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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 2010

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 2010, together with the comparative figures for the year ended 31st December 2009. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Turnover

The economic situation in China in 2010 was very encouraging. The demand for manufacturing equipment and tools increased very quickly as compared with the difficult situation in 2009, which was brought about by the global financial crisis. Most of the business divisions recorded a significant increase in invoicing and contract bookings. The turnover in 2010 amounted to HK$1,075,961,000 (2009: HK$758,562,000), representing an increase of 41.8% over 2009. The gross profit in 2010 amounted to HK$182,255,000 (2009: HK$136,759,000), representing an increase of 33.3% over 2009. The gross profit margin in 2010 was 16.9%, compared with 18.0% in 2009. The reduced gross profit margin in 2010 was due to an increased provision for aged stock.

Other Gains

Service income in 2010 was HK$17,581,000, compared with HK$16,212,000 in 2009. However, commission income in 2010 was only HK$1,895,000, compared with HK$5,585,000 in 2009.

Operating Expenses

Selling and distribution costs were HK$31,251,000 in 2010, compared with HK$35,981,000 in 2009, representing a decrease of 13.1%, even though turnover increased by 41.8% in 2010. This was due to the Group's prudent approach with respect to its promotion, exhibition and marketing expenses in 2010. Logistics expenses were also managed effectively during the year. Administrative expenses amounted to HK$146,706,000 in 2010, compared with HK$155,555,000 in 2009, representing a decrease of 5.7%. This was due to the efficiency achieved from the re-structuring of the Group's operations in the second half of 2009.

The Group maintained a very good level of cash net of overdraft, amounting to HK$58,973,000 as at 31st December 2010 (2009:HK$57,600,000). The finance costs in 2010 were HK$3,227,000, compared with HK$5,320,000 in 2009. The reduction in finance costs was due to lower in average bank borrowings in 2010. The gearing ratio, calculated as total borrowings less cash and cash equivalents divided by total equity, was 18.9% as at 31st December 2010, compared with 43.8% as at 31st December 2009. The low gearing ratio was due to the Group's strong cash position.

Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK$25,199,000 in 2010, compared with a loss of HK$34,348,000 in 2009. The earnings per share was HK11.70 cents in 2010, compared with a loss of HK15.94 cents in 2009.

DIVIDENDS

An interim dividend of HK3.0 cents per ordinary share was paid to the shareholders of the Company on 8th September 2010.

The Directors recommended a final dividend of HK4.5 cents per ordinary share, totalling HK$9,695,000 (2009: HK Nil cents per ordinary share). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting, to be held on 26th May 2011. Upon the approval of shareholders, the final dividend warrant will be payable on or before 2nd June 2011 to shareholders of the Company whose names appear on the register of members on 26th May 2011. This proposed final dividend, together with the interim divided paid by the Company, will make a total dividend of HK7.5 cents per ordinary share for the year ended 31st December 2010 (2009: HK Nil cents per ordinary share).

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Sales	2	**1,075,961**	758,562
Cost of goods sold	4	**(893,706)**	(621,803)
Gross profit		**182,255**	136,759
Other income and gains – net	3	**24,748**	23,900
Selling and distribution costs	4	**(31,251)**	(35,981)
Administrative expenses	4	**(146,706)**	(155,555)
Operating profit/(loss)		**29,046**	(30,877)
Finance costs		**(3,227)**	(5,320)
Profit/(loss) before income tax		**25,819**	(36,197)
Income tax (expense)/credit	5	**(1,500)**	919
Profit/(loss) for the year		**24,319**	(35,278)
Attributable to:			
Owners of the Company		**25,199**	(34,348)
Non-controlling interests		**(880)**	(930)
		24,319	(35,278)
Earnings/(loss) per share for profit attributable to the owners of the Company during the year (expressed in HK cents per share)			
– basic	7	**HK11.70 cents**	HK(15.94) cents
– diluted	7	**HK11.60 cents**	HK(15.94) cents
Dividends	6	**16,158**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year	**24,319**	(35,278)
Other comprehensive income		
Gain on revaluation of land and buildings	**21,345**	33,939
Movement of deferred tax	**(2,539)**	(5,068)
Currency translation differences	**5,620**	(9,142)
Other comprehensive income, net of tax	**24,426**	19,729
Total comprehensive income/(loss) for the year	**48,745**	(15,549)
Attributable to:		
– owners of the Company	**49,313**	(16,299)
– non-controlling interests	**(568)**	750
Total comprehensive income/(loss) for the year	**48,745**	(15,549)

