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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011

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 2011, together with the comparative figures for the year ended 31st December 2010. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Mitutoyo Corporation has now taken up 51% shareholding of Mitutoyo Leeport Metrology Corporation (previously called Leeport Metrology Corporation), a subsidiary of Leeport Group, with effect from 28th February 2012 and has become a major shareholder of the subsidiary. In accordance with HKFRS 5, the assets and liabilities of disposed operation held for sales as at 31st December, 2011 should be presented separately in the consolidated balance sheet and the operating profit and other comprehensive income of 2011 with comparative figures of 2010 should be separately disclosed as discontinued operations (referring to business of Mitutoyo Leeport Metrology Corporation) and continuing operations in the consolidated income statement.

Turnover (Continuing operations and discontinued operations)

The business of the Group in 2011 maintains a strong momentum in growth due to the strong economic situation in China. In 2011, with the increase in new customers and consolidation of our established customer base, the Group achieved another successful year after the financial crisis in 2009.

The turnover in 2011 amounted to HK\$1,225,509,000 (continuing operations: HK\$1,025,831,000, discontinued operations: HK\$199,678,000) (2010: HK\$1,075,961,000 of which continuing operations amounted to HK\$967,294,000, discontinued operations amounted to HK\$108,667,000), representing an increase of 13.9% over 2010. The gross profit in 2011 amounted to HK\$207,186,000 (continuing operations: HK\$165,669,000, discontinued operations: HK\$41,517,000) (2010: HK\$182,255,000 of which continuing operations amounted to HK\$165,767,000, discontinued operation amounted to HK\$16,488,000) representing an increase of 13.7% over 2010.

The overall gross profit margin in 2011 was 16.9%, the same as in 2010 (The gross profit margin for continuing operations was 16.1% in 2011 and 17.1% in 2010. The decrease in the gross profit margin for continuing operations was due to the different product mix in year 2011 from previous year.)

Other Gains

Service income in 2011 and 2010 was HK\$11,468,000 and HK\$12,525,000 respectively. The commission income in 2011 was HK\$9,004,000, much higher than the commission income of HK\$1,136,000 in 2010. This indicates that the actual business of the Group in 2011 was much better than in 2010.

Operating Expenses

Selling and distribution costs were HK\$38,419,000 in 2011, compared with HK\$28,415,000 in 2010, representing an increase of 35.2%.

The increase in the selling and distribution costs was due mainly to the logistics costs and commissions to sales people resulting from the increase of turnover.

Administrative expenses amounted to HK\$125,282,000 in 2011, compared with HK\$123,785,000 in 2010. Some of the administrative expenses increased during the year, e.g., the staff cost resulting from the additional headcount and the travelling expenses due to more business activities. The increase in expenses were offset by a reduction of certain bad debt provisions and a gain in exchange differences.

Finance costs in 2011 were HK\$2,772,000, slightly lower than the amount of HK\$3,078,000 in 2010. This was because the average trust receipt loan level throughout the year 2011 was lower than 2010.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was HK\$32,604,000 in 2011, compared with HK\$25,199,000 in 2010, representing an increase of 29.4%. The basic earnings per share were HK14.93 cents in 2011, compared with HK11.70 cents in 2010, representing an increase of 27.6%

DIVIDENDS

An interim dividend of HK3.5 cents per ordinary share was paid to the shareholders of the Company on 26th September 2011.

