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Leeport

LEEPORT (HOLDINGS) LIMITED

力豐(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 387)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 41% SHAREHOLDING IN A SUBSIDIARY

THE AGREEMENTS

The Board is pleased to announce that on 21 January 2011,

- (a) the Vendor, a wholly-owned subsidiary of the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase an aggregate of 41% of the issued share capital of the Target Company in two phases for a total consideration of HK\$28,700,000. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Group and will become an associate of the Group; and
- (b) the Vendor, the Purchaser and the Target Company further entered into the Shareholders Agreement to regulate the relationship of the Vendor and the Purchaser as shareholders of the Target Company.

DISCLOSEABLE AND CONNECTED TRANSACTION

As at the date of this announcement, the Purchaser holds 10% of the issued share capital of the Target Company. Since the Target Company is a subsidiary of the Company, the fact that the Purchaser is a substantial shareholder of the Target Company renders it a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company as defined under Chapter 14A of the Listing Rules. Further, as the application percentage ratios in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. In light of the above, the transaction contemplated under the Disposal is subject to the reporting and announcement requirements and the independent Shareholders' approval under the Listing Rules.

As no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal and the Company obtained a written Shareholder's approval for the Disposal, the Agreements and the transaction contemplated thereunder from Peak Power Technology Limited, holding 144,529,982 Shares as at the date of this announcement, representing approximately 67.08% of the entire issued share capital of the Company and having the right to attend and vote at such general meeting. As such, an application for waiver of the Shareholders' meeting will be made to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules.

DISPATCH OF CIRCULAR TO THE SHAREHOLDERS

A circular containing, among other things, further details of (a) the Disposal; (b) a letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders on the Agreements and other information as required under the Listing Rules; and (c) a letter of recommendation from the independent board committee of the Company to the independent Shareholders will be dispatched to the Shareholders on or before 15 February 2011.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 21 January 2011, the Vendor as vendor entered into the Sale and Purchase Agreement with the Purchaser as purchaser pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase an aggregate of 41% of the issued share capital of the Target Company in two phases for a total consideration of HK\$28,700,000, which will be settled in cash upon Completions. The Sale Shares represent 41% of the entire issued share capital of the Target Company as at the Phase II Completion Date.

As at the date of this announcement, the Target Company is a non wholly-owned subsidiary of the Vendor, in which the Vendor owns 90% and the Purchaser owns 10% of the entire issued share capital of the Target Company respectively. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Group and will become an associate of the Group.

Date

21 January 2011

Parties

Vendor : Leeport Machine Tool Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company

Purchaser : Mitutoyo Corporation, a company incorporated under the law of Japan

Assets to be disposed

1. Phase I Sale Shares, representing 10% of the entire issued share capital of the Target Company; and
2. Phase II Sale Shares, representing 31% of the entire issued share capital of the Target Company.

Consideration

The aggregate consideration for the Disposal of HK\$28,700,000 shall be paid by the Purchaser to the Company in cash in the following phases:

1. HK\$7,000,000 for the Phase I Sale Shares upon Phase I Completion; and
2. HK\$21,700,000 for the Phase II Sale Shares upon Phase II Completion.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties with reference to the net asset value of the Target Group. The Directors consider the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

1. Conditions Precedent for Phase I Completion

Phase I Completion is conditional upon the following conditions, inter alia:

- (a) the Purchaser having been satisfied, in its reasonable discretion, with the result of its due diligence review on the Target Group;
- (b) all consents, authorizations, approval, resolutions or clearance which are required or, in the opinion of the Purchaser necessary or desirable, in connection with the execution and delivery of the Sale and Purchase Agreement and the consummation of the Phase I Completion, having been obtained in terms satisfactory to the Purchaser;
- (c) no material adverse change having occurred before the date on which Phase I Completion would otherwise have taken place;
- (d) no insolvency event as specified in the Sale and Purchase Agreement having occurred in relation to the Vendor or any member of the Target Group before the date on which Phase I Completion would otherwise have taken place;
- (e) there having been no material breach subsisting at the date on which Phase I Completion would otherwise have taken place;
- (f) there having been no material disclosure during the period of the date of the Sale and Purchase Agreement and the date on which Phase I Completion would otherwise have taken place;

- (g) (if required) the Company, having convened a special general meeting at which resolutions shall have been duly passed by its Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (h) the Target Company having a net asset value (on a consolidated basis) at more than HK\$52 million at the end of financial year 2010 after an estimated adjustment has been made.

