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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 2012**

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 2012, together with the comparative figures for the year ended 31st December 2011. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

During the year 2012, the Group’s business performance in China was affected by the weak global economy. The Group’s sales in 2012 amounted to HK\$930,630,000 compared with HK\$1,025,831,000 in 2011, representing a decrease of 9.3%.

The Group’s gross profit in 2012 amounted to HK\$135,549,000 compared with HK\$165,669,000 in 2011, representing a decrease of 18.2%. The gross profit percentage was 14.6% in 2012 compared with 16.1% in 2011. The Group made a stock provision with an amount of around HK\$8 million for some slow-moving stock, and this was a significant cause for the lower gross profit percentage in 2012.

Other Income and Gains

The service income in 2012 was HK\$10,028,000 compared with HK\$11,468,000 in 2011. The commission income in 2012 was only HK\$5,130,000 compared with HK\$9,004,000 in 2011. Commission income is the income received from suppliers for some of the customers’ orders directly placed with suppliers. The interest income was HK\$2,109,000 in 2012 as compared with HK\$885,000 in 2011. Interest income includes interest charged against OPS Ingersoll for the loan of Euro 3,000,000 in 2012.

Operating Expenses

Selling and distribution costs were HK\$32,515,000 in 2012 compared with HK\$38,419,000 in 2011, representing a decrease of 15.4%. The reduction in selling and distribution costs was in line with the reduction in sales in 2012. There were also some savings in the exhibition and promotion expenses in 2012 compared with 2011.

Administrative expenses amounted to HK\$136,198,000 in 2012 compared with HK\$125,282,000 in 2011. The increase in administrative expenses was due mainly to the legal and professional fees incurred in the acquisition of the shareholding of OPS-Ingersoll in Germany, increasing the number of managers in China and Taiwan and higher travelling expenses for overseas trips.

Finance costs in 2012 were HK\$5,341,000 compared with HK\$2,772,000 in 2011. The higher finance costs were mainly due to the HK\$50 million bank loan raised for the acquisition of the shareholding in OPS Ingersoll.

The share of post-tax profits of associates was HK\$6,503,000, being the net profit derived from Mitutoyo Leepport Metrology Corporation and OPS Ingersoll.

The Group had disposed of one of its subsidiaries in Macau at a gain of HK\$2,869,000 during the year.

The income tax provision was HK\$1,150,000 in 2012 compared with HK\$4,815,000 in 2011. The tax chargeable income of most of the subsidiaries in 2012 was lower than in 2011.

The profit from discontinued operations was mainly due to the gain of HK\$19,850,000 on completion of disposal of a 31% shareholding in Mitutoyo Leepport Metrology Corporation at the end of February 2012.

Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK\$15,134,000 in 2012 compared with HK\$32,604,000 in 2011, representing a decrease of 53.6%.

Profit was adversely affected by both the lower gross profit margin with respect to the sales income in 2012 and the lower commission income. The higher administrative expenses in the year affected the Group's profits, although this was partly compensated for by the lower selling and distribution costs.

The basic earnings per share were HK\$6.83 cents in 2012 compared with HK\$14.93 cents in 2011, representing a decrease of 54.3%.

DIVIDENDS

There was no interim dividend paid in the year 2012.

The Directors recommended a final dividend of HK3.5 cents per ordinary share, totalling HK\$7,768,000 (2011: final dividend HK6.0 cents per ordinary share and the total dividend paid in 2011 was HK9.5 cents per ordinary share). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting, which will be held on 15th May 2013. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 5th June 2013 to shareholders of the Company whose names appear on the register of members on 24th May 2013.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2012