CONSOLIDATED BALANCE SHEET

As at 31st December 2010

	Note	**2010**	2009	2008
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**171,140**	153,481	129,434
Leasehold land		**7,190**	7,206	7,354
		178,330	160,687	136,788
Current assets				
Inventories		**159,487**	181,803	294,738
Trade receivables and bills receivables	*8*	**254,776**	140,470	188,571
Other receivables, prepayments and deposits		**53,420**	43,989	34,742
Derivative financial instruments	*9*	**549**	83	347
Tax recoverable		**1,062**	136	2,062
Restricted bank deposits		**45,014**	60,027	33,475
Cash and cash equivalents		**62,525**	57,813	27,194
		576,833	484,321	581,129
Total assets		**755,163**	645,008	717,917
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*10*	**21,544**	21,544	21,544
Other reserves	*10*	**169,016**	146,291	129,155
Retained earnings	*10*			
– Proposed final dividend		**9,695**	–	–
– Others		**105,184**	93,620	126,676
		305,439	261,455	277,375
Non-controlling interests	*10*	**5,781**	6,349	5,599
Total equity		**311,220**	267,804	282,974

	Note	**2010**	2009	2008
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities		**15,284**	12,261	7,427
		15,284	12,261	7,427
Current liabilities				
Trade payables and bills payables	*11*	**175,078**	103,892	102,619
Other payables, accruals and deposits received		**132,290**	85,684	76,481
Amount due to a director		**–**	–	27,529
Derivative financial instruments	*9*	**–**	322	7
Borrowings	*12*	**121,291**	175,045	220,880
		428,659	364,943	427,516
Total liabilities		**443,943**	377,204	434,943
Total equity and liabilities		**755,163**	645,008	717,917
Net current assets		**148,174**	119,378	153,613
Total assets less current liabilities		**326,504**	280,065	290,401

Notes:

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.

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The Group has adopted the following new and amended HKFRSs that are relevant to the Group as of 1st January 2010:

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

- HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

The effect of the adoption of this amendment on the consolidated balance sheet is as below:

	31st December 2010	31st December 2009	1st January 2009
	HK$'000	*HK$'000*	*HK$'000*
Decrease in leasehold land	**(47,237)**	(45,115)	(45,655)
Increase in property, plant and equipment	**47,237**	45,115	45,655

- In November 2010 the HKICPA issued Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

  In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

  The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1st January 2009, with consequential reclassification adjustments to comparatives for the year ended 31st December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

  Effect of adoption of Hong Kong Interpretation 5 on the consolidated balance sheet is as below:

	31st December 2010	31st December 2009	1st January 2009
	HK$'000	*HK$'000*	*HK$'000*
Increase in current liabilities	**5,981**	20,901	–
Decrease in non-current liabilities	**(5,981)**	(20,901)	–

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the Group is set out below. (although they may affect the accounting for future transactions and events)*

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1st July 2009).

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1st July 2009.

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1st July 2009.

- HK(IFRIC) 16, Hedges of a net investment in a foreign operation' effective 1st July 2009.

- HKAS 1 (amendment), 'Presentation of financial statements'.

- HKAS 36 (amendment), 'Impairment of assets', effective 1st January 2010.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1st January 2010.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'.

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1st January 2010 and have not been early adopted. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.*

- HKFRS 9, 'Financial instruments', issued in November 2009.

- Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009.

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009.

- HK (IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1st July 2010.

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) – Int 14).

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 of wholesale in 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 asset and total capital expenditure. The Group primarily operates in Hong Kong and the PRC. The Group's sales by geographical location is determined by the country in which the customer is located.

