Leeport

LEEPORT (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 2017

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 2017, together with the comparative figures for the year ended 31st December 2016. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

In 2017, China's economy was stronger than in 2016. The demand for manufacturing equipment and tools was also good. Unfortunately, the Group's business in equipment sales was adversely affected by the delay of shipments from a Japanese supplier of some big orders. On the other hand, the sales of our cutting tools business increased 35.7% as compared with 2016, and the sales of measuring equipment increased 13.3% as compared with 2016.

The Group's sales amounted to HK$614,370,000 in 2017, compared with HK$715,113,000 in 2016, representing a decrease of 14.1%. The Group's gross profit amounted to HK$104,048,000, compared with HK$133,595,000 in 2016, representing a decrease of 22.1%. The gross profit percentage was 16.9% in 2017, lower than the gross profit percentage of 18.7% in 2016. The lower gross profit percentage in 2017 was due mainly to the lower gross profit percentage of equipment sales.

* *For identification purpose only*

Although the sales of the Group fell by 14.1% in 2017, the total value of the contracts signed was 3% higher than in 2016. The total value of contract in 2017 was HK$744,946,000 and it was HK$723,026,000 in 2016. This was due mainly to the strong performance of the business in cutting tools and measuring instruments. In the second half of 2017, all the business divisions, including equipment, made significant improvements in closing sales contracts.

Other Income and Gains

The total value of other income and gains was HK$19,859,000 in 2017, compared with HK$17,249,000 in 2016, representing an increase of 15.1%.

Service income was HK$7,299,000 in 2017, compared with HK$8,735,000 in 2016, representing a decrease of 16.4%. Commission income was only HK$678,000 in 2017, lower than the amount of HK$3,032,000 in 2016.

Other income included a rental fee of HK$2,175,000, and a management fee of HK$1,565,000 charged against Mitutoyo Leeport Metrology Corporation. There was a gain on forward contracts of HK$569,000 in 2017, compared with a loss on forward contracts of HK$2,810,000 in 2016. Also there was a gain in valuation of investment properties amounting to HK$3,034,000 in 2017. There was no such gain in 2016.

In the first half of 2017, our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Group received a dividend of HK$1,091,000. The dividend received in 2016 was HK$690,000.

Operating Expenses

Selling and distribution costs were HK$17,392,000 in 2017, compared with HK$34,070,000 in 2016, representing a decrease of 49.0%. The reduction in selling and distribution costs was due mainly to the lower logistics costs, commissions paid to salespersons and sub-dealers, and bank charges in line with the lower sales volume.

Administrative expenses amounted to HK$90,553,000 in 2017, compared with HK$100,800,000 in 2016, representing a decrease of 10.2%. The decrease in administrative expenses was due mainly to an exchange gain of HK$6,953,000. The Japanese Yen rose by around 4%, the Euro rose by around 15%, and Renminbi rose by around 8% at the end of 2017. The stronger Euro caused the shareholder's loan to OPS-Ingersoll Funkenerosion GmbH to record a gain on the exchange difference. The Group held a certain amount of Renminbi in 2017, and accordingly this also recorded an exchange gain. As some Group entities operated using the functional currency of Japanese Yen, the translation of their net monetary liabilities, which were denominated mainly in HKD to the functional currency, also recorded an exchange gain. There was an exchange loss of HK$3,447,000 in 2016. On the other hand, the other general administrative expenses in 2017 were about the same as in 2016.

Finance Expenses – Net

Finance expenses net of finance income were HK$2,407,000 in 2017, compared with HK$1,740,000 in 2016. Finance income in 2017 was HK$1,475,000, compared with HK$1,767,000 in 2016, representing a decrease of 16.5%. The decrease in finance income was due mainly to a reduction in restricted bank deposits in Australian Dollars and Renminbi. Interest income derived from the loan to OPS-Ingersoll Funkenerosion GmbH was HK$899,000 in 2017, compared with HK$1,102,000 in 2016. This decrease was due to the fact that OPS-Ingersoll Funkenerosion GmbH repaid a loan of Euro 1 million to Leeport at the end of August 2016.

Finance expenses were HK$3,882,000 in 2017, compared with HK$3,507,000 in 2016, representing an increase of 10.7%. This increase was due to the higher interest rate in the market in 2017.