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
Continuing operations			
Sales	2	930,630	1,025,831
Cost of goods sold	4	(795,081)	(860,162)
Gross profit		135,549	165,669
Other income and gains – net	3	25,016	28,588
Selling and distribution costs	4	(32,515)	(38,419)
Administrative expenses	4	(136,198)	(125,282)
Operating (loss)/profit		(8,148)	30,556
Finance costs		(5,341)	(2,772)
Share of profits of associates	9	6,503	–
Gain on disposal of a subsidiary	5	2,869	–
(Loss)/profit before income tax		(4,117)	27,784
Income tax expense	6	(1,150)	(4,815)
(Loss)/profit for the year from continuing operations		(5,267)	22,969
Discontinued operations			
Profit for the year from discontinued operations	9	20,963	12,041
Profit for the year		15,696	35,010
Attributable to:			
Owners of the Company		15,134	32,604
Non-controlling interests		562	2,406
		15,696	35,010

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(Loss)/earnings per share from continuing and discontinued operations attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic (loss)/earnings per share	8		
From continuing operations		HK(2.37) cents	HK10.52 cents
From discontinued operations		HK9.20 cents	HK4.41 cents
		<u> </u>	<u> </u>
From profit of the year		HK6.83 cents	HK14.93 cents
		<u> </u>	<u> </u>
Diluted (loss)/earnings per share	8		
From continuing operations		HK(2.37) cents	HK10.47 cents
From discontinued operations		HK9.20 cents	HK4.40 cents
		<u> </u>	<u> </u>
From profit of the year		HK6.83 cents	HK14.87 cents
		<u> </u>	<u> </u>
Dividends	7	7,768	20,952
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit for the year	15,696	35,010
Other comprehensive income		
Gain on revaluation of land and buildings	36,498	34,593
Movement of deferred tax	(8,300)	(2,201)
Change in value of available-for-sale financial assets	2,652	(1,539)
Currency translation differences	(21,303)	13,377
Other comprehensive income, net of tax	9,547	44,230
Total comprehensive income for the year	<u>25,243</u>	<u>79,240</u>
Attributable to:		
Owners of the Company	25,179	76,092
Non-controlling interests	64	3,148
Total comprehensive income for the year	<u>25,243</u>	<u>79,240</u>
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	6,772	62,269
Discontinued operations	18,407	13,823
	<u>25,179</u>	<u>76,092</u>

CONSOLIDATED BALANCE SHEET*AS AT 31ST DECEMBER 2012*

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		225,134	207,885
Leasehold land		6,856	6,947
Investments in associates	9	62,182	–
Loan to an associate	9	30,805	–
		<u>324,977</u>	<u>214,832</u>
Current assets			
Inventories		93,399	125,051
Trade receivables and bills receivables	10	169,218	141,533
Other receivables, prepayments and deposits		49,012	49,193
Available-for-sale financial assets		16,522	7,236
Derivative financial instruments	11	258	55
Amount due from an associate		2,567	–
Tax recoverable		260	–
Restricted bank deposits		129,852	100,697
Cash and cash equivalents		41,590	52,802
		<u>502,678</u>	<u>476,567</u>
Assets of disposal group classified as held for sale		–	116,128
		<u>502,678</u>	<u>592,695</u>
Total assets		<u>827,655</u>	<u>807,527</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	12	22,193	22,055
Other reserves	12	199,991	211,503
Retained earnings	12		
– Proposed final dividend		7,768	13,233
– Others		133,233	121,729
		<u>363,185</u>	<u>368,520</u>
Non-controlling interests	12	–	14,853
Total equity		<u>363,185</u>	<u>383,373</u>

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		25,662	18,519
Current liabilities			
Trade payables and bills payables	<i>13</i>	135,124	93,910
Other payables, accruals and deposits received		76,243	79,967
Derivative financial instruments	<i>11</i>	1,315	510
Borrowings	<i>14</i>	226,126	174,884
Tax payable		–	24
		438,808	349,295
Liabilities of disposal group classified as held for sale		–	56,340
		438,808	405,635
Total liabilities		464,470	424,154
Total equity and liabilities		827,655	807,527
Net current assets		63,870	187,060
Total assets less current liabilities		388,847	401,892

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 land in Hong Kong and 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.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning on or after 1st January 2012 that either have no significant impact or are not currently relevant to the Group:

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2012 that not currently relevant to the Group and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial statement ¹
HKAS 19 (Amendment)	Employee Benefits ¹
HKAS 27 (revised 2011)	Separate Financial Statements ¹
HKAS 28 (revised 2011)	Associates and Joint Ventures ¹
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures ³
HKFRS 9	Financial Instrument ³

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

² Effective for the Group for annual periods beginning on or after 1st January 2014

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 2012, 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, Malaysia and Indonesia). 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 2012				For the year ended 31st December 2012			
	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>650,684</u>	<u>188,152</u>	<u>91,794</u>	<u>930,630</u>	<u>2,720</u>	<u>12,877</u>	<u>68</u>	<u>15,665</u>
Segment results	<u>(8,185)</u>	<u>(819)</u>	<u>856</u>	<u>(8,148)</u>	<u>(107)</u>	<u>1,211</u>	<u>9</u>	<u>1,113</u>
Finance costs				(5,341)				–
Gain on disposal of a subsidiary				2,869				–
Share of profit of associates				6,503				–
(Loss)/profit before income tax				(4,117)				1,113
Income tax expense				(1,150)				–
Gain on disposal of discontinued operations				–				19,850
(Loss)/profit for the year				<u>(5,267)</u>				<u>20,963</u>

	Continuing operations				Discontinued operations			
	For the year ended 31st December 2011				For the year ended 31st December 2011			
	The PRC <i>HK\$'000</i>	HK <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	HK <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <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				<u>(2,772)</u>				<u>(369)</u>
Profit before income tax				27,784				12,041
Income tax expense				<u>(4,815)</u>				<u>–</u>
Profit for the year				<u>22,969</u>				<u>12,041</u>

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

Assets

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Total assets:		
The PRC	306,387	365,787
Hong Kong	412,472	378,859
Other countries (<i>Note (a)</i>)	108,796	62,881
	<u>827,655</u>	<u>807,527</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 2012, the total assets of disposal group was HK\$ Nil (2011: 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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Capital expenditure:		
The PRC	3,319	644
Hong Kong	2,238	3,414
Other countries (<i>Note (a)</i>)	–	6
	<u>5,557</u>	<u>4,064</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 2012, the total capital expenditure by the disposal group was HK\$Nil (2011: HK\$27,000).

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

Note:

(a) Other countries mainly include Taiwan, Singapore, Indonesia, 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 2012 and 2011 and the total of non-current assets as at 31st December 2012 and 2011 were wholly located in other countries.

3. OTHER INCOME AND GAINS – NET

	Group	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value loss	(602)	(1,004)
Interest income	2,109	885
	<u>1,507</u>	<u>(119)</u>
Investment income/(loss)		
Service income	10,028	11,468
Commission income	5,130	9,004
Other income	3,227	1,559
Management fee income from disposal group	854	6,676
Management fee income from an associate	4,270	–
	<u>25,016</u>	<u>28,588</u>

4. EXPENSES BY NATURE

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Auditors' remuneration	2,559	2,685
Cost of inventories sold	780,524	856,406
Depreciation on property, plant and equipment	11,807	9,967
Amortisation on leasehold land	223	225
Operating lease rentals	4,553	4,304
Provision for/(reversal of) slow moving inventories	7,785	(3,591)
Net provision for impairment of trade and bills receivables	882	170
Foreign exchange gain	(10,920)	(2,175)
Employee benefits expenses (including directors' remuneration)	83,794	74,698
Other expenses	82,587	81,174
	<hr/>	<hr/>
Total cost of goods sold, selling and distribution costs and administrative expenses	963,794	1,023,863
	<hr/> <hr/>	<hr/> <hr/>

5. GAIN ON DISPOSAL OF SUBSIDIARY

A subsidiary, Leeport Tools Macao Commercial Offshore Limited, was disposed at a consideration of HK\$2,900,000 at a profit of HK\$2,869,000.