	For the year ended 31st December 2010			
	The PRC *HK$'000*	**Hong Kong** *HK$'000*	**Other countries (Note (a))** *HK$'000*	**Total** *HK$'000*
Sales	**776,984**	**238,171**	**60,806**	**1,075,961**
Segment results	**22,856**	**5,589**	**601**	**29,046**
Finance costs				**(3,227)**
Profit before income tax				**25,819**
Income tax expense				**(1,500)**
Profit for the year				**24,319**

	For the year ended 31st December 2009			
	The PRC	Hong Kong	Other countries (Note (a))	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales	553,882	173,604	31,076	758,562
Segment results	(13,080)	(11,925)	(5,872)	(30,877)
Finance costs				(5,320)
Loss before income tax				(36,197)
Income tax credit				919
Loss for the year				(35,278)

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

	2010	2009
	HK$'000	*HK$'000*
Total assets:		
The PRC	**391,208**	300,387
Hong Kong	**319,044**	315,539
Other countries (Note (a))	**44,911**	29,082
	755,163	645,008

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

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

	2010	2009
	HK$'000	*HK$'000*
Capital expenditure:		
The PRC	**249**	2,833
Hong Kong	**607**	694
Other countries (Note (a))	**113**	21
	969	3,548

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

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

Notes:

(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 2010 and 2009 and the total of non-current assets as at 31st December 2010 and 2009 were wholly located in other countries.

3. OTHER INCOME AND GAINS – NET

	2010	2009
	HK$'000	*HK$'000*
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value gain/(loss)	**788**	(579)
Interest income	**322**	321
Investment income/(loss)	**1,110**	(258)
Service income	**17,581**	16,212
Commission income	**1,895**	5,585
Other income	**4,162**	2,361
	24,748	23,900

4. EXPENSES BY NATURE

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

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration	**2,100**	2,000
Cost of inventories sold	**872,318**	612,023
Depreciation on property, plant and equipment	**11,862**	12,092
Amortisation on leasehold land	**213**	213
Operating lease rentals in respect of land and buildings	**5,151**	7,771
Provision for slow moving inventories	**12,843**	4,403
Net provision for impairment of trade and bills receivables	**2,642**	1,112
Foreign exchange loss	**11,432**	10,210
Employee benefits expenses (including directors' remuneration)	**76,860**	82,615
Other expenses	**76,242**	80,900
Total cost of sales, selling and distribution costs and administrative expenses	**1,071,663**	813,339

5. INCOME TAX EXPENSE/(CREDIT)

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
-Hong Kong profits tax	**629**	80
-PRC and overseas taxation	**619**	173
-Over provision in previous years	**(227)**	(928)
Deferred income tax	**479**	(244)
	1,500	(919)

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

EIT tax in PRC has been provided at the rate of 25% (2009: 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% (2009: 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 interim dividend paid for the year ended 31st December 2010, amounting to HK$6,463,000 (2009: HK$Nil). A final dividend of HK4.5 cents per share is proposed for the year ended 31st December 2010. (2009: HK Nil cents)

	2010	2009
	HK$'000	*HK$'000*
Interim, paid, of HK3.0 cents (2009: HK Nil cents) per ordinary share	**6,463**	–
Final, proposed, of HK4.5 cents (2009: HK Nil cents) per ordinary share	**9,695**	–
	16,158	–

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.

	2010	2009
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**25,199**	(34,348)
Weighted average number of ordinary shares in issue (in thousands)	**215,444**	215,444
Basic earnings/(loss) per share (HK cents per share)	**11.70**	(15.94)

(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 is done 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 conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2009.

The diluted earnings per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted, during the period of 217,251,000.

	2010	2009
Weighted average number of ordinary shares in issue (in thousands)	**215,444**	215,444
Adjustment for:		
– Share options (in thousands)	**1,807**	-
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**217,251**	215,444

	For the year ended 31st December	
	2010	2009
	HK cents per share	
Earnings/(loss) per share attributable to the equity holders of the Company		
– basic	**11.70**	(15.94)
– diluted	**11.60**	(15.94)

8. TRADE RECEIVABLES AND BILLS RECEIVABLES

At 31st December 2010 and 2009, the ageing analysis of trade receivables and bills receivables by due dates are as follows:

	2010	2009
	HK$'000	*HK$'000*
Current	**171,426**	92,925
1-3 months	**64,762**	29,533
4-6 months	**7,762**	8,231
7-12 months	**7,307**	1,444
Over 12 months	**8,394**	17,928
	259,651	150,061
Less: provision for impairment of receivables	**(4,875)**	(9,591)
	254,776	140,470

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

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward foreign exchange contracts				
– non-hedge instruments	**549**	**–**	83	322

As at 31st December 2010, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR539,000 for HKD5,523,000, buy JPY267,200,000 for HKD25,085,000 and buy SGD500,000 for HKD2,961,000 (2009: Buy EUR1,042,000 for HKD11,564,000 and buy JPY300,000,000 for HKD25,497,000).

10. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2010

	Attributable to owners of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2010	21,544	146,291	93,620	6,349	267,804
Comprehensive income					
Profit/(loss)	–	–	25,199	(880)	24,319
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	–	21,591	2,523	312	24,426
Total comprehensive income	–	21,591	27,722	(568)	48,745
Transaction with owners					
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

	Attributable to owners of the Company				
	Share capital	Other reserves	Retained earnings	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2009	21,544	129,155	126,676	5,599	282,974
Comprehensive income					
Loss	–	–	(34,348)	(930)	(35,278)
Other comprehensive income					
Gain on revaluation of land and buildings	–	33,939	–	–	33,939
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(1,292)	1,292	–	–
Movement of deferred tax	–	(5,068)	–	–	(5,068)
Currency translation differences	–	(10,822)	–	1,680	(9,142)
Total other comprehensive income	–	16,757	1,292	1,680	19,729
Total comprehensive loss	–	16,757	(33,056)	750	(15,549)
Transaction with owners					
Employees share option scheme:					
Share option scheme – value of services provided	–	379	–	–	379
Total transaction with owners	–	379	–	–	379
Balance at 31st December 2009	21,544	146,291	93,620	6,349	267,804

11 TRADE PAYABLES AND BILLS PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
Current	**168,961**	97,158
1-3 months	**5,133**	2,058
4-6 months	**14**	3,380
7-12 months	**1**	254
Over 12 months	**969**	1,042
	175,078	103,892

12 BORROWINGS

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	
Current			
Collateralised borrowings	**–**	–	12,494
Trust receipt loans	**56,668**	56,514	130,470
Portion of term loans from banks due for repayment within one year	**55,090**	97,417	68,810
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause	**5,981**	20,901	–
Bank overdrafts	**3,552**	213	9,106
Total borrowings	**121,291**	175,045	220,880

Certain bank facilities are secured by the leasehold land, buildings and leasehold land classified as finance lease 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 the Mitutoyo Corporation conditionally agreed to purchase an aggregate of 41% of the issued share capital of a subsidiary company, Leeport Metrology Corporation ("LMC"), a company incorporated in British Virgin Islands, in two phases for a total consideration of HK$28,700,000, of which HK$7,000,000 to be received upon the phase I completion of 10% share transfer of LMC with a Long Stop Date on 31st May 2011 and HK$21,700,000 to be received upon the phase II completion of 31% share transfer of LMC with a Long Stop Date on 29th February 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25th May 2011 (Wednesday) to 26th May 2011 (Thursday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend for the year ended 31st December 2010 and for the attending and voting at the general meeting on 26th May 2011 (Thursday), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar at Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 24th May 2011 (Tuesday).

BUSINESS REVIEW

The economic performance for China in 2010 was outstanding, even though most Western countries were still struggling to recover economically. The GDP growth rate was 10.3% for China in 2010. The industrial production value grew by 12.1% in 2010, compared with the growth rate of 8.3% in 2009. The export value grew significantly, at the rate of 31.3% in 2010, and it fell by 16.0% in 2009. The whole world envied China's tremendous economic achievements in 2010.

In 2010, China's consumption was also an important driver for its economic growth. Many manufacturing industries related to the Group's business showed significant growth over the course of the year. Transportation equipment recorded a 31.7% growth rate; electric machinery recorded a 40.4% growth rate, and computer and electronics equipment recorded a 48.2% growth rate. Automobile production grew by 34.8%, and telecommunication equipment grew by 21.8%. The significant growth of these industries contributed directly to the increase in the Group's business in 2010, compared with 2009.

China's dominance in machine tool consumption and production continued throughout 2010. By value, four out of every ten machine tools produced in the world last year were installed in China. The value of total consumption for China in 2010 was USD27.3 billion, an increase of 38% over 2009. The import value of machine tools for China in 2010 was USD9.1 billion, a 54% increase over 2009.

