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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 2014**

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 2014, together with the comparative figures for the year ended 31st December 2013. The annual results have been reviewed by the Audit Committee of the Company.

**FINANCIAL PERFORMANCE**

**Sales**

The overall economic situation in China did not improve in 2014 compared with 2013. The manufacturing industries faced greater challenges due to lower order levels, higher labour costs and over-capacity. As a result, the business of the Group was adversely affected. The Group’s sales amounted to HK\$678,215,000 in 2014, compared with HK\$745,599,000 in 2013, a decrease of 9.0%. The Group’s gross profit amounted to HK\$131,174,000 in 2014, compared with HK\$137,964,000 in 2013, a decrease of 4.9%. The gross profit percentage was 19.3% in 2014, slightly better than the figure of 18.5% in 2013.

\* For identification purpose only

## **Other Income and Gains**

The total value of other income and gains was HK\$22,865,000 in 2014, compared with HK\$20,528,000 in 2013, representing an increase of 11.4%.

Service income was HK\$15,804,000 in 2014, compared with HK\$9,461,000 in 2013. This significant increase was due mainly to more active promotion of after-sales service contracts, and also some machine re-location service orders. Commission income was HK\$713,000 in 2014, compared with HK\$1,141,000 in 2013. The income from the management fee from the associated company, Mitutoyo Leepport Metrology Corporation, was HK\$1,404,000 in 2014, compared with HK\$1,947,000 in 2013. Rental income was HK\$1,617,000 in 2014, compared with HK\$1,056,000 in 2013. There was a loss of HK\$3,539,000 in 2014 due to the forward contracts for the weakening Japanese Yen and the Euro, compared with a gain of HK\$872,000 for the same item in 2013.

## **Operating Expenses**

Selling and distribution costs were HK\$34,508,000 in 2014, compared with HK\$33,044,000 in 2013, representing an increase of 4.4%. This was due mainly to the increase in warranty service provision in the year.

Administrative expenses amounted to HK\$112,048,000, compared with HK\$131,019,000 in 2013, representing a decrease of 14.5%. The implementation of certain cost-control measures resulted in a significant reduction in administrative expenses in 2014. The savings were achieved in such areas as staff costs, travelling expenses and office expenses. Depreciation fell by HK\$2,194,000 compared with 2013, due mainly to a change in the status of one property from owner-occupied property to investment property. A depreciation amount of HK\$651,000 was incurred for this property in 2013, but no depreciation had to be incurred in 2014. Also, one set of capital assets (computer equipment) and some other equipment were fully depreciated at the end of 2013, resulting in a reduction for depreciation in the amount of HK\$1,416,000.

There was a net exchange gain of HK\$13,863,000 which was mainly due to the weak Japanese Yen and the Euro during the year 2014 and as a consequence, our purchase liabilities to suppliers were effectively reduced. Besides, the change of functional currency from Japanese Yen to Hong Kong Dollar for certain subsidiaries also led to an increase in net exchange gain for the year. The exchange gain in 2013 was HK\$6,056,000.

## **Share of Profits of Associated Companies**

The share of profits of associated companies in 2014 was HK\$16,685,000, compared with HK\$12,908,000 in 2013, representing an increase of 29.3%.

The share of profit of the associated company, Mitutoyo Leeport Metrology Corporation, was HK\$13,027,000 in 2014, compared with HK\$9,887,000 in 2013, representing an increase of 31.7%. The business of Mitutoyo Leeport Metrology Corporation improved significantly due to aggressive marketing and selling strategies during the year. The share of profit of OPS Ingersoll Funkenerosion GmbH was HK\$6,099,000 in 2014, compared with HK\$3,308,000 in 2013, representing an increase of 84.4%. OPS Ingersoll Funkenerosion GmbH was successful especially in Germany due to the relatively strong economy of that country. On the other hand, there was a share of loss amounting to HK\$2,441,000 for the newly established joint-venture plant, Prima Power Suzhou Company Limited, in 2014. The plant incurred start-up costs before production began in January 2015.

### **Finance Expenses – Net**

Finance costs net of interest income were HK\$605,000 in 2014, compared with HK\$2,518,000 in 2013. Finance costs were HK\$3,661,000 in 2014, compared with HK\$5,363,000 in 2013, representing a decrease of 31.7%. Finance costs were lower due to the lower level of short-term bank loans during the period. Interest income derived from the loan to OPS Ingersoll Funkenerosion GmbH and other deposits to the banks, was HK\$3,056,000 in 2014, compared with HK\$2,845,000 in 2013, representing an increase of 7.4%.

### **Profit Attributable to Owners of the Company and Earnings Per Share**

The profit attributable to owners of the Company was HK\$22,565,000 in 2014, compared with HK\$6,493,000 in 2013, representing an increase of 247.5%.

The operating profit of the Company was HK\$7,483,000 in 2014, compared with a loss of HK\$5,571,000 in 2013. The significant reduction in administrative expenses contributed a great deal to the improvement in the operating profit in 2014.

The basic earnings per share were HK10.17 cents in 2014, compared with basic earnings per share of HK2.93 cents in 2013, representing an increase of 247.1%.

### **DIVIDEND**

There was no interim dividend paid in the year 2014 (2013: NIL).

The Directors recommended a final dividend of HK3.5 cents per ordinary share, totaling HK\$7,768,000 (2013: the final dividend was HK1.5 cents per ordinary share, totaling HK\$3,329,000) This recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 29th May 2015. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 19th June 2015 to shareholders of the Company whose names appear on the register of members on 8th June 2015.