6. INCOME TAX EXPENSE

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	212	33
– PRC and overseas taxation	2,978	3,029
– (Over)/under provision in previous years	(883)	714
Deferred income tax	(1,157)	1,039
	<hr/>	<hr/>
	1,150	4,815
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax ("EIT") in the PRC has been provided at the rate of 25% (2011: 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% (2011: 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.

7. DIVIDENDS

No interim dividend is paid for the year ended 31st December 2012 (2011: HK\$7,719,000). Final dividend of HK3.5 cents for the year ended 31st December 2012 (2011: HK6.0 cents) is to be proposed at the annual general meeting on 15th May 2013. These financial statements do not reflect this dividend payable.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interim, paid, of HK Nil cents (2011: HK3.5 cents) per ordinary share	–	7,719
Final, proposed, of HK3.5 cents (2011: HK6.0 cents) per ordinary share	7,768	13,233
	<u>7,768</u>	<u>20,952</u>

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

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2012	2011
(Loss)/profit from continuing operations attributable to owners of the Company (HK\$'000)	(5,267)	22,969
Profit from discontinued operations attributable to owners of the Company (HK\$'000)	20,401	9,635
	<u>15,134</u>	<u>32,604</u>
Weighted average number of ordinary shares in issue (in thousands)	221,696	218,338
Basic (loss)/earnings per share attributable to owners of the Company (HK cents per share)		
– From continuing operations	(2.37)	10.52
– From discontinued operations	9.20	4.41

(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 conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the (loss)/earnings per share for the year ended 31st December 2012.

In 2011, the diluted earnings per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted, of 219,208,000.

	2012	2011
Weighted average number of ordinary shares in issue (in thousands)	221,696	218,338
Adjustment for:		
– Share options (in thousands)	–	870
Weighted average number of ordinary shares for diluted (loss)/earnings per share (in thousands)	221,696	219,208
Diluted (loss)/earnings per share attributable to the owners of the Company (HK cents per share)		
– From continuing operations	(2.37)	10.47
– From discontinued operations	9.20	4.40

9. INVESTMENTS IN ASSOCIATES

On 28th February 2012, the Group has disposed 31% of equity interest of Mitutoyo Leepport Metrology Corporation (“MLMC”) to Mitutoyo Corporation. Upon the completion of disposal, MLMC becomes an associate of the Group. The fair value of the associate on the disposal date is HK\$40,000,000.

On 3rd April 2012, the Group has acquired 22.34% interests in OPS-Ingersoll Funkenerosion GmbH (“OPS”). The cash consideration of the investment is HK\$15,679,000.

	2012
	HK\$'000
At 1st January	–
Recognition of investment cost in MLMC	40,000
Investment in OPS	15,679
Share of profits of associates	6,503
At 31st December	62,182

During the year, the Group has made a loan to an associate – OPS. The loan carries interest at HIBOR plus 4.5% and will not be repaid within the next twelve months from the reporting date.

As at 31st December 2012, the carrying value of the loan to an associate was HK\$30,805,000. No provision has been required as at year ended.

During the year, interest received from OPS amounted to HK\$1,083,000 (2011: HK\$ Nil).

Profit from the discontinued operations – MLMC represents:

	2012	2011
	HK\$'000	HK\$'000
Revenue	15,665	199,678
Interest income	–	10
Cost of inventories sold	(15,344)	(157,502)
Depreciation of property, plant and equipment	(81)	(662)
Net provision for impairment of trade receivables	–	(7)
Reversal of slow moving inventories	–	59
Operating leases rental	(148)	(882)
Realised exchange loss	(23)	(870)
Unrealised exchange gain/(loss)	1,377	(4,849)
Finance cost	–	(369)
Other expenses – net	(333)	(22,565)
	<hr/>	<hr/>
Profit before income tax of discontinued operations	1,113	12,041
Income tax expense	–	–
	<hr/>	<hr/>
	1,113	12,041
Gain on disposal of discontinued operations	19,850	–
	<hr/>	<hr/>
Profit for the year from discontinued operations	20,963	12,041
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND BILLS RECEIVABLES