Share of Profit of Associated Companies

The share of profits of associates in 2017 was HK$19,346,000, compared with HK$11,279,000 in 2016, representing an increase of 71.5%. The business for Mitutoyo Leeport Metrology Corporation continued to increase in 2017 as compared with 2016. The Company still showed a strong position in the market. The share of profit of Mitutoyo Leeport Metrology Corporation was HK$15,814,000 in 2017, compared with HK$5,294,000 in 2016, representing an increase of 198.7%. In 2016 there was a significant exchange loss in Japanese Yen due to the fluctuating Japanese Yen, but the result in 2017 was back to normal.

The business for OPS-Ingersoll Funkenerosion GmbH in 2017 was lower than in 2016. Due to the strong Euro in 2017, the business in the US market was adversely affected. The share of profit of OPS-Ingersoll Funkenerosion GmbH in 2017 was HK$2,197,000, compared with HK$5,486,000 in 2016.

The business for Prima Power Suzhou Company Limited improved slightly in 2017 as compared with 2016. The plant still did not reach a level of economic scale, and the competition for metalforming machinery in China was keen. The share of profit of Prima Power Suzhou Company Limited was HK$1,335,000 in 2017, compared with HK$499,000 in 2016.

Income Tax Expenses

Income tax expenses in 2017 were HK$4,870,000, compared with HK$1,840,000 in 2016, representing an increase of 164.7%. The increase in the business of cutting tools and measuring instruments in 2017 came mainly from the Group's subsidiaries in China, and they were subject to an income tax rate of 25%. On the other hand, the reduction in equipment sales came mainly from some subsidiaries in Hong Kong. In 2016, some subsidiaries in Hong Kong made use of the tax loss carried forward to set off the taxable income, so Hong Kong income tax payable in 2016 is at relatively low level.

Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK$28,031,000 in 2017, compared with HK$23,673,000 in 2016, representing an increase of 18.4%. The operating profit for the trading business in 2017 was HK$15,962,000, compared with HK$15,974,000 in 2016, representing a decrease of 0.1%. Even though the Group's sales and gross profit in 2017 were lower than in 2016, the increase in other income and gains, and the significant reduction in selling and distribution costs and administrative expenses, contributed to the increase in profit attributable to owners of the Company. Also, the significant increase in the share of profits of associates in 2017 contributed to the improvement in profit attributable to owners of the Company.

The basic earnings per share were HK12.25 cents in 2017, compared with the figure of HK10.57 cents in 2016, representing an increase of 15.9%.

DIVIDEND

An interim dividend of HK2.5 cents per ordinary share and a special interim dividend of HK2.0 cents per ordinary share, totalling HK$10,353,000, was paid to the shareholders of the Company on 15th September 2017.

The Directors recommended a final dividend of HK3.5 cents per ordinary share, totalling HK$8,053,000 (in 2016, the final dividend was HK3.0 cents per ordinary share, totalling HK$6,902,000). This recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 11th June 2018. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 28th June 2018 to the shareholders of the Company whose names appear on the register of members on 19th June 2018.

The total dividend paid per ordinary share for the year ended 31st December 2017 will be HK 8.0 cents, compared with HK6.5 cents per ordinary share for the year ended 31st December 2016, representing an increase of 23.1%.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Sales	*2*	**614,370**	715,113
Cost of goods sold	*4*	**(510,322)**	(581,518)
Gross profit		**104,048**	133,595
Other income and gains – net	*3*	**19,859**	17,249
Selling and distribution costs	*4*	**(17,392)**	(34,070)
Administrative expenses	*4*	**(90,553)**	(100,800)
Operating profit		**15,962**	15,974
Finance income		**1,475**	1,767
Finance expenses		**(3,882)**	(3,507)
Finance expenses – net		**(2,407)**	(1,740)
Share of profits of associates	*9(a)*	**19,346**	11,279
Profit before income tax		**32,901**	25,513
Income tax expense	*5*	**(4,870)**	(1,840)
Profit for the year		**28,031**	23,673
Profit attributable to:			
Owners of the Company		**28,031**	23,673
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (Hong Kong cents)	*7*	**HK12.25 cents**	HK10.57 cents
Diluted earnings per share (Hong Kong cents)	*7*	**HK12.25 cents**	HK10.50 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Profit for the year		**28,031**	23,673
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of land and buildings		**27,980**	17,449
Movement of deferred tax		**(3,489)**	(1,494)
		24,491	15,955
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets, net of tax		**81,358**	4,246
Currency translation differences		**1,659**	(5,972)
Share of other comprehensive income of associates		**7,839**	364
		90,856	(1,362)
Other comprehensive income for the year, net of tax		**115,347**	14,593
Total comprehensive income for the year		**143,378**	38,266
Total comprehensive income attributable to owners of the company		**143,378**	38,266