The Directors recommended a final dividend of HK6.0 cents per ordinary share, totalling HK\$13,233,000 (2010: HK4.5 cents per ordinary share). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting, to be held on 11th May 2012. Upon the approval of shareholders, the final dividend warrant will be payable on or before 29th May 2012 to shareholders of the Company whose names appear on the register of members on 21st May 2012. This proposed final dividend, together with the interim dividend paid by the Company, will make a total dividend of HK9.5 cents per ordinary share for the year ended 31st December 2011 (2010: HK7.5 cents per ordinary share).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations			
Sales	2	1,025,831	967,294
Cost of goods sold	4	(860,162)	(801,527)
		<hr/>	<hr/>
Gross profit		165,669	165,767
Other income and gains – net	3	28,588	24,526
Selling and distribution costs	4	(38,419)	(28,415)
Administrative expenses	4	(125,282)	(123,785)
		<hr/>	<hr/>
Operating profit		30,556	38,093
Finance costs		(2,772)	(3,078)
		<hr/>	<hr/>
Profit before income tax		27,784	35,015
Income tax expense	5	(4,815)	(1,500)
		<hr/>	<hr/>
Profit for the year from continuing operations		22,969	33,515
Discontinued operations			
Profit/(loss) for the year from discontinued operations		12,041	(9,196)
		<hr/>	<hr/>
Profit for the year		35,010	24,319
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		32,604	25,199
Non-controlling interests		2,406	(880)
		<hr/>	<hr/>
		35,010	24,319
		<hr/> <hr/>	<hr/> <hr/>
Profit attributable to owners			
of the Company arises from:			
Continuing operations		22,969	33,515
Discontinued operations		9,635	(8,316)
		<hr/>	<hr/>
		32,604	25,199
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings/(loss) per share from continuing and discontinued operations attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic earnings/(loss) per share	7		
From continuing operations		HK10.52cents	HK15.56cents
From discontinued operations		HK4.41cents	HK(3.86)cents
		<hr/>	<hr/>
From profit of the year		HK14.93cents	HK11.70 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted earnings/(loss) per share	7		
From continuing operations		HK10.47cents	HK15.43cents
From discontinued operations		HK4.40cents	HK(3.83)cents
		<hr/>	<hr/>
From profit of the year		HK14.87cents	HK11.60 cents
		<hr/> <hr/>	<hr/> <hr/>
Dividends	6	20,952	16,158
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year	35,010	24,319
Other comprehensive income		
Gain on revaluation of land and buildings	34,593	21,345
Movement of deferred tax	(2,201)	(2,539)
Change in value of available-for-sale financial assets	(1,539)	–
Currency translation differences	13,377	5,620
Other comprehensive income, net of tax	44,230	24,426
Total comprehensive income for the year	79,240	48,745
Attributable to:		
Owners of the Company	76,092	49,313
Non-controlling interests	3,148	(568)
Total comprehensive income for the year	79,240	48,745
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	62,269	53,746
Discontinued operations	13,823	(4,433)
	76,092	49,313

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		207,885	171,140
Leasehold land		6,947	7,190
		<hr/> 214,832 <hr/>	<hr/> 178,330 <hr/>
Current assets			
Inventories		125,051	159,487
Trade receivables and bills receivables	8	141,533	254,776
Other receivables, prepayments and deposits		49,193	53,420
Available-for-sale financial assets		7,236	–
Derivative financial instruments	9	55	549
Tax recoverable		–	1,062
Restricted bank deposits		100,697	45,014
Cash and cash equivalents		52,802	62,525
		<hr/> 476,567 <hr/>	<hr/> 576,833 <hr/>
Assets of disposal group classified as held for sale		116,128	–
		<hr/> 592,695 <hr/>	<hr/> 576,833 <hr/>
Total assets		<u>807,527</u>	<u>755,163</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	22,055	21,544
Other reserves	10	211,503	169,016
Retained earnings	10		
– Proposed final dividend		13,233	9,695
– Others		121,729	105,184
		<hr/> 368,520 <hr/>	<hr/> 305,439 <hr/>
Non-controlling interests	10	14,853	5,781
Total equity		<u>383,373</u>	<u>311,220</u>

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		18,519	15,284
Current liabilities			
Trade payables and bills payables	<i>11</i>	93,910	175,078
Other payables, accruals and deposits received		79,967	132,290
Derivative financial instruments	<i>9</i>	510	–
Borrowings	<i>12</i>	174,884	121,291
Tax payable		24	–
		349,295	428,659
Liabilities of disposal group classified as held for sale		56,340	–
		405,635	428,659
Total liabilities		424,154	443,943
Total equity and liabilities		807,527	755,163
Net current assets		187,060	148,174
Total assets less current liabilities		401,892	326,504

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, 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.