At 31st December 2012 and 2011, the ageing analysis of trade receivables and bills receivables by due dates are as follows:

	Group	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current	98,648	82,206
1–3 months	42,869	34,257
4–6 months	16,940	9,314
7–12 months	7,198	11,856
Over 12 months	9,306	8,761
	<u>174,961</u>	<u>146,394</u>
Less: provision for impairment of receivables	(5,743)	(4,861)
	<u><u>169,218</u></u>	<u><u>141,533</u></u>

The Group generally grants credit terms of 30 to 90 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.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2012		2011	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Forward foreign exchange contracts				
– non-hedge instruments	<u>258</u>	<u>1,315</u>	<u>55</u>	<u>510</u>

Derivatives holding for trading purpose are classified as a current asset or liability. As at 31st December 2012, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR1,399,000 for HK\$14,049,000, JPY62,750,000 for HK\$5,927,000, JPY73,700,000 for USD929,000, JPY37,400,000 for RMB3,083,000, AUD259,000 for HK\$2,095,000 and GBP23,000 for HK\$288,000 (2011: Buy EUR2,780,000 for HK\$28,262,000, buy JPY118,000,000 for HK\$12,012,000 and buy AUD260,000 for HK\$1,976,000).

12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2012

	Attributable to owners of the Company			Non- controlling interests	Total
	Share capital	Other reserves	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2012	22,055	211,503	134,962	14,853	383,373
Comprehensive income					
Profit for the year	–	–	15,134	562	15,696
Other comprehensive income					
Gain on revaluation of land and buildings	–	36,498	–	–	36,498
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(4,138)	4,138	–	–
Movement of deferred tax	–	(8,300)	–	–	(8,300)
Available-for-sale financial assets	–	2,652	–	–	2,652
Currency translation differences	–	(20,805)	–	(498)	(21,303)
Total other comprehensive income, net of tax	–	5,907	4,138	(498)	9,547
Total comprehensive income	–	5,907	19,272	64	25,243
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	–	34	–	–	34
– proceeds from shares issued	138	708	–	–	846
Disposal of subsidiaries with loss of control	–	(17,821)	–	(15,057)	(32,878)
Dividend paid relating to 2011	–	–	(13,233)	–	(13,233)
Total contributions by and distributions to owners of the Company	138	(17,079)	(13,233)	(15,057)	(45,231)
Changes in ownership interests in subsidiaries without change of control	–	(340)	–	140	(200)
Total transaction with owners	138	(17,419)	(13,233)	(14,917)	(45,431)
Balance at 31st December 2012	22,193	199,991	141,001	–	363,185

	Attributable to owners of the Company			Non- controlling interests	Total
	Share capital	Other reserves	Retained earnings		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2011	21,544	169,016	114,879	5,781	311,220
Comprehensive income					
Profit for the year	–	–	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

13. TRADE AND BILLS PAYABLES

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	123,949	90,902
1–3 months	5,186	1,768
4–6 months	3,564	23
7–12 months	1,738	30
Over 12 months	687	1,187
	<hr/> 135,124 <hr/>	<hr/> 93,910 <hr/>

14. BORROWINGS

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current		
Collateralised borrowings	–	4,547
Trust receipt loans	75,853	67,531
Portion of term loans from banks due for repayment within one year	150,273	97,659
Bank overdrafts	–	5,147
	<hr/> 226,126 <hr/>	<hr/> 174,884 <hr/>

As at 31st December 2012, certain land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$329,880,000 (2011: HK\$265,446,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from 13th May 2013 (Monday) to 15th May 2013 (Wednesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 Annual General Meeting. In order to be eligible to attend and vote at the 2013 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 10th May 2013 (Friday); and
- (ii) from 22nd May 2013 (Wednesday) to 24th May 2013 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21st May 2013 (Tuesday).