If any of the above conditions precedent has not been satisfied or waived (save that item (g) cannot be waived) by the Purchaser on or before the Phase I Long Stop Date, the Sale and Purchase Agreement may be rescinded in which case the Sale and Purchase Agreement shall lapse and has no further effect and the parties shall be released from all obligations under it (without prejudice to the rights of the parties in respect of any antecedent breaches of the Sale and Purchase Agreement).

2. Conditions Precedent for Phase II Completion

Phase II Completion is conditional upon the following conditions, inter alia:

- (a) Phase I Completion having taken place;
- (b) no key employee as specified under the Sale and Purchase Agreement having left or having submitted its resignation from the relevant member of the Target Group;
- (c) the Shareholders Agreement having remained effective and binding upon the parties thereto;
- (d) (if required) all consents, authorisations, approval, resolutions or clearances which are required or, in the opinion of the Purchaser necessary or desirable, in connection with the consummation of the Phase II Completion, having been obtained;
- (e) no material adverse change having occurred before the date on which Phase II Completion would otherwise have taken place;
- (f) no insolvency event having occurred in relation to the Vendor before the date on which Phase II Completion would otherwise have taken place;
- (g) there having been no material breach subsisting at the date on which Phase II Completion would otherwise have taken place;
- (h) there having been no material disclosure during the period of the Phase I Completion Date and the date on which Phase II Completion would otherwise have taken place; and
- (i) the Target Company having a net asset value (on a consolidated basis) at more than HK\$52 million at the end of financial year 2011 after an estimated adjustment has been made.

If any of the above conditions precedent has not been satisfied or waived by the Purchaser on or before the Phase II Long Stop Date, the Sale and Purchase Agreement may be rescinded in which case the Sale and Purchase Agreement shall lapse and has no further effect and the parties shall be released from all obligations under it (without prejudice to the rights of the parties in respect of any antecedent breaches of the Sale and Purchase Agreement).

Completion

Phase I Completion shall take place on the Phase I Completion Date or at such other time as may be agreed between the parties subject to the satisfaction or waiver of the conditions precedent for Phase I Completion.

Phase II Completion shall take place on the Phase II Completion Date or at such other time as may be agreed between the parties subject to the satisfaction or waiver of the conditions precedent for Phase II Completion.

THE SHAREHOLDERS AGREEMENT

On 21 January 2011, the Vendor, the Purchaser and the Target Company further entered into the Shareholders' Agreement to regulate the relationship of the Vendor and the Purchaser as shareholders of the Target Company.

Board of directors

The existing board of Target Company composed of four directors, of which three were appointed by the Vendor and one of which was appointed by the Purchaser.

Pursuant to the Shareholders Agreement, the board of Target Company will be composed of five directors upon Phase I Completion, of which three will be nominated by the Vendor and two will be nominated by the Purchaser. Upon Phase II Completion, the Vendor will be entitled to nominate two directors whilst the Purchaser will be entitled to nominate three directors to the board of the Target Company.

Preferred ordinary shares and preferred dividends

Pursuant to the Shareholder's Agreement, the ordinary shares of the Target Company held by the Vendor will be converted into preferred ordinary shares upon Phase II Completion. The preferred ordinary shares held by the Vendor will be entitled to a preferred dividend which shall be payable in the financial years of 2012, 2013 and 2014, subject to the distributing profits of the Target Company. The maximum amount of preferred dividends payable to the Vendor shall not be more than HK\$7,840,000.

After the preferred dividend has been paid in any financial year, the remaining distributable profits will be retained by the Target Company or distributed to the Vendor and the Purchaser pro rata based on their then shareholdings (that is 49% and 51% respectively).

At the end of the financial year 2014 of the Target Company, the preferred ordinary shares of the Target Company held by the Vendor will be automatically re-converted into the same number of ordinary shares of the Target Company.

Terms of the Shareholders Agreement were arrived at after arm's length negotiations between the parties thereto. The Directors consider terms of the Shareholders Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP, THE PURCHASER AND THE TARGET GROUP

Information of the Group

The Company is principally engaged in investment holding. The principal activities of the subsidiaries of the Group comprise the trading of wide-range of machine tools, precision measuring instruments, cutting tools, electronics equipment, professional tools and other machinery for the manufacturing industry in Hong Kong, the PRC and South East Asia. There will be no change in principal activities of the Company upon Completions.