- (a) New and amended standards and interpretations mandatory for first time for the financial year beginning on or after 1st January 2011 that either have no significant impact or they are not currently relevant to the Group is set out below:

HKAS 1 (Amendment)	Presentation of financial statement
HKAS 24 (Revised)	Related party disclosures
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 3 (Amendment)	Business combinations
HK (IFRIC) Int 13	Customer loyalty programmes
HK (IFRIC) Int 14	Prepayments of a minimum funding requirement
HK (IFRIC) Int 19	Extinguishing financial liabilities with equity instruments

- (b) Other new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1st January 2011 that not currently relevant to the Group and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial statement ²
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (2011)	Employee Benefits ²
HKFRS 9	Financial instrument ³
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time adopters ¹
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets ¹
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²

¹ Effective for the Group for annual periods beginning on or after 1st January 2012

² Effective for the Group for annual periods beginning on or after 1st January 2013

³ Effective for the Group for annual periods beginning on or after 1st January 2015

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations that have been issued but are not effective for annual periods beginning on or after 1st January 2011, 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, represented by Board of Directors that are used to make strategic decisions.

The Board considers the business from a geographic region. 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). The PRC, for the purpose of this consolidated financial statement, excludes Hong Kong, the Republic of China (“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.

	Continuing operations				Discontinued operations			
	For the year ended 31st December 2011				For the year ended 31st December 2011			
	The PRC	HK	Others	Total	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>831,964</u>	<u>110,242</u>	<u>83,625</u>	<u>1,025,831</u>	<u>84,933</u>	<u>112,962</u>	<u>1,783</u>	<u>199,678</u>
Segment results	<u>26,826</u>	<u>2,354</u>	<u>1,376</u>	<u>30,556</u>	<u>9,458</u>	<u>2,845</u>	<u>107</u>	<u>12,410</u>
Finance costs				(2,772)				(369)
Profit before income tax				27,784				12,041
Income tax expense				(4,815)				–
Profit for the year				<u>22,969</u>				<u>12,041</u>

	Continuing operations				Discontinued operations			
	For the year ended 31st December 2010				For the year ended 31st December 2010			
	The PRC	HK	Others	Total	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>736,774</u>	<u>174,548</u>	<u>55,972</u>	<u>967,294</u>	<u>40,210</u>	<u>63,623</u>	<u>4,834</u>	<u>108,667</u>
Segment results	<u>28,832</u>	<u>8,468</u>	<u>793</u>	<u>38,093</u>	<u>(5,976)</u>	<u>(2,879)</u>	<u>(192)</u>	<u>(9,047)</u>
Finance costs				(3,078)				(149)
Profit/(loss) before income tax				35,015				(9,196)
Income tax expense				(1,500)				–
Profit/(loss) for the year				<u>33,515</u>				<u>(9,196)</u>

There are no sales or other transactions between the geographical segments.

There is no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenues.

Assets

	2011	2010
	HK\$'000	HK\$'000
Total assets:		
The PRC	365,787	391,208
Hong Kong	378,859	319,044
Other countries (Note (a))	62,881	44,911
	<u>807,527</u>	<u>755,163</u>

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

The total assets of disposal group classified as held for sale are mainly located in Hong Kong. As at 31st December 2011, the total assets of disposal group was HK\$116,128,000.

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

	2011	2010
	HK\$'000	HK\$'000
Capital expenditure:		
The PRC	644	249
Hong Kong	3,414	607
Other countries (Note (a))	6	113
	<u>4,064</u>	<u>969</u>

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

The capital expenditure of disposal group classified as held for sales are mainly located in Hong Kong. During the year ended 31st December 2011, the total capital expenditure by the disposal group was HK\$27,000.

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

Note:

- (a) Other countries mainly include Taiwan, Singapore, United States, Macau, Greece, Germany, United Kingdom, Italy, Japan and Malaysia.

The entity is domiciled in Bermuda. The result of its sales from external customers for the years ended 31st December 2011 and 2010 and the total of non-current assets as at 31st December 2011 and 2010 were wholly located in other countries.