The Group recorded a contract booking amount exceeding HK$1.4 billion in 2010, compared with HK$0.8 billion in 2009. The high volume of contract bookings in 2010 was encouraging, and the market sentiment was very positive. Customers were willing to invest in machinery and equipment after hesitating in 2009. With some of the Group's products, there were actually problems with long delivery lead times because of the rapid recovery in demand during the year, as the production capacity of many of our suppliers was not able to adjust quickly enough to handle the sudden recovery in orders.

Business in South East Asia also improved, leading to a profit in 2010 compared with a loss in 2009.

The Group's operating expenses were well controlled despite the significant increase in business in 2010, and the lower operating expenses also contributed to the improvement in the Group's bottom line.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2010 was HK$58,973,000 (2009: HK$57,600,000). The Group has maintained a good level of cash position. The Group's inventory balance as at 31st December 2010 was HK$159,487,000 (2009: HK$181,803,000). The days of inventory was 70 which was reasonable with reference to the increase of the business in 2010. The trade receivables and bills receivables balance was HK$254,776,000 as at 31st December 2010 (2009: HK$140,470,000). The days of sales was 67 which was also a reasonable level. The trade payables and bills payables balance was HK$175,078,000 as at 31st December 2010 (2009: HK$103,892,000). As the cash position was strong, the Group continued to minimize the short-term borrowings in order to reduce the finance costs. The balance of short-term borrowings was HK$121,291,000 as at 31st December 2010 (2009: HK$175,045,000).

The Group's net gearing ratio was approximately 18.9% as at 31st December 2010 (2009: 43.8%). 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 2010, the Group had aggregate banking facilities of approximately HK$802,730,000 of which approximately HK$264,439,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, buildings and leasehold land classified as finance lease and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$186,447,000 (31st December 2009: HK$179,802,000). The Directors are confident that the Group is able to meet its operational and capital expenditure and requirements.

FUTURE PLANS AND PROSPECTS

China's 12th five-year economic plan has already set the strategic direction for the whole country for the five years starting from 2011. The targeted average GDP annual growth rate between 2011 and 2015 is 7%, and the Government aims for a 7% annual increase in the average disposable income per person. These targets show that the country has the confidence to continue its economic growth after overtaking Japan as the second-largest economy in the world.

The Government's promulgated strategies, such as an increase in workers' income, will directly increase the size of the country's consumer market. Industries related to electronic products, home appliances, automobiles and housing will also benefit. On the other hand, the higher labour costs will stimulate manufacturers to install more automation processes in order to reduce or replace their labour force. The strategy of developing new industries involving information technology, environmental protection, new energy, high-technology equipment, new energy automobiles etc. will ensure increased demand for high-end manufacturing equipment and tools. The overall market for manufacturing equipment and tools is therefore likely to continue to grow quickly.

In order to grasp the opportunities offered by this fast-growing market for manufacturing equipment and tools in China, the Group has devised several development strategies for its business over the next few years. A substantial recruitment of new sales and service people is to take place shortly, and training for sales and service staff will be enhanced, in co-operation with our suppliers.

As a consequence of the Government's policies, economic development showed an even distribution in the country's various regions in 2010. Capital investment in Eastern China grew by 21.4%; in Central China by 26.2%; in Western China by 24.5%, and in East Northern China by 29.5%. As a result of these latest developments, the Group will actively invest in different regions of the country, especially in Northern China, in order to increase its market share.

The Group has decided to further enhance its collaboration with Mitutoyo Corporation, one of the leading measuring instrument manufacturers in the world. Mitutotyo Corporation will take up an additional shareholding in Leeport Metrology Corporation, which has been a joint-venture between Leeport and Mitutoyo since 2003. Leeport and Mitutoyo will collectively intensify their investment in the China market with a set of comprehensive strategies and development plans. Furthermore, the Group is also seeking collaboration with other suppliers in order to expand the market share of its various products in China, in line with its long-term strategies.

The effective expansion of the organisation, and the enhancement of the team's management capabilities, are crucial for the advancement of the Group. Since the labour market in China has changed and the supply of labour there has tightened, it is a challenge for the Group to expand rapidly. The Group must find ways to handle its rising labour costs in China, which have now reached double-digit growth every year.