Information of the Purchaser

The Purchaser is a company incorporated under the laws of Japan and is engaged in, inter alia, manufacturing and wholesales of measuring instruments.

Information of the Target Group

The Target Company is a special purpose vehicle and was incorporated under the laws of the British Virgin Islands. As at the date of this announcement, the Target Company holds the entire equity interests in LM-Hong Kong, LM-Dongguan and LM-Macao and 20% equity interest in LEEPOT SHANGHAI.

LM-Hong Kong and LM-Macao are companies with limited liabilities incorporated under the laws of Hong Kong and Macao respectively, both of which are engaged in, inter alia, trading of measuring instruments, as well as provision of product and application support.

LM-Dongguan is a wholly foreign owned enterprise incorporated under the laws of the PRC and is engaged in, inter alia, installation, maintenance and wholesale of measuring instrument (including CMM, roundtests, surftests, profile projectors, contracers, microscope and height gauges) and provision of technical support of measuring instrument.

LEEPOT SHANGHAI is a company incorporated under the laws of the PRC and is engaged in, inter alia, wholesale, agency services, after sales services and trading of metacutting machines, metalforming machines, measuring instruments, cutting tools and related spares.

Financial Information of the Target Group

The following are the consolidated financial information on the Target Group for the two years ended 31 December 2008 and 2009 and for six months period ended 30 June 2010 immediately preceding the date of the Sale and Purchase Agreement.

	Audited		Unaudited
	For the year ended		Six months
	31 December		ended 30 June
	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	148,230	99,696	63,277
Profit/(Loss) before taxation	(19,953)	(9,301)	3,624
Profit/(Loss) after taxation	(19,953)	(9,265)	3,624
Net asset value	71,524	62,016	64,394

REASONS FOR AND BENEFITS OF THE DISPOSAL

Mitutoyo Corporation, the Purchaser, is one of the leading manufacturers for measuring instruments in the world, and has a long standing relationship with Leepport Group for 43 years. The Company, through the Vendor, established the Target Company with the Purchaser in September 2003 to provide a complete range of measuring equipment to its customers in Hong Kong and the PRC. The Board believes that the Purchaser after the purchase of additional shares in the Target Company will put more resources, including technical supports and training, on the Target Company. The Target Company will be able to provide with its customer better products and services. By strengthening the alliance with the Purchaser, the Board believes the Target Company will be able to increase the revenue for the market in Hong Kong and the PRC.

The Directors are of the view that the terms of the Agreements are on normal commercial terms, which are fair and reasonable and the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Agreements and the transaction contemplated thereunder or is required to abstain from voting on the Board resolution for considering and approving the same.

FINANCIAL EFFECT OF THE DISPOSAL

The total consideration for the Sale Shares is HK\$28,700,000. The unaudited net asset value of the Target Group as at 30 June 2010 was approximately HK\$64 million and the transfer of the Sale Shares representing net asset value of approximately HK\$26,240,000. Based on the unaudited financial information of the Target Company as at 30 June 2010, and assuming the Completions have taken place, the Group is expected to record a gain from the Disposal of not more than HK\$11,380,000, representing the difference between the consideration of the Disposal received under the Sale and

Purchase Agreement, the preferred dividends payable to the Vendor under the Shareholders Agreement and the carrying value of the assets in the accounts of the Target Group. Shareholders should note that Completions will take place in two phases and the actual gain from the Disposal to be recorded by the Company will depend on the carrying value of the assets of the Target Group as at the date of Completions.

Upon Phase II Completion, the Target Company will cease to be a subsidiary of the Company and will become an associate of the Group. The financial results of Target Group will not be consolidated into the Group's financial statements.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Disposal of approximately HK\$28,300,000 (after deducting all relevant fees and expenses) will be used for general working capital of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser holds 10% of the issued share capital of the Target Company. Since the Target Company is a subsidiary of the Company, the fact that the Purchaser is a substantial shareholder of the Target Company renders it a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company as defined under Chapter 14A of the Listing Rules. Further, as the application percentage ratios in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In light of the above, the transaction contemplated under the Disposal is subject to the reporting and announcement requirements and the independent Shareholders' approval under the Listing Rules.