3. OTHER INCOME AND GAINS – NET

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value (loss)/gain	(1,004)	788
Interest income	<u>885</u>	<u>322</u>
Investment (loss)/income	(119)	1,110
Service income	11,468	12,525
Commission income	9,004	1,136
Other income	1,559	3,770
Management fee income from disposal group (Note (a))	<u>6,676</u>	<u>5,985</u>
	<u>28,588</u>	<u>24,526</u>

Note:

- (a) The amount represents the management fee received from disposal group, which is recurring in nature and will be continued after the disposal.

4. EXPENSES BY NATURE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Auditors' remuneration	2,685	1,771
Cost of inventories sold	856,406	784,352
Depreciation on property, plant and equipment	9,967	10,535
Amortisation on leasehold land	225	213
Operating lease rentals	4,304	4,605
(Reversal of)/provision for slow moving inventories	(3,591)	9,296
Net provision for impairment of trade and bills receivables	170	2,638
Foreign exchange (gain)/loss	(2,175)	5,576
Employee benefits expenses (including directors' remuneration)	74,698	66,356
Other expenses	<u>81,174</u>	<u>68,385</u>
Total cost of sales, selling and distribution costs and administrative expenses	<u>1,023,863</u>	<u>953,727</u>

5. INCOME TAX EXPENSE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	33	629
– PRC and overseas taxation	3,029	619
– Under/(over) provision in previous years	714	(227)
Deferred income tax	1,039	479
	<u>4,815</u>	<u>1,500</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

EIT tax in the PRC has been provided at the rate of 25% (2010: 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% (2010: 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

There was an interim dividend paid for the year ended 31st December 2011, amounting to HK\$7,719,000 (2010: HK\$6,463,000). Final dividend of HK6.0 cents for the year ended 31st December 2011 (2010: HK4.5 cents) is to be proposed at the annual general meeting on 11th May 2012. These financial statements do not reflect this dividend payable.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim, paid, of HK3.5 cents (2010: HK3.0 cents) per ordinary share	7,719	6,463
Final, proposed, of HK6.0 cents (2010: HK4.5 cents) per ordinary share	13,233	9,695
	<u>20,952</u>	<u>16,158</u>

The aggregate amounts of the dividends paid and proposed during 2011 and 2012 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2011	2010
Profit attributable to equity holders of the Company (HK\$'000)	22,969	33,515
Profit/(loss) from discontinued operations attributable to equity holders of the Company (HK\$'000)	9,635	(8,316)
	<u>32,604</u>	<u>25,199</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>218,338</u>	<u>215,444</u>
Basic earnings/(loss) per share attributable to the equity holders of the Company (HK cents per share)		
– From continuing operations	10.52	15.56
– From discontinued operations	4.41	(3.86)

(b) Diluted

The 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 shares only: share options. A calculation was made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as (a) is compared with the number of shares that would have been issued assuming the exercise of the share options.

The diluted earnings/(loss) per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted during the period of 219,208,000.

The conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the loss per share for the year ended 31st December 2011.

	2011	2010
Weighted average number of ordinary shares in issue (in thousands)	218,338	215,444
Adjustment for:		
– Share options (in thousands)	870	1,807
	<u>219,208</u>	<u>217,251</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share (in thousands)	<u>219,208</u>	<u>217,251</u>
Diluted earnings/(loss) per share attributable to the equity holders of the Company (HK cents per share)		
– From continuing operations	10.47	15.43
– From discontinued operations	4.40	(3.83)

8. TRADE RECEIVABLES AND BILLS RECEIVABLES

At 31st December 2011 and 2010, the ageing analysis of trade receivables and bills receivables by due dates are as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current	82,206	171,426
1 – 3 months	34,257	64,762
4 – 6 months	9,314	7,762
7 – 12 months	11,856	7,307
Over 12 months	8,761	8,394
	<hr/>	<hr/>
	146,394	259,651
Less: provision for impairment of receivables	(4,861)	(4,875)
	<hr/>	<hr/>
	141,533	254,776
	<hr/> <hr/>	<hr/> <hr/>

