obligations for further repairs and maintenance (2014: nil).

The investment property situated in Hong Kong is held on lease of between 10 to 50 years.

The investment property was revalued as at 31st December 2015 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The valuation was derived using the direct comparison approach, assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The fair value measurement of the Group's investment property is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers among Levels 1, 2 and 3 during the year.

**9(a). INVESTMENTS IN ASSOCIATES**

Movements of investments in associates are as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
At 1st January	<b>81,482</b>	69,205
Additions	<b>6,823</b>	7,224
Share of post-tax profits of associates	<b>16,307</b>	16,685
Share of other comprehensive loss of associates	<b>(3,078)</b>	(9,770)
Dividend received from an associate	<b>(4,538)</b>	(1,862)
	<hr/>	<hr/>
At 31st December	<b><u>96,996</u></b>	<u>81,482</u>

Set out below are the associates of the Group as at 31st December 2015. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Details of investment in associates as at 31st December 2015 and 2014 are as follows:

Name of entity	Place of business/ country of incorporation	Effective % of ownership interest		Principal activities and place of operation
		2015	2014	
MLMC	Hong Kong/British Virgin Islands	<b>49</b>	49	Trading of measuring tools
OPS Ingersoll	Germany/Germany	<b>22.34</b>	22.34	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd.	The PRC/The PRC	<b>30</b>	19	Manufacturing of metal forming machinery

There are no contingent liabilities relating to the Group's interest in the associates.



## 9(b). LOAN TO AN ASSOCIATE

The balance represents a loan made to an associate – OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months from the reporting date. During the year, interest received from OPS amounted to HK\$1,228,000 (2014: HK\$1,469,000).

As at 31st December 2015, the carrying value of the loan to an associate was HK\$25,430,000 (2014: HK\$28,281,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

## 10. TRADE AND BILLS RECEIVABLES

At 31st December 2015 and 2014, the ageing analysis of trade and bills receivables by due dates are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current	77,365	55,640
1-3 months	18,633	29,831
4-6 months	4,810	9,492
7-12 months	9,071	7,210
Over 12 months	11,981	10,277
	<u>121,860</u>	112,450
Less: provision for impairment of receivables	<u>(6,805)</u>	<u>(6,377)</u>
	<u><u>115,055</u></u>	<u><u>106,073</u></u>

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.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Forward foreign exchange contracts				
– non-hedge instruments	<u>320</u>	<u>458</u>	<u>25</u>	<u>3,749</u>

As at 31st December 2015, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; CNY8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000; (2014: EUR2,369,000 for HKD23,022,000; EUR245,000 for USD310,000; CNY11,000,000 for HKD13,737,000; JPY356,000,000 for HKD25,562,000; JPY32,000,000 for CNY1,726,000; GBP84,000 for HKD1,045,000 and AUD525,000 for HKD3,597,000).

## 12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2015

	Attributable to owners of the Company			Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2015	22,193	158,377	168,563	349,133
<b>Comprehensive income</b>				
Profit for the year	–	–	21,458	21,458
<b>Other comprehensive income</b>				
Gain on revaluation of land and buildings	–	13,153	–	13,153
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(5,051)	5,051	–
Movement of deferred tax	–	(1,218)	–	(1,218)
Change of value of available-for-sale financial assets	–	(2,461)	–	(2,461)
Currency translation differences	–	(5,524)	–	(5,524)
Share of other comprehensive loss of associates	–	(3,078)	–	(3,078)
<b>Total other comprehensive income, net of tax</b>	–	(4,179)	5,051	872
<b>Total comprehensive income</b>	–	(4,179)	26,509	22,330
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>				
Employees share option scheme:				
– value of services provided	–	1,508	–	1,508
– exercise of options	174	1,792	–	1,966
Dividend paid relating to 2014	–	–	(7,829)	(7,829)
Dividend paid relating to 2015	–	–	(7,829)	(7,829)
	174	3,300	(15,658)	(12,184)
<b>Total transaction with owners, recognised directly in equity</b>	174	3,300	(15,658)	(12,184)
Balance at 31st December 2015	22,367	157,498	179,414	359,279