Pursuant to Rule 14A.43 of the Listing Rules, Shareholders' approvals for the Disposal may be obtained by written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) written Shareholders' approval has been obtained from a Shareholder who holds more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the transactions. So far as the Directors are aware after making reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal and the transaction contemplated thereunder. On 21 January, 2011, the Company obtained a written Shareholder's approval for the Disposal and the transaction contemplated thereunder from Peak Power Technology Limited, holding 144,529,982 Shares as at the date of this announcement, representing of approximately 67.08% of the entire issued share capital of the Company and having the right to attend and vote at such general meeting. As such, an application for waiver of the Shareholders' meeting will be made to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules.

A circular containing, among other things, further details of (a) the Disposal; (b) a letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders on the Agreements and other information as required under the Listing Rules; and (c) a letter of recommendation from the independent board committee of the Company to the independent Shareholders will be dispatched to the Shareholders on or before 15 February 2011.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Agreements”	the Sale and Purchase Agreement and the Shareholders Agreement
“Board”	the board of Directors
“Company”	Leeport (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (stock code:387)
“Completions”	Phase I Completion and Phase II Completion
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Phase I Sale Shares and Phase II Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leeport Shanghai”	Leeport Machinery (Shanghai) Company Limited, a limited liability company incorporated in the PRC and an associate of the Target Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LM-Dongguan”	Leeport Metrology (Dongguan) Limited, a limited liability company incorporated in the PRC, whose entire equity interest is held by the Target Company
“LM-Hong Kong”	Leeport Metrology (Hong Kong) Limited, a limited liability company incorporated in Hong Kong, whose entire issued share capital is held by the Vendor

“LM-Macao”	Leeport Metrology Macao Commercial Offshore Limited, a limited liability company incorporated in Macao, whose entire equity interest is held by the Target Company
“Macao”	Macao Special Administrative Region of the PRC
“Phase I Completion”	the completion of sale and purchase of the Phase I Sale Shares
“Phase I Completion Date”	the fifth (5th) Business Day after the date on which the conditions precedent for Phase I Completion under the Sale and Purchase Agreement are satisfied or waived or such other date as the Vendor and the Purchaser may agree in writing
“Phase I Long Stop Date”	31 May 2011 (or such later date to be agreed in writing between the Vendor and the Purchaser)
“Phase I Sale Shares”	700,000 ordinary shares of US\$1.00 of the Target Company, representing 10% of its entire issued share capital of the Target Company
“Phase II Completion”	the completion of sale and purchase of the Phase II Sale Shares
“Phase II Completion Date”	the fifth (5th) Business Day after the date on which the conditions precedent for Phase II Completion under the Sale and Purchase Agreement are satisfied or waived or such other date as the Vendor and the Purchaser may agree in writing
“Phase II Long Stop Date”	29 February 2012 (or such later date to be agreed in writing between the Vendor and the Purchaser)
“Phase II Sale Shares”	2,170,000 ordinary shares of US\$1.00 of the Target Company, representing 31% of its entire issued share capital of the Target Company
“PRC”	the People’s Republic of China
“Purchaser”	Mitutoyo Corporation, a company incorporated under the law of Japan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 January 2011 and entered into between the Vendor as vendor, and the Purchaser as purchaser in relation to the Disposal
“Shares”	the ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shareholders Agreement”	A strategic alliance and shareholders agreement dated 21 January 2011 entered into by and between the Vendor, the Purchaser and the Target Company in relation to the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	Leeport Metrology Corporation, a limited liability company incorporated in the British Virgin Islands, whose 90% share capital is held by the Vendor and 10% share capital is held by the Purchaser
“Target Group”	the group of companies consisting of the Target Company, LM-Dongguan, LM-Hong Kong and LM-Macao, where the context so requires, the businesses carried on by them
“Vendor”	Leeport Machine Tool Company Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Leeport (Holdings) Limited
Lee Sou Leung, Joseph
Chairman

Hong Kong, 21 January 2011

As at the date of this announcement, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Ms. TAN Lisa Marie, Mr. CHAN Ching Huen, Stanley and the independent non-executive directors are Dr. LUI Sun Wing and Mr. PIKE, Mark Terence and Mr. NIMMO, Walter Gilbert Mearns.

* *For identification purposes only*