The Group generally grants credit terms of 30 to 120 days to its customers. Longer payment terms of approximately 180 days might be granted to those customers who have good payment history and long-term business relationship with the Group.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	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	55	510	549	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Derivatives holding for trading purpose are classified as a current asset or liability. As at 31st December 2011, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR2,780,000 for HKD28,262,000, buy JPY118,000,000 for HKD12,012,000 and buy AUD260,000 for HKD1,976,000 (2010: Buy EUR539,000 for HKD5,523,000, buy JPY267,200,000 for HKD25,085,000 and buy SGD500,000 for HKD2,961,000).

10. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2011

	Attributable to owners of the Company			Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000		
Balance at 1st January 2011	21,544	169,016	114,879	5,781	311,220
Comprehensive income					
Profit	–	–	32,604	2,406	35,010
Other comprehensive income					
Gain on revaluation of land and buildings	–	34,593	–	–	34,593
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(3,341)	3,341	–	–
Movement of deferred tax	–	(2,201)	–	–	(2,201)
Available-for-sale financial assets	–	(1,539)	–	–	(1,539)
Currency translation differences	–	12,635	–	742	13,377
Total other comprehensive income, net of tax	–	40,147	3,341	742	44,230
Total comprehensive income	–	40,147	35,945	3,148	79,240
Total contributions by and distributions to owners of the Company recognised directly in equity					
Employees share option scheme:					
Share option scheme					
– value of services provided	–	412	–	–	412
– proceeds from shares issued	511	2,602	–	–	3,113
Dividend paid relating to 2010	–	–	(9,893)	–	(9,893)
Dividend paid relating to 2011	–	–	(7,719)	–	(7,719)
Total contributions by and distributions to owners of the company	511	3,014	(17,612)	–	(14,087)
Changes in ownership interests in subsidiaries without change of control	–	(674)	1,750	5,924	7,000
Total transaction with owners	511	2,340	(15,862)	5,924	(7,087)
Balance at 31st December 2011	22,055	211,503	134,962	14,853	383,373

	Attributable to owners of the Company			Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000		
Balance at 1st January 2010	21,544	146,291	93,620	6,349	267,804
Comprehensive income	–	–	25,199	(880)	24,319
Profit/(loss)					
Other comprehensive income					
Gain on revaluation of land and buildings	–	21,345	–	–	21,345
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(2,523)	2,523	–	–
Movement of deferred tax	–	(2,539)	–	–	(2,539)
Currency translation differences	–	5,308	–	312	5,620
Total other comprehensive income, net of tax	–	21,591	2,523	312	24,426
Total comprehensive income	–	21,591	27,722	(568)	48,745
Total contributions by and distributions to owners of the Company recognised directly in equity					
Employees share option scheme:					
Share option scheme					
– value of services provided	–	1,134	–	–	1,134
Dividend paid relating to 2010	–	–	(6,463)	–	(6,463)
Total transaction with owners	–	1,134	(6,463)	–	(5,329)
Balance at 31st December 2010	21,544	169,016	114,879	5,781	311,220

11. TRADE PAYABLES AND BILLS PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current	90,902	168,961
1 – 3 months	1,768	5,133
4 – 6 months	23	14
7 – 12 months	30	1
Over 12 months	1,187	969
	<u>93,910</u>	<u>175,078</u>

12. BORROWINGS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current		
Collateralised borrowings	4,547	–
Trust receipt loans	67,531	56,668
Portion of term loans from banks due for repayment within one year	97,659	55,090
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause	–	5,981
Bank overdrafts	5,147	3,552
	<u>174,884</u>	<u>121,291</u>

Bank borrowings are secured by the leasehold land, land and building and restricted bank deposits of the Group.