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2014**

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sales	2	<b>678,215</b>	745,599
Cost of goods sold	4	<u><b>(547,041)</b></u>	<u>(607,635)</u>
<b>Gross profit</b>		<b>131,174</b>	137,964
Other income and gains - net	3	<b>22,865</b>	20,528
Selling and distribution costs	4	<b>(34,508)</b>	(33,044)
Administrative expenses	4	<u><b>(112,048)</b></u>	<u>(131,019)</u>
<b>Operating profit/(loss)</b>		<b>7,483</b>	(5,571)
Finance income		<b>3,056</b>	2,845
Finance expenses		<u><b>(3,661)</b></u>	<u>(5,363)</u>
Finance expenses - net		<b>(605)</b>	(2,518)
Share of profits of associates	9(a)	<u><b>16,685</b></u>	<u>12,908</u>
<b>Profit before income tax</b>		<b>23,563</b>	4,819
Income tax (expense)/credit	5	<u><b>(998)</b></u>	<u>1,674</u>
<b>Profit for the year</b>		<u><b>22,565</b></u>	<u>6,493</u>
<b>Profit attributable to:</b>			
Owners of the Company		<u><b>22,565</b></u>	<u>6,493</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
<b>Basic and diluted earnings per share (Hong Kong cents)</b>	7	<u><b>HK 10.17 cents</b></u>	<u>HK 2.93 cents</u>
<b>Dividends</b>	6	<u><b>7,768</b></u>	<u>3,329</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2014**

	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>22,565</u>	<u>6,493</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences	<b>8,305</b>	(43,048)
Gain on revaluation of land and buildings	<b>9,663</b>	26,646
Movement of deferred tax	<u>(730)</u>	<u>1,209</u>
	<u>17,238</u>	<u>(15,193)</u>
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets, net of tax	<b>4,880</b>	720
Currency translation differences	<b>(23,213)</b>	2,376
Share of other comprehensive loss of associates	<u>(9,770)</u>	<u>(9,402)</u>
	<u>(28,103)</u>	<u>(6,306)</u>
<b>Other comprehensive loss for the year, net of tax</b>	<u>(10,865)</u>	<u>(21,499)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u>11,700</u>	<u>(15,006)</u>
Total comprehensive income/(loss) attributable to owners of the company	<u>11,700</u>	<u>(15,006)</u>

**CONSOLIDATED BALANCE SHEET**  
*AS AT 31ST DECEMBER 2014*

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>187,168</b>	178,433
Leasehold land		<b>8,895</b>	9,359
Investment property	8	<b>40,400</b>	37,700
Investments in associates	9(a)	<b>81,482</b>	69,205
Loan to an associate	9(b)	<b>28,281</b>	32,148
Prepayments		<b>7,449</b>	1,705
		<u>353,675</u>	<u>328,550</u>
<b>Current assets</b>			
Inventories		<b>80,899</b>	65,761
Trade receivables and bills receivables	10	<b>106,073</b>	115,616
Other receivables, prepayments and deposits		<b>20,618</b>	30,336
Available-for-sale financial assets		<b>22,122</b>	17,242
Derivative financial instruments	11	<b>25</b>	105
Amounts due from associates		<b>234</b>	1,764
Tax recoverable		–	311
Restricted bank deposits		<b>56,905</b>	139,030
Cash and cash equivalents		<b>58,737</b>	51,509
		<u>345,613</u>	<u>421,674</u>
<b>Total assets</b>		<u><b>699,288</b></u>	<u>750,224</u>

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>12</i>	<b>22,193</b>	22,193
Other reserves	<i>12</i>	<b>158,377</b>	173,973
Retained earnings			
– Proposed final dividend		<b>7,768</b>	3,329
– Others		<b>160,795</b>	141,267
		<hr/>	<hr/>
<b>Total equity</b>		<b>349,133</b>	340,762
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>23,315</b>	22,188
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables and bills payables	<i>13</i>	<b>107,270</b>	103,033
Other payables, accruals and deposits received		<b>70,792</b>	62,016
Derivative financial instruments	<i>11</i>	<b>3,749</b>	290
Borrowings	<i>14</i>	<b>144,390</b>	221,935
Tax payable		<b>639</b>	–
		<hr/>	<hr/>
		<b>326,840</b>	387,274
		<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities</b>		<b>350,155</b>	409,462
		<hr/> <hr/>	<hr/> <hr/>
<b>Total equity and liabilities</b>		<b>699,288</b>	750,224
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		<b>18,773</b>	34,400
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		<b>372,448</b>	362,950
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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, investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The following new standards, amendments to standards and interpretations to standards are mandatory for the Group’s financial year beginning on 1st January 2014. The adoption of these standards, amendments and interpretations has not had any significant impact to the results and financial position of the Group.

HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosure
HKAS 39 (Amendment)	Financial Instruments: Recognitions and Measurement – Novation of derivatives
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities
HK (IFRIC) 21	Levies

The following standards, amendments to standards and interpretations to standards have been issued but are not yet effective for the financial year beginning 1st January 2014 and have not been early adopted by the Group:

		<b>Effective for the accounting period beginning on or after</b>
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution	1st July 2014
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1st January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1st January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 15	Revenue of Contracts from Customers	1st January 2017
HKFRS 9 (2014)	Financial Instruments	1st January 2018
Annual Improvements Project	Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle	1st July 2014
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1st January 2016

The Group is currently assessing the impact of the adoption of the above standards, amendments to standards and interpretations to standards that have been issued but are not yet effective for financial years beginning on