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

BUSINESS REVIEW

China was affected by the weak global economy in 2012. China's GDP growth rate in 2012 was 7.8%, the lowest since the recession in 2008. The value of industrial production grew at only 7.9% in 2012 compared with the rate of 13.9% in 2011. The value of the country's exports grew at 6.2%, which was much lower than the rate of 20.3% in 2011.

The overall market for manufacturing equipment in 2012 was unfavourable. Many customers had no plans to purchase new equipment due to the uncertainty of the market. The main industries sustaining the China market were smart phone manufacturing, automobile production and some infra-structure projects.

A number of new product launches involving Samsung smart phones and Apple iPhones contributed significantly to the volume of electronic manufacturing in China. The manufacture of mobile phones in China grew by 4.3% in 2012. Another important industry in China is automobile manufacturing, as China becomes the biggest automobile market in the world. The total number of automobiles made in China in 2012 was 19.3 million, an increase of 4.3% over the figure for 2011. By contrast, the demand for manufacturing equipment from other industries was relatively weak in the year.

China continued to be the biggest consumer of machine tools in the world in 2012. More than two-fifths of the output by value of the world's machine tool producers was installed in China. China was also the biggest machine tool builder in the world, and around 30% by value of the world's machine tools was made in China. Furthermore, China also imported USD13.7 billion worth of machine tools in 2012 compared with USD13.2 billion in 2011.

The overall business performance of the Group in 2012 was unsatisfactory, but we can expect a recovery in the second half of 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2012 was HK\$41,590,000 (2011: HK\$47,654,000). The Group has maintained a reasonable level of cash position. The Group's inventory balance as at 31st December 2012 was HK\$93,399,000 (2011: HK\$125,051,000). The Group has achieved the reduction of inventory level significantly in 2012. Also an provision with amount of HK\$7,785,000 for slow-moving items was made at the end of year 2012. The turnover days of inventory was 51. The trade receivables and bills receivables balance was HK\$169,218,000 as at 31st December 2012 (2011: HK\$141,533,000). The turnover days of sales was 61 which was also a reasonable level. The trade payables and bills payables balance was HK\$135,124,000 as at 31st December 2012 (2011: HK\$93,910,000). The balance of short-term borrowings was HK\$226,126,000 as at 31st December 2012 (2011: HK\$174,884,000).

The Group's net gearing ratio was approximately 50.8% as at 31st December 2012 (2011: 21.8%). 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 gearing ratio is higher due to the HK\$33,000,000 outstanding bank loan raised for the acquisition of shareholding in OPS Ingersoll in 2012.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2012, the Group had aggregate banking facilities of approximately HK\$756,870,000 of which approximately HK\$326,063,000 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\$329,880,000 (31st December 2011: HK\$265,446,000). The Directors are confident that the Group is able to meet its operational and capital expenditure and requirements.

FUTURE PLANS AND PROSPECTS

The Government report of the 12th National People's Congress of China held on 5th March 2013 set the target for the GDP growth rate at 7.5% in 2013.

One of the key drivers for the economic growth of China in the near future is urbanisation. The current urbanisation rate of the country is about 52%, and the Government's ultimate target is 60%. The industries that are likely to benefit most are: housing, road construction, power supply, home appliances and automobile production. Furthermore, it is expected that many infrastructure projects around the country will be launched during the year, including high-speed trains, inter-city railway systems, airports and an expansion of the power supply network. This will all create tremendous business opportunities for high-end manufacturing equipment. The machine tool market in China is forecasted to grow by 14% in 2013. This is a very promising figure. The manufacture of mobile phones, especially smart phones, and the production of automobiles will continue to be good in 2013.

The Group will consolidate its resources and will enhance its business relationship with all key customers in order to promote sales of the whole range of products provided by the Group. Our two technology centres (established in 2012), namely Prima-Power in Shanghai, which showcases the latest sheetmetal technology, and OPS-Ingersoll in Shenzhen, which showcases the latest metalcutting technology, will be intensively promoted this year. The Group will also put more resources into marketing and promotion activities, and will enhance its sales and service capabilities by means of internal resources and support from suppliers. As a consequence, we expect to improve our business performance.