13. EVENTS AFTER BALANCE SHEET DATE

On 21st January 2011, the Group has entered into the sale and purchase agreement with Mitutoyo Corporation, a company incorporated in Japan, in which the Group conditionally agreed to sell and Mitutoyo Corporation conditionally agreed to purchase an aggregate of 41% of the issued share capital of a subsidiary company, Mitutoyo Leepport Metrology Corporation (“MLMC”), a company incorporated in British Virgin Islands. The total consideration of the disposal transaction was HK\$28,700,000. During the year, the Group has disposed 10% shareholding of MLMC to Mitutoyo Corporation. Subsequent to the year end, the Group has disposed the remaining 31% shareholding of MLMC to Mitutoyo Corporation on 28th February 2012. Upon the completion of transaction, MLMC became an 49% associate company of the Group.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from 9th May 2012 (Wednesday) to 11th May 2012 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 Annual General Meeting. In order to be eligible to attend and vote at the 2012 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 8th May 2012 (Tuesday); and
- (ii) from 17th May 2012 (Thursday) to 21st May 2012 (Monday), 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 registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 16th May 2012 (Wednesday).

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

BUSINESS REVIEW

All the statistic figures indicate that in 2011, China's economy continued to be outstanding compared with many other countries. The GDP growth rate was 9.2% for China in 2011 compared with 10.3% in 2010. Industrial production value grew by 13.9% in 2011 compared with 12.1% in 2010, and export value grew by 20.3% in 2011 compared with 31.3% in 2010.

The capital asset investment environment in China is still very active. For example, the value of industrial investment value grew by 26% in 2011 over 2010, and the property development grew by 27% in 2011 over 2010. During 2011, the production value of some of the industries related to the business of the Group still achieved a high level of growth. For example, general machinery grew at a rate of 30.6%, transportation equipment by 27.2%, electric machinery and equipment by 44.6%, and telecommunication equipment and computers by 34.2%. However, the industry of automobile manufacturing grew by only 3% in 2011.

During 2011, the machine tool business in the world grew 35% as compared with 2010, with China now being firmly established as both the world's largest consumer and producer of machine tools. The consumption value of machine tools in China was USD39.1 billion in 2011, an increase of 33% as compared with USD29.4 billion in 2010. The production value of machine tools in China in 2011 was USD28.3 billion and an increase of 29% as compared with USD21.8 billion in 2010. The import value of machine tools in China in 2011 was USD13.2 billion, an increase of 34% as compared with USD 9.4 billion in 2010. The market for machine tools in China definitely remains the focus of all suppliers around the world.

The Group's business for machine tools and measuring instruments achieved an outstanding performance in 2011. However, the cutting tools supplier was affected by the tsunami in Japan, causing delays in shipments. The supply of goods is now virtually back to normal.

During 2011, the Group's business in Northern China improved, with more orders for certain new products and the acquisition of some new key accounts. In fact, 23% of the business was attributed to new customers in 2011. This was in line with the Group strategies for the development of new customers and new products as a key driver of growth. The sheetmetal machinery business in South East Asia continued to improve and make contribution to the business in this region.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2011 was HK\$47,655,000 (2010: HK\$58,973,000). The Group has maintained a good level of cash position. The Group's inventory balance as at 31st December 2011 was HK\$125,051,000 (2010: HK\$159,487,000). The turnover days of inventory was 60 and it was a reasonable level. The trade receivables and bills receivables balance was HK\$141,533,000 as at 31st December 2011 (2010: HK\$254,776,000). The turnover days of sales was 71 which was also a reasonable level. The trade payables and bills payables balance was HK\$93,910,000 as at 31st December 2011 (2010: HK\$175,078,000). The balance of short-term borrowings was HK\$174,884,000 as at 31st December 2011 (2010: HK\$121,291,000). More pledged loan for Japanese Yen was made in the year 2011.

The Group's net gearing ratio was approximately 21.8% as at 31st December 2011 (2010: 18.9%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2011, the Group had aggregate banking facilities of approximately HK\$820,560,000 of which approximately HK\$295,527,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$265,446,000 (31st December 2010: HK\$186,447,000). The Directors are confident that the Group is able to meet its operational and capital requirements.