The Group's order bookings since the beginning of 2011 have been promising, as China's economy continues to be strong. The domestic consumption market in China is also booming. As the global economic situation, especially in the developed countries, improves, China's export business is likely to increase further. The Group needs to manage the long delivery lead times of some of its suppliers in order to meet its growth targets this year. Moreover, in light of the earthquake and tsunami that happened in Japan in March 2011, the Company is checking with the Japanese suppliers about the impact on their production and delivery. It is too early to form a conclusion if the disaster will have significant impact on the business of the Group in 2011. We will continue to monitor the situation closely. The management team looks forward to a successful year.

EMPLOYEES

As at 31st December 2010, the Group had 502 employees (2009: 502). Of these, 146 were based in Hong Kong, 328 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

	2010	2009
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
215,444,062 ordinary shares of HK$0.10 each	**21,544**	21,544

	Number of shares	**Share Capital**
	(thousands)	*HK$'000*
At 31st December 2010 and 2009	215,444	21,544

Share Options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme"). Share options were granted to directors and to selected employees in 2008 and all non-exercised share options granted in 2008 were expired during the year. On 29th March 2010, 7,980,000 new share options have been offered and granted to employees and directors 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.

The exercise period of the above share options is from 29th March 2011 to 28th March 2012 (both dates inclusive).

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 period	Granted during the period	Exercised during the period	Expired/ Lapsed/ Cancelled during the period	At end of period
Director							
Mr. LEE Sou Leung, Joseph	22nd April 2008	1.25	500,000	–	–	(500,000)	–
(Mr. Lee)	29th March 2010	0.61	–	580,000	–	–	580,000
Ms. TAN, Lisa Marie	22nd April 2008	1.25	500,000	–	–	(500,000)	–
(Ms. Tan)	29th March 2010	0.61	–	580,000	–	–	580,000
Mr. CHAN Ching Huen, Stanley	22nd April 2008	1.25	500,000	–	–	(500,000)	–
(Mr. Chan)	29th March 2010	0.61	–	580,000	–	–	580,000
Dr. LUI Sun Wing	22nd April 2008	1.25	100,000	–	–	(100,000)	–
(Dr. Lui)	29th March 2010	0.61	–	100,000	–	–	100,000
Mr. PIKE, Mark Terence	22nd April 2008	1.25	100,000	–	–	(100,000)	–
(Mr. Pike)	29th March 2010	0.61	–	100,000	–	(100,000)	–
Mr. NIMMO, Walter Gilbert	22nd April 2008	1.25	100,000	–	–	(100,000)	–
Mearns (Mr. Nimmo)	29th March 2010	0.61	–	100,000	–	–	100,000
Employees	22nd April 2008	1.25	5,548,000	–	–	(5,548,000)	–
(excluding directors)	29th March 2010	0.61	–	5,940,000	–	–	5,940,000
			7,348,000	7,980,000	–	(7,448,000)	7,880,000

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2010, certain leasehold land, buildings and leasehold land classified as finance lease and bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$186,447,000 (2009: HK$179,802,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

In 2010, the Group spent a total of HK$969,000 (2009: HK$3,548,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 31st December 2010, the Group had no material capital commitments and HK$41,507,000 (2009: HK$24,425,000) 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 2010, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR539,000 for HKD5,523,000, buy JPY267,200,000 for HKD25,085,000 and buy SGD500,000 for HKD2,961,000 (2009: Buy EUR1,042,000 for HKD11,564,000 and buy JPY300,000,000 for HKD25,497,000).

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 2010 except the following deviation.

Code Provision A.2.1

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and the Managing Director of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company. The Company has no such title as the chief executive officer.

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

For the year ended 31st December 2010, 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 2010 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LUI Sun Wing and Mr. NIMMO, Walter Gilbert Mearns, 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 2010 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 2010. The figures in respect of the preliminary announcement of the Group's results for the year have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year 2010. 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.

2011 ANNUAL GENERAL MEETING

It is proposed that the 2011 Annual General Meeting of the Company will be held on 26th May 2011 (Thursday). A notice convening the 2011 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.

On behalf of the Board
Lee Sou Leung, Joseph
Chairman

Hong Kong, 23rd March 2011

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

* *for identification purpose only*