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2017

	Note	2017	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**226,154**	211,102
Leasehold land		**15,056**	16,473
Investment property	*8*	**54,658**	43,000
Investments in associates	*9(a)*	**126,525**	101,871
Loan to an associate	*9(b)*	**18,970**	16,593
Prepayments		**1,132**	391
Available for sale financial assets		**12,863**	12,863
		455,358	402,293
Current assets			
Inventories		**61,441**	60,595
Trade and bills receivables	*10*	**108,445**	97,906
Other receivables, prepayments and deposits		**26,467**	18,917
Available-for-sale financial assets		**143,057**	56,336
Derivative financial instruments	*11*	**265**	429
Amounts due from an associate		**2,766**	213
Restricted bank deposits		**19,307**	24,680
Cash and cash equivalents		**52,323**	53,954
		414,071	313,030
Total assets		**869,429**	715,323

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31ST DECEMBER 2017

	Note	2017	2016
		HK$'000	*HK$'000*
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*12*	**23,007**	22,554
Other reserves	*12*	**282,334**	168,483
Retained earnings		**213,670**	197,200
Total equity		**519,011**	388,237
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**5,556**	12,222
Deferred income tax liabilities		**29,809**	26,044
		35,365	38,266
Current liabilities			
Trade payables and bills payables	*13*	**110,452**	95,105
Other payables, accruals and deposits received		**63,355**	57,382
Derivative financial instruments	*11*	**490**	1,150
Borrowings	*14*	**137,254**	133,641
Tax payable		**3,502**	1,542
		315,053	288,820
Total liabilities		**350,418**	327,086
Total equity and liabilities		**869,429**	715,323

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") and requirements of the Hong Kong Companies Ordinance Cap.622. 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 2017. The adoption of these amendments has not had any significant impact to the results and financial position of the Group.

Annual Improvements Project	Annual Improvements 2014 – 2016 Cycle
HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

(ii) The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
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
HKAS 40 Amendment	Transfers of investment property	1st January 2018
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1st January 2019
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 4 Amendment	Insurance Contracts	1st January 2018
HKFRS 9	Financial instruments	1st January 2018
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1st January 2019
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	1st January 2018
HKFRS 16	Leases	1st January 2019
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1st January 2018

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations to standards that have been issued but are not yet effective for financial years beginning on 1st January 2017, and does not expect there will be a significant impact to the Group's financial statements, except for the following new standards:

(a) HKFRS 9 "Financial instruments"

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1st January 2018:

- equity instruments currently classified as available-for-sale ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available and hence there will be no change to the accounting for these assets,

- the unlisted equity instruments currently measured at cost which will change to be measured at fair value through other comprehensive income ("FVOCI") under HKFRS 9, and

- derivatives currently measured at FVPL which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

This new standard must be applied for financial years commencing on or after 1st January 2018. The Group will apply the new rules retrospectively from 1st January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(b) HKFRS 15 "Revenue from Contracts with Customers"

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standards on the Group's consolidated financial statements and has identified the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue generated from the provision of services.

More detailed assessment will be carried out by the Group to estimate the impact of the new rules on the Group's consolidated financial statements.

This new standard is mandatory for financial years commencing on or after 1st January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1st January 2018 and that comparatives will not be restated.

(c) HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$477,000.

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.

	For the year ended 31st December 2017			
	The PRC	**HK**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**502,035**	**99,648**	**12,687**	**614,370**
Segment results	**11,319**	**3,312**	**1,331**	**15,962**
Finance expense – net				**(2,407)**
Share of profit of associates				**19,346**
Profit before income tax				**32,901**
Income tax expenses				**(4,870)**
Profit for the year				**28,031**

	For the year ended 31st December 2016			
	The PRC	HK	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales	622,025	83,827	9,261	715,113
Segment results	14,557	3,908	(2,491)	15,974
Finance expense – net				(1,740)
Share of profit of associates				11,279
Profit before income tax				25,513
Income tax expenses				(1,840)
Profit for the year				23,673

During the year ended 31st December 2017, there is no single customer whose revenue amounted to 10% or more of the Group's revenue (2016: a single customer with revenue amounting to HK$107,972,000 or 15.1% of the Group's revenue).