FUTURE PLANS AND PROSPECTS

The China Premier, Wen Jia Bao, reporting at the opening of the 11th National People's Congress in Beijing in March 2012, re-iterated the long-term strategies of the 12th National Five-year Economic Plan. The business of the Group will benefit in a few areas, e.g., the target to build seven million units of low-cost residential apartments in 2012. This high level of property construction will benefit the in-house power distribution equipment and lift manufacturing industries. The telecommunications industry will also continue to grow, thus leading to an increase in the demand for telecommunication equipment. Our sheetmetal machinery business will also benefit from the growing telecommunications industry.

The Chinese Government is no longer pursuing its former high GDP growth rate. The strategy is now to look for higher quality and greater efficiency in economic development. One of the key targets is the promotion of a new generation of information technology, the development of high-technology equipment and environmentally friendly cars, and the upgrading of traditional manufacturing technology. This will afford huge business opportunities for the Group in terms of machine tools, precision cutting tools, measuring instruments and electronic equipment.

The world leading measuring equipment manufacturer, Mitutoyo Corporation, which is a long-time business partner of the Group, became the major shareholder of one of the subsidiary of LEEP Group in early of 2012. In view of the strong involvement of Mitutoyo in the market, we foresee that the Group's measuring equipment business will expand quickly and will make a significant contribution to the Group's financial performance.

By the middle of 2012, the Group will also be a substantial shareholder of OPS Ingersoll, an elite machine tool builder in Germany. LEEP will become the exclusive distributor in China and South East Asia in early 2012. The partnership with another substantial shareholder of OPS Ingersoll, Guangdong Greatoo Moulds Inc., will create further synergy in this co-operative venture and will benefit the manufacture of OPS Ingersoll machine tools in China in the near future.

The Group will invest actively in Asia, especially in China. A number of new managers and new teams have been brought on board to develop new products and explore new territories. The addition of sales and service personnel is a key goal for 2012. More new offices and showrooms will be opened this year. Efforts to increase our market share in Central and Northern China will continue.

Given the uncertainty of the economy in Europe and the USA, the export business of some customers is actually slowing down. However, the Group will continue to search for new customers and key accounts in order to offset the slow-down of orders from our customers who depend heavily on exports. The business for 2012 is likely to be stable and we maintain high confidence in the China market. The Group continues to look for investment opportunities and the chance to enhance partnerships with other suppliers.

EMPLOYEES

As at 31st December 2011, the Group had 537 employees (2010: 502). Of these, 141 were based in Hong Kong, 368 were based in mainland China, and 28 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, discretionary performance bonuses.

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentives and rewards for their continued contributions to the Group.

SHARE CAPITAL

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
	Number of shares (in thousand)	Share capital HK\$'000
Issued and fully paid:		
At 1st January 2011		
215,444,062 ordinary shares of HK\$0.10 each	215,444	21,544
5,102,000 ordinary shares of HK\$0.10 each issued on exercise of share option	5,102	511
At 31st December 2011		
220,546,062 ordinary shares of HK\$0.10 each	220,546	22,055

During the year ended 31st December 2011, 5,102,000 shares of the Company were issued upon the exercise of share options at exercise price of HK\$0.61, and resulting in approximately HK\$2,602,000 credited to share premium.

Share options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme").

On 29th March 2010, 7,980,000 share options have been offered and granted to directors and employees with an exercise price of HK\$0.61 per share. The closing price of the shares on 26th March 2010 (immediately before 29th March 2010, the date those options granted) was HK\$0.60 per share.

On 4th July 2011, 260,000 share options have been offered and granted to a director namely Dr. Lui Sun Wing with an exercise price of HK\$0.96 per share. The closing price of the shares on the date of grant was HK\$0.96 per share and the average closing price of the shares for the five business days immediately preceding the date of grant was HK\$0.93 per share. The closing price of the shares on 30th June 2011 (immediately before 4th July 2011, the date his options granted) was HK\$0.97 per share.