The value of outstanding contracts of the Group as at the end of February 2013 was HK\$300,000,000. The contract booking situation has been encouraging since the beginning of year 2013. There have been more active business enquiries from the market compared with the second half of 2012.

In general, we have confidence that the business performance of the Group in 2013 will improve compared with 2012. Further investment, especially further co-operation with equipment suppliers, remains our long-term strategy. The Group will continue to explore investment opportunities in China.

EMPLOYEES

As at 31st December 2012, the Group had 476 employees (2011: 537). Of these, 115 were based in Hong Kong, 330 were based in mainland China, and 31 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.

SHARE CAPITAL

	2012	2011
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
	Number	Share
	of shares	capital
	<i>(in thousand)</i>	<i>HK\$'000</i>
Issued and fully paid:		
At 1st January 2012		
220,546,062 ordinary shares of HK\$0.10 each	220,546	22,055
1,388,000 ordinary shares of HK\$0.10 each issued on exercise of share option	1,388	138
At 31st December 2012		
221,934,062 ordinary shares of HK\$0.10 each	221,934	22,193

During the year ended 31st December 2012, 1,388,000 shares of the Company were issued upon the exercise of share options at exercise price of HK\$0.61, and resulting in approximately HK\$708,000 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. The expiry date of the options was 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 were 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 2012 is HK\$34,000 (2011: HK\$412,000).

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

Eligible participants	Date of grant	Exercise period	Exercise Price HK\$	At beginning of the year	Exercised during the year	Lapsed during the year	At end of the year
Director							
TAN, Lisa Marie (Ms. Tan) (resigned as director on 1st Jan 2013)	29th March 2010	29th March 2011–28th March 2012	0.61	580,000	(580,000)	–	–
LUI Sun Wing (Dr. Lui)	4th July 2011	2nd July 2012–1st July 2013	0.96	260,000	–	–	260,000
NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	29th March 2010	29th March 2011–28th March 2012	0.61	100,000	(100,000)	–	–
WONG, Man Shun Michael (Mr. Wong) (appointed as director on 1st Jan 2013)	29th March 2010	29th March 2011–28th March 2012	0.61	232,000	(232,000)	–	–
Employees (excluding directors)	29th March 2010	29th March 2011–28th March 2012	0.61	1,866,000	(476,000)	(1,390,000)	–
				3,038,000	(1,388,000)	(1,390,000)	260,000
				3,038,000	(1,388,000)	(1,390,000)	260,000

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.95.

During the year, no share options were granted or cancelled.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2012, certain land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$329,880,000 (2011: HK\$265,446,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

In 2012, the Group spent a total of HK\$5,557,000 (2011: HK\$4,064,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 31st December 2012, the Group had no material capital commitments. In the meantime, total of HK\$20,381,000 (2011: HK\$31,415,000) 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 2012, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR1,399,000 for HK\$14,049,000, JPY62,750,000 for HK\$5,927,000, JPY73,700,000 for USD929,000, JPY37,400,000 for RMB3,083,000, AUD259,000 for HK\$2,095,000 and GBP23,000 for HK\$288,000 (2011: EUR2,780,000 for HK\$28,262,000 buy JPY118,000,000 for HK\$12,012,000 and buy AUD260,000 for HK\$1,976,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

During the year ended 31st December 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31st March, 2012) and Corporate Governance Code (effective from 1st April, 2012) as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

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

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

For the year ended 31st December 2012, 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 2012 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 Dr. LEE Tai Chiu, 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 2012 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 2012. 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 2012. 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.

2013 ANNUAL GENERAL MEETING

It is proposed that the 2013 Annual General Meeting of the Company will be held on 15th May 2013 (Wednesday). A notice convening the 2013 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, 18th March 2013

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

* *for identification purpose only*