Assets

	2017	2016
	HK$'000	*HK$'000*
Total assets:		
The PRC	**266,960**	236,435
Hong Kong	**372,054**	346,202
Other countries *(Note (a))*	**230,415**	132,686
	869,429	715,323

Note:

(a) Other countries include Italy, Germany, Finland, 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, investment properties, inventories, receivables, investment in associates, available for sale financial instruments, 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 2017 are HK$8,835,000 (2016: HK$8,752,000) and HK$424,000 (2016: HK$461,000) respectively.

Capital expenditure:

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure:		
The PRC	**507**	21,017
Hong Kong	**680**	1,165
	1,187	22,182

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

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

3. OTHER INCOME AND GAINS – NET

	2017	2016
	HK$'000	*HK$'000*
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value gain/(loss)	**569**	(2,810)
Rental income	**2,175**	1,625
Service income	**7,299**	8,735
Commission income	**678**	3,032
Net fair value gain on investment properties	**3,034**	–
Other income	**4,539**	5,162
Management fee income from an associate	**1,565**	1,505
	19,859	17,249

4. EXPENSES BY NATURE

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

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**2,651**	2,640
– Non-audit services	**257**	449
Cost of inventories sold	**505,315**	575,606
Depreciation on property, plant and equipment	**8,835**	8,752
Amortisation on leasehold land	**424**	461
Operating lease rentals	**1,621**	1,319
Provision for slow moving inventories	**1,806**	2,340
Provision for impairment of trade and bills receivables	**1,142**	87
Recovery of impaired receivables	**(1,873)**	–
Foreign exchange (gain)/loss	**(6,953)**	3,447
Employee benefits expenses (including directors' remuneration)	**57,617**	57,769
Other expenses	**47,425**	63,518
Total cost of goods sold, selling and distribution costs and administrative expenses	**618,267**	716,388

5. INCOME TAX EXPENSE

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

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**366**	168
– PRC and overseas taxation	**4,283**	1,450
– (Over)/under provision in previous years	**(55)**	250
Deferred income tax	**276**	(28)
	4,870	1,840

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 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% (2016: 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 2017 and 2016 were HK$17,255,000 (HK7.5 cents per share) and HK$11,225,000 (HK5.0 cents per share) respectively. A final dividend in respect of the year ended 31st December 2017 of HK3.5 cents per share, amounting to a total dividend of HK$8,053,000, is to be proposed at the Annual General Meeting on 11th June 2018. These financial statements do not reflect this dividend payable.

	2017	2016
	HK$'000	*HK$'000*
Interim, paid, of HK4.5 cents (2016: HK3.5 cents) per ordinary share	**10,353**	7,870
Final, proposed, of HK3.5 cents (2016: HK3.0 cents) per ordinary share	**8,053**	6,902
	18,406	14,772

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.

	2017	2016
Profit attributable to owners of the Company *(HK$'000)*	**28,031**	23,673
Weighted average number of ordinary shares in issue *(in thousands)*	**228,895**	224,069
Basic earnings per share attributable to equity owners of the Company *(HK cents per share)*	**12.25**	10.57

(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.

	2017	2016
Profit attributable to equity holders of the Company *(HK$'000)*	**28,031**	23,673
Weighted average number of ordinary shares in issue *(in thousands)*	**228,895**	224,069
Adjustments for:		
– Share options *(in thousands)*	**–**	1,397
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**228,895**	225,466
Diluted earnings per share *(HK cents)*	**12.25**	10.50

8 INVESTMENT PROPERTY

At fair value	**2017** **HK$'000**	2016 *HK$'000*
Opening balance at 1st January	**43,000**	43,000
Net gain from fair value adjustment	**3,034**	–
Transfer from owner-occupied property	**7,924**	–
Exchange difference	**700**	–
Closing balance at 31st December	**54,658**	43,000

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

	2017 **HK$'000**	2016 *HK$'000*
Rental income	**2,005**	1,500

As at 31st December 2017, the Group had no unprovided contractual obligations for further repairs and maintenance (2016: nil).