The Company has been using the Black–Scholes Valuation model to value the share options granted. The key parameters used in the model and the corresponding fair value of the options granted during 2010 and 2011 are as follows:

Date of granted	Share Option 1 29th March 2010	Share Option 2 4th July 2011
Number of share options granted	7,980,000	260,000
Total option value (HK\$)	1,915,200	67,600
Share price at date of grant (HK\$)	0.61	0.96
Exercise price (HK\$)	0.61	0.96
Expected life of options	2 years	2 years
Annualised volatility	76%	68%
Risk free interest rate	0.72%	0.33%
Dividend payout rate	0%	7.89%

The exercise period of share option 1 is from 29th March 2011 to 28th March 2012 (both dates inclusive). Pursuant to the share option scheme, these share options were fully vested on 29th March 2011. All options are exercisable as at 31st December 2011. The expiry date of the options is 28th March 2012.

The exercise period of share option 2 is from 2nd July 2012 to 1st July 2013 (both dates inclusive). Pursuant to the share option scheme, these share options will be fully vested on 2nd July 2012.

The share-based payment recognised in the consolidated income statement for these share options granted to directors and employees for the year ended 31st December 2011 is HK\$412,000 (2010: HK\$1,134,000).

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

Eligible participants	Date of grant	Exercise Price HK\$	At beginning of the year	Granted during the year	Exercised during the year	At end of the year
Director						
LEE Sou Leung, Joseph (Mr. Lee)	29th March 2010	0.61	580,000	–	(580,000)	–
TAN, Lisa Marie (Ms. Tan)	29th March 2010	0.61	580,000	–	–	580,000
CHAN Ching Huen, Stanley (Mr. Chan)	29th March 2010	0.61	580,000	–	(580,000)	–
LUI Sun Wing (Dr. Lui)	29th March 2010	0.61	100,000	–	(100,000)	–
	4th July 2011	0.96	–	260,000	–	260,000
NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	29th March 2010	0.61	100,000	–	–	100,000
Employees (excluding directors)	29th March 2010	0.61	5,940,000	–	(3,842,000)	2,098,000
			7,880,000	260,000	(5,102,000)	3,038,000
			7,880,000	260,000	(5,102,000)	3,038,000

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2011, certain leasehold land, land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$265,446,000 (2010: HK\$186,447,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

In 2011, the Group spent a total of HK\$4,064,000 (2010: HK\$969,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 31st December 2011, the Group had no material capital commitments. In the meantime, total of HK\$31,415,000 (2010: HK\$41,507,000) 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 2011, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR2,780,000 for HKD28,262,000, buy JPY118,000,000 for HKD12,012,000 and buy AUD260,000 for HKD1,976,000 (2010: Buy EUR539,000 for HKD5,523,000, buy JPY267,200,000 for HKD25,085,000 and buy SGD500,000 for HKD2,961,000).

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

The Company has complied with code provisions of the Code on the Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st December 2011 except the following deviations.

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.

Code Provision A. 4. 2

Professor Tai-chiu Lee will retire and being eligible, offer himself for re-election as director at the forthcoming annual general meeting instead of the special general meeting held in December 2011.

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

For the year ended 31st December 2011, 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 2011 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, Mr. NIMMO, Walter Gilbert Mearns and Professor Tai-Chiu LEE, 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 2011 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 2011. 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 2011. 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.

2012 ANNUAL GENERAL MEETING

It is proposed that the 2012 Annual General Meeting of the Company will be held on 11th May 2012 (Friday). A notice convening the 2012 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.

APPOINTMENT OF NEW MEMBERS TO THE REMUNERATION COMMITTEE

The Board announces that, with effect from 20th March 2012, Mr. Lee Sou Leung, Joseph and Ms. Tan Lisa Marie, two existing executive directors of the Company, have been appointed as new members of the remuneration committee of the Company.

On behalf of the Board
Lee Sou Leung, Joseph
Chairman

Hong Kong, 20th March 2012

As at the date of this announcement, the board of directors comprises 4 executive directors, namely Mr. Lee Sou Leung, Joseph, Ms. Tan, Lisa Marie, Mr. Chan Ching Huen, Stanley and Dr. Lui Sun Wing and 3 independent non-executive directors, namely Mr. Pike, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Professor Tai-Chiu Lee.

* *for identification purpose only*