	Attributable to owners of the Company			Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2014	22,193	173,973	144,596	340,762
<b>Comprehensive income</b>	–	–	22,565	22,565
Profit for the year				
<b>Other comprehensive income</b>				
Gain on revaluation of land and buildings	–	9,663	–	9,663
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(4,731)	4,731	–
Movement of deferred tax	–	(730)	–	(730)
Change of value of available-for-sale financial assets	–	4,880	–	4,880
Currency translation differences	–	(14,908)	–	(14,908)
Share of other comprehensive loss of associates	–	(9,770)	–	(9,770)
Total other comprehensive loss, net of tax	–	(15,596)	4,731	(10,865)
<b>Total comprehensive loss</b>	–	(15,596)	27,296	11,700
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>				
Dividend paid relating to 2013	–	–	(3,329)	(3,329)
	–	–	(3,329)	(3,329)
<b>Total transaction with owners, recognised directly in equity</b>	–	–	(3,329)	(3,329)
Balance at 31st December 2014	22,193	158,377	168,563	349,133

### 13. TRADE AND BILLS PAYABLES

At 31st December, the ageing analysis of trade payables and bills payables are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current	100,819	98,845
1-3 months	2,265	3,089
4-6 months	174	1,068
7-12 months	114	3,439
Over 12 months	330	829
	<u>103,702</u>	<u>107,270</u>

### 14. BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Current</b>		
Bank overdrafts	248	1,583
Trust receipt loans	33,488	55,032
Portions of term loans from banks due for repayment within one year	78,216	87,775
Portions of term loans from banks due for repayment after one year which contain a repayable on demand clause	22,223	–
	<u>134,175</u>	<u>144,390</u>
<b>Total borrowings</b>		

As at 31st December 2015, certain land and buildings, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$234,636,000 (2014: HK\$259,814,000) were pledged to secure the banking facilities of the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed during the following periods:

- (i) from 25th May 2016 (Wednesday) to 27th May 2016 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2016 Annual General Meeting. In order to be eligible to attend and vote at the 2016 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 24th May 2016 (Tuesday); and
- (ii) from 6th June 2016 (Monday) to 10th June 2016 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3rd June 2016 (Friday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

## **BUSINESS REVIEW**

During 2015, the global economy remained fragile compared with 2014. China's economy followed that trend and did not recover, even though it was already stronger than that of many other countries. China's GDP growth rate in 2015 was 6.9%, and it has dropped gradually since 2010. The value of industrial production grew by 5.9%, compared with 6.9% in 2014. The value of exports fell by 1.8%, compared with a growth rate of 4.9% in 2014.

The Group's overall sales of measuring instruments, tools and machine tools in 2015 were about the same as in 2014. The major source of orders for the Group in 2015 was from the car manufacturing and mobile phone industries. In China, the production of cars reached 24.5 million units in 2015, growing by 3.3% over 2014. The production of mobile phones grew by 7.8% during the year. During 2015 there was also a fair demand for equipment in other customer segments, including telecommunications, switchgear and elevators.

The value of the Group's outstanding contracts was HK\$175,900,000 at the end of February 2016, compared with HK\$226,513,000 at the end of February 2015, due to a big contract signed with a key customer at the beginning of 2015. We still feel positive about our current sales pipeline.

The business of the associated company, Mitutoyo Leepport Metrology Corporation, in the second half of 2015 was slightly lower than in the first half of 2015. However, this is unlikely to be a concern in 2016. OPS Ingersoll Funkenerosion GmbH continued to be strong in Europe, especially in Germany. The performance of the joint-venture plant, Prima Power Suzhou Company Limited, was unsatisfactory, but we expect that there will be significant improvements in 2016.