During the year, the property of the Group located in Singapore was transferred to investment property as it ceased to be owner occupied and the property meets the definition of investment property with the intention of leasing out to earn rental income under an operating lease.

The investment properties situated in Hong Kong and Singapore are held on lease of between 10 to 50 years.

The investment property located in Hong Kong was revalued as at 31st December 2017 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The investment property of the Group located in Singapore was revalued as at 31st December 2017 by Orangetee Advisory Pte Limited, an independent firm of professional valuers.

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 properties are 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 such transfers during the year.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

	Significant unobservable inputs	**Range (weighted average)**	**Relationship of unobservable inputs to fair value**
As at 31st December 2017			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$8,505 (HK$8,505)	The higher the weighted average sales price, the higher the fair value
Land and buildings in Singapore	Market unit sale price (per square foot)	HK$1,048 (HK$1,048)	The higher the weighted average sales price, the higher the fair value

	Significant unobservable inputs	**Range (weighted average)**	**Relationship of unobservable inputs to fair value**
As at 31st December 2016			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$7,985 (HK$7,985)	The higher the weighted average sales price, the higher the fair value

Bank borrowings are secured on investment properties with a carrying amount of HK$54,658,000 (2016: HK$43,000,000).

9(a). INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1st January	**101,871**	96,996
Share of post-tax profits of associates	**19,346**	11,279
Share of other comprehensive income of associates	**7,839**	364
Dividend received from an associate	**(2,531)**	(6,768)
At 31st December	**126,525**	101,871

Set out below are the associates of the Group as at 31st December 2017 and 2016. 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 2017 and 2016 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest 2017	2016	Principal activities and place of operation
Mitutoyo Leeport Metrology Corporation ("MLMC")	Hong Kong/British Virgin Islands	**49**	49	Trading of measuring tools
OPS-Ingersoll Funkenerosion GmbH ("OPS")	Germany/Germany	**22.34**	22.34	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd.	The PRC/The PRC	**30**	30	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 but within five years from the reporting date. During the year, interest received from OPS amounted to HK$899,000 (2016: HK$1,102,000).

As at 31st December 2017, the carrying value of the loan to an associate was HK$18,970,000 (2016: HK$16,593,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

10. TRADE AND BILLS RECEIVABLES

At 31st December 2017 and 2016, the ageing analysis of trade and bills receivables by due dates are as follows:

	2017	2016
	HK$'000	*HK$'000*
Current	**69,527**	48,557
1 – 3 months	**21,833**	31,496
4 – 6 months	**13,056**	11,858
7 – 12 months	**2,265**	4,117
Over 12 months	**5,306**	8,078
	111,987	104,106
Less: provision for impairment of receivables	**(3,542)**	(6,200)
	108,445	97,906

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

	2017		2016	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward foreign exchange contracts				
– non-hedge instruments	**265**	**490**	429	1,150

Derivatives held for trading purpose are classified as a current asset or liability. As at 31st December 2017, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR1,300,000 for HKD11,979,000; JPY78,000,000 for RMB4,836,000; JPY92,000,000 for USD820,000 and JPY270,840,000 for HKD18,890,000(2016: buy EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000).

12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Attributable to owners of the Company			
	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1st January 2017	**22,554**	**168,483**	**197,200**	**388,237**
Comprehensive income				
Profit for the year	–	–	**28,031**	**28,031**
Other comprehensive income/(loss)				
Gain on revaluation of land and buildings	–	**27,980**	–	**27,980**
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	**(5,694)**	**5,694**	–
Movement of deferred tax	–	**(3,489)**	–	**(3,489)**
Change of value of available-for-sale financial assets	–	**81,358**	–	**81,358**
Currency translation differences	–	**1,659**	–	**1,659**
Share of other comprehensive income of associates	–	**7,839**	–	**7,839**
Total other comprehensive income, net of tax	–	**109,653**	**5,694**	**115,347**
Total comprehensive income	–	**109,653**	**33,725**	**143,378**
Transactions with owners of the Company recognised directly in equity				
Employees share option scheme:				
– exercise of options	**453**	**4,198**	–	**4,651**
Dividend paid relating to 2016	–	–	**(6,902)**	**(6,902)**
Dividend paid relating to 2017	–	–	**(10,353)**	**(10,353)**
	453	**4,198**	**(17,255)**	**(12,604)**
Total transaction with owners, recognised directly in equity	**453**	**4,198**	**(17,255)**	**(12,604)**
Balance at 31st December 2017	**23,007**	**282,334**	**213,670**	**519,011**

12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Attributable to owners of the Company			
	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1st January 2016	22,367	157,498	179,414	359,279
Comprehensive income				
Profit for the year	–	–	23,673	23,673
Other comprehensive income				
Gain on revaluation of land and buildings	–	17,449	–	17,449
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(5,338)	5,338	–
Movement of deferred tax	–	(1,494)	–	(1,494)
Change of value of available-for-sale financial assets	–	4,246	–	4,246
Currency translation differences	–	(5,972)	–	(5,972)
Share of other comprehensive income of associates	–	364	–	364
Total other comprehensive income, net of tax	–	9,255	5,338	14,593
Total comprehensive income	–	9,255	29,011	38,266
Transactions with owners of the Company recognised directly in equity				
Employees share option scheme:				
– exercise of options	187	1,730	–	1,917
Dividend paid relating to 2015	–	–	(3,355)	(3,355)
Dividend paid relating to 2016	–	–	(7,870)	(7,870)
	187	1,730	(11,225)	(9,308)
Total transaction with owners, recognised directly in equity	187	1,730	(11,225)	(9,308)
Balance at 31st December 2016	22,554	168,483	197,200	388,237

13. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Current	**100,298**	87,720
1 – 3 months	**7,726**	2,553
4 – 6 months	**734**	1,225
7 – 12 months	**613**	3,541
Over 12 months	**1,081**	66
	110,452	95,105

14. BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Non-current		
Portions of term loans from bank due for repayment after one year	**5,556**	12,222
Current		
Bank overdrafts	**–**	846
Trust receipt loans	**40,532**	24,356
Portions of term loans from banks due for repayment within one year	**96,722**	102,883
Portions of term loans from banks due for repayment after one year which contain a repayable on demand clause	**–**	5,556
	137,254	133,641
Total borrowings	**142,810**	145,863

As at 31st December 2017, certain land and buildings, leasehold land, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$262,565,000 (2016: HK$244,301,000) were pledged to secure the banking facilities of the Group.

The facilities expiring within one year are annual facilities subject to review at various dates during 2018.

CLOSURE OF REGISTER OF MEMBERS

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

(i) from 6th June 2018 (Wednesday) to 11th June 2018 (Monday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 Annual General Meeting. In order to be eligible to attend and vote at the 2018 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 5th June 2018 (Tuesday); and

(ii) from 15th June 2018 (Friday) to 19th June 2018 (Tuesday), 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 14th June 2018 (Thursday).

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

BUSINESS REVIEW

Trading

In 2017, the global economic situation showed a tendency towards recovery. China achieved GDP growth of 6.9% in 2017, compared with 6.7% in 2016. The growth rate in 2017 was higher than expected. The growth rate for the value of industrial production was 6.4% in 2017 as compared with 6% in 2016. The value of exports grew by 10.8% in 2017, compared with a drop of 0.2% in 2016.

The trend of business growth is expected to continue in 2018. The value of outstanding contracts of the Group as at the end of February 2018 was HK$325,416,000, compared with HK$151,208,000 at the end of February 2017.

The new energy and new technology industries (for example the manufacturing of equipment, new energy cars, smart TVs, industrial robots and drones) in China grew rapidly in 2017. This boom contributed to an increase in market demand for manufacturing equipment and tools. The production of smart phones in China was 901 million units in 2017, compared with 832 million units in 2016, representing an increase of 8.3%. The production of cars was 29 million units in 2017, 3.2% higher than in 2016. The continued high number of smart phones and cars produced in 2017 also contributed to the demand for manufacturing equipment and tools. China also continued to be the world's biggest consumer of machine tools. The country consumed 40% of the total global machine tool production in 2017, with the value of consumption amounting to USD29.8 billion. This represented an increase of 7.5% from 2016.

Investment

Due to the recovery of China's economy in 2017, the business of Mitutoyo Leeport Metrology Corporation in South China achieved a reasonable growth in 2017. The market for measuring instruments was still strong in 2017, in particular because the production of mobile phones and cars continued to grow in 2017.

The business for OPS-Ingersoll Funkenerosion GmbH in 2017 was lower than in 2016. The business in the US market fell due to the strong Euro against the US dollar in 2017, which affected the number and value of orders from customers.

Although the market for metalforming machinery in 2017 improved in China, the business for Prima Power Suzhou Company Limited achieved only a limited growth, mainly because of the keen competition. The Company needs to find ways to reduce the cost of production and increase the volume of sales.

Leeport Group held a 4.3% shareholding in Prima Industrie S.p.A. (the parent company of Prima Power Suzhou Company Limited) at the end of February 2018. Prima Industrie S.p.A. achieved outstanding results in 2017. The Company's consolidated revenue was Euro 449.5 million in 2017, compared with Euro 393.9 million in 2016, representing an increase of 14.1%. The Prima Industrie Group's net profit was Euro 18.7 million in 2017, compared with Euro 10.2 million in 2016, representing an increase of 83.3%.

The unit share price of Prima Industrie S.p.A. was Euro 15.82 at the beginning of 2017, and Euro 33.80 at the end of December 2017. Due to the significant increase in the share price, Leeport Group gained from the increase in valuation of shares in Prima Industrie S.p.A. amounting to HK$89.9 million in 2017. Together with the increase in valuation of properties of the Group, amounting to HK$28 million, and the increase in carrying amount of investment in associates, amounting to HK$25 million, these were the main reasons why the net asset value of Leeport Group increased by HK$131 million in 2017. The net asset value of Leeport Group as at 31st December 2017 was HK$519 million, compared with HK$388 million as at 31st December 2016, representing an increase of 33.8%.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2017 was HK$52,323,000 (31st December 2016: HK$53,108,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 31st December 2017 was HK$61,441,000 (31st December 2016: HK$60,595,000). The turnover days of inventory were 44 at the end of December 2017, compared with 38 at the end of December 2016. The higher inventory turnover days in year 2017 was due to a higher purchase amount of cutting tools products at the year end of 2017 for the shipment before Chinese New Year in 2018. The balance of trade receivable and bills receivable was HK$108,445,000 as at 31st December 2017 (31st December 2016: HK$97,906,000). The turnover days of trade receivable were 64, compared with 50 at the end of December 2016. The turnover days of trade receivables were higher as higher proportion of the business in the year of 2017 was cutting tools. The credit period for the cutting tools business is relatively longer than the equipment business. The balance of trade payable and bills payable was HK$110,452,000 as at 31st December 2017 (31st December 2016: HK$95,105,000). The higher balance of trade payable and bills payable as at 31st December 2017 was due to a higher purchase amount of cutting tools products at the year end of 2017. The balance of short-term borrowings was HK$137,254,000 as at 31st December 2017 (31st December 2016: HK$133,641,000). The balance of long-term borrowings was HK$5,556,000 as at 31st December 2017 (31st December 2016: HK$12,222,000).

The Group's net gearing ratio was approximately 17.4% as at 31st December 2017 (31st December 2016: 23.7%). The net gearing ratio is lower than in 2016. 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. Lower net gearing ratio is due to larger amount of equity which majorly comes from appreciation of available for sale financial assets, valuation of investment in associates and properties.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2017, the Group had aggregate banking facilities of approximately HK$727,005,000, of which approximately HK$164,095,000 was utilized, 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$262,565,000 (31st December 2016: HK$244,301,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

Now, in early 2018, the global economy seems to be recovering well. However the protectionism of the US Government might cause some uncertainty regarding the global trade environment. The new technology and new energy industries in China have grown rapidly in the past few years. The traditional big industries in China, such as car manufacturing, mobile phone manufacturing and infrastructure, look set to continue their growth and their domination of the economy. We therefore believe that the business of the Group will increase at a reasonable growth rate in the coming years.

We need to put more resources into expanding our sales and service organisation. The recruitment of salespeople has proceeded satisfactorily, and we will continue to recruit sales staff at various levels. We also need to enhance the technology in our automation and new equipment business, for example, 3D printing equipment. We have established a strong team for our 3D printing equipment business, and we expect that it will have a bright future. Furthermore, we expect that the strength of our collaborations with current and new suppliers will bring us enormous business opportunities. The Group is in a healthy financial situation, which will allow us to invest in the existing businesses and acquire new businesses in the near future.

The Group recently became the majority shareholder of Screw and Fastener (HK) Co., Ltd., a trading company in Hong Kong. It has a long history as trading company, dealing in a number of world-leading manufacturers of assembly tools. This acquisition broadens the product range of Leeport in the tools business. The Group will continue to explore acquisition opportunities.

With respect to the business of the associates, we are confident that their profit situation in 2018 will be better than in 2017.

Given the current market situation, Mitutoyo Leeport Metrology Corporation, a market leader in measuring instruments, expects to be able to achieve better business results in 2018. OPS-Ingersoll Funkenerosion GmbH is also confident about its likely business results in 2018. The impact of the strong Euro on the Company's US market is likely to be less severe in 2018, and the business in Europe and China is expected to improve as compared with 2017. Prima Power Suzhou Company Limited will optimise its production with new components, which is likely to reduce costs. The plant will also launch a number of new models of laser-cutting machines, which will bring in additional business. The Company therefore expects that its performance will improve in 2018.

The performance of Leeport Group in 2017 was merely satisfactory. However, due to the current favourable market situation, we are confident that the Group's performance will improve significantly in 2018.

EMPLOYEES

As at 31st December 2017, the Group had 256 employees (31st December 2016: 256). Of these, 75 were based in Hong Kong, 167 were based in mainland China, and 14 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, education subsidies and discretionary performance bonuses.

SHARE CAPITAL

Share capital

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000

	Number of shares	**Share capital**
	(in thousand)	*HK$'000*
Issued and fully paid:		
At 1st January 2016	223,674	22,367
Exercise of options	1,868	187
At 31st December 2016	225,542	22,554
Exercise of options	4,534	453
At 31st December 2017	230,076	23,007

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 under the New Scheme was 12,546,406 representing approximately 5.45% of the number of issued shares.

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:

	2017		2016	
	Average exercise price in HK$ per share option	**Number of share options *(thousands)***	Average exercise price in HK$ per share option	Number of share options *(thousands)*
At 1st January	**1.026**	**6,039**	1.026	7,907
Exercised	**1.026**	**(4,534)**	1.026	(1,868)
Lapsed	**1.026**	**(1,505)**	–	–
At 31st December	**1.026**	**–**	1.026	6,039

All the outstanding options as of 31st December 2017 and 2016 were exercisable. Option exercised in 2017 resulted in 4,534,000 (2016: 1,868,000) shares being issued at HK$1.026 (2016: HK$1.026) each. The related weighted average share price at the time of exercise was HK$1.45 (2016: HK$1.50) 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 (thousands) 2017	2016
16th June 2017	1.026	–	6,039
At 31st December		–	6,039

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2017, 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$262,565,000 (31st December 2016: HK$244,301,000), were pledged to secure the banking facilities of the Group.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

During the year 2017, the Group spent a total of HK$1,187,000 (31st December 2016: HK$22,182,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 31st December 2017, the Group had capital commitments of HK$2,707,000 on property, plant and equipment. (31st December 2016: HK$168,000 on property, plant and equipment) In the meantime, a total of HK$5,472,000 (31st December 2016: HK$25,090,000) in contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's sales and purchases were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimize the Group's exposure to foreign exchange rate risks.

As at 31st December 2017, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR1,300,000 for HKD11,979,000; JPY78,000,000 for RMB4,836,000; JPY92,000,000 for USD820,000 and JPY270,840,000 for HKD18,890,000 (2016: buy EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000).

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 year.

Some group entities with functional currency of Japanese Yen ("JPY") have recorded exchange gain when Japanese Yen ("JPY") strengthened against Hong Kong dollars ("HKD") over the year of 2017 when such entities translate their net monetary liabilities which is mainly denominated in HKD to the functional currency.

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 2017, 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 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.

Code Provision C.2.5

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. This situation will be reviewed annually.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

For the year ended 31st December 2017, 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 2017 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 risk management and internal control systems and financial reporting matters, including a review of the consolidated financial statements for the year ended 31st December 2017 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 2017. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2018 ANNUAL GENERAL MEETING

It is proposed that the 2018 Annual General Meeting of the Company will be held on 11th June 2018 (Monday). A notice convening the 2018 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, 26th March 2018

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

* *For identification purpose only*