The competitive market for machine tools resulted in a lower gross profit for some sales in 2015. The service income from Central and North China also fell during the year. On the other hand, the Group achieved significant reductions in selling and distribution costs and administrative expenses. The Group's net profit of HK\$21,458,000 in 2015 was 4.9% lower than the net profit in 2014 (2014: HK\$22,565,000), and this was a fair result given the difficult business situation.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The balance of cash net of overdraft of the Group as at 31st December 2015 was HK\$45,228,000 (31st December 2014: HK\$57,154,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 31st December 2015 was HK\$62,231,000 (31st December 2014: HK\$80,899,000). The turnover days of inventory was 41 at the end of December 2015, compared with 54 at the end of December 2014. The inventory level was lower at 31st December 2015 than at 31st December 2014. This was due to the delivery of more cutting tools from suppliers by the end of 2014, so that we could catch up on the outstanding contracts on hand. The balance of trade receivables and bills receivable was HK\$115,055,000 as at 31st December 2015 (31st December 2014: HK\$106,073,000). The turnover day of trade receivable was 62, which was higher than the figure of 57 at the end of December 2014. The higher turnover days of trade receivable was due to the change of registered office for Leepport Machine Tool Trading (China) Limited in Shanghai. The registration took two months to complete and caused a delay in the issue of VAT invoices by the end of 2015. The balance of trade payables and bills payable was HK\$103,702,000 as at 31st December 2015 (31st December 2014: HK\$107,270,000). The balance of short-term borrowings was HK\$134,175,000 as at 31st December 2015 (31st December 2014: HK\$144,390,000). The Group deliberately reduced the pledged loan balances in order to save bank interest during the year.

The Group's net gearing ratio was approximately 24.7% as at 31st December 2015 (31st December 2014: 24.5%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. This reduction in the gearing ratio came about because of a significant reduction in pledged loans, in order to save on finance costs.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2015, the Group had aggregate banking facilities of approximately HK\$803,194,000, of which approximately HK\$207,499,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$234,636,000 (31st December 2014: HK\$259,814,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## **FUTURE PLANS AND PROSPECTS**

China's economy is unlikely to recover in 2016. Last year, the Chinese government was not able to turn the declining economic situation around, and the weak global economy is affecting China's export business. The country has to solve the problem of over-capacity in many industries. The strategic direction of "supply-side reform" aims at eliminating over-capacity and focuses on high-value, cost-effective production. Given this transitional period, China has to endure low economic growth.

The Group expects that the Chinese government's promotion of the "One Belt One Road" economic model will drive the export of products related to telecommunications, power supply, railway systems, high-speed trains and infrastructure. The demand for manufacturing equipment and tools will probably rise in the near future. In the short term, the car manufacturing and mobile phone industries are likely to continue to be the Group's major customer base.

The newly acquired property in Shanghai was opened in early 2016. It includes a showroom, a training centre and a warehouse. This facility will enhance the Group's sales capability in Central China. One of the strategic targets in 2016 is to increase the Group's market share in Central and North China. The Group is striving to expand the front-line sales team, and quite a number of new salespeople have joined the Group since last year.

We expect that the business for the associated company, Mitutoyo Leepport Metrology Corporation, will maintain a moderate growth in 2016. The business of OPS Ingersoll Funkenerosion GmbH, which is restricted by the company's production capacity, is likely to be more or less the same as in 2015. Since last year, the income source for the joint-venture plant, Prima Power Suzhou Company Limited, has included not only the production of local machines but also the trading of and service support for imported machines from Europe. Unfortunately, the order intake of Prima Power Suzhou Company Limited in 2015 was significantly lower than expected. However, things look more promising for 2016, because the order intake situation is improving.

The Group will continue to explore business opportunities in new products and partnerships with suppliers.

The business situation in 2016 is challenging. The Group will therefore further enhance its sales management and key account management, and will maintain a more cost-effective operation.

I am confident that the Group's business in 2016 will be better than in 2015.

## EMPLOYEES

As at 31st December 2015, the Group had 256 employees (31st December 2014: 321). Of these, 84 were based in Hong Kong, 161 were based in mainland China, and 11 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, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies and discretionary performance bonuses.

## SHARE CAPITAL

### Share capital

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u><b>100,000</b></u>	<u>100,000</u>
	<b>Number of</b>	<b>Share capital</b>
	<b>shares</b>	<b>HK\$'000</b>
	<i>(in thousand)</i>	
Issued and fully paid:		
At 1st January 2014 and 2015	221,934	22,193
Exercise of options	<u>1,740</u>	<u>174</u>
At 31st December 2015	<u><b>223,674</b></u>	<u><b>22,367</b></u>



## **Share options**

The Company adopted a share option scheme (the “Old Scheme”) at a special general meeting held on 17th June 2003. At the annual general meeting of shareholders held on 15th May 2013, the Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK\$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) shall not exceed 10% of the shares in issue as at the date of such shareholder’s approval. At the date of this announcement, the total number of options that can be granted was 12,546,406 representing approximately 5.6% of the number of issued shares in issue.

Subscription price in relation to each option pursuant to the New Scheme shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date on which the option is offered to an Eligible Participant; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

The options are exercisable within the option period as determined by the Board of the Company. The New Scheme shall be valid and effective for a period of 10 years commencing from 15th May 2013, the date of the approval of the New Scheme.

Share options are granted to directors and to selected employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2015		2014	
	Average exercise price in HK\$ per share option	Number of share options ( <i>thousands</i> )	Average exercise price in HK\$ per share option	Number of share options ( <i>thousands</i> )
At 1st January	1.13	1,740	1.13	1,740
Granted	1.026	7,907	–	–
Exercised	1.13	1,740	–	–
At 31st December	<u>1.026</u>	<u>7,907</u>	<u>1.13</u>	<u>1,740</u>

All the outstanding options as of 31st December 2015 and 2014 were exercisable. Option exercised in 2015 resulted in 1,740,000 shares being issued at HK\$1.13 each. The related weighted average share price at the time of exercise was HK\$2.07 each. No transaction costs has been borne by the Group.

Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in HK\$ per share option	Number of share options ( <i>thousands</i> )	
		2015	2014
14th November 2016	1.13	–	1,740
16th June 2017	1.026	<u>7,907</u>	<u>–</u>
At 31st December		<u>7,907</u>	<u>1,740</u>

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was approximately HK\$0.19 per option. The significant inputs into the model were HK\$1.01 at the grant date, exercise price shown above, volatility of 40.47%, dividend yield of 3.47%, an expected option life of 2.25 years, and an annual risk-free interest rate of 0.63%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

## **DETAILS OF THE CHARGES ON THE GROUP'S ASSETS**

As at 31st December 2015, certain land and buildings, leasehold land and investment property restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK\$234,636,000 (31st December 2014: HK\$259,814,000), were pledged to secure the banking facilities of the Group by way of a fixed charge.

## **CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES**

During the year 2015, the Group spent a total of HK\$4,307,000 (31st December 2014: HK\$3,791,000) in capital expenditure, primarily consisting of property, plant and equipment. As at 31st December 2015, the Group had capital commitments of HK\$2,004,000 on property, plant and equipment. (31st December 2014: HK\$17,355,000 on property, plant and equipment) In the meantime, a total of HK\$23,870,000 (31st December 2014: HK\$14,557,000) 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 minimise the Group's exposure to foreign exchange rate risks.

As at 31st December 2015, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; CNY8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000 (2014: EUR2,369,000 for HKD23,022,000; EUR245,000 for USD310,000; CNY11,000,000 for HKD13,737,000; JPY356,000,000 for HKD25,562,000; JPY32,000,000 for CNY1,726,000; GBP84,000 for HKD1,045,000 and AUD525,000 for HKD3,597,000).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **CORPORATE GOVERNANCE**

During the year ended 31st December 2015, 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 Managing Director 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. The Company has no such title as the chief executive officer.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES (“MODEL CODE”)**

For the year ended 31st December 2015, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31st December 2015 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu, and Mr. ZAVATTI Samuel 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 condensed consolidated financial statements for the year ended 31st December 2015 with the directors.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31st December 2015. The figures in respect of the preliminary announcement of the Group's results for the year have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **2016 ANNUAL GENERAL MEETING**

It is proposed that the 2016 Annual General Meeting of the Company will be held on 27th May 2016 (Friday). A notice convening the 2016 Annual General Meeting will be published on the websites of the Stock Exchange and the Company in due course and will be dispatched to the shareholders of the Company accordingly.

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

Hong Kong, 21st March 2016

*As at the date of this announcement, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHAN Ching Huen, Stanley, Mr. WONG Man Shun, Michael and Mr. CHU Weiman and the independent non-executive directors are Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu and Mr. ZAVATTI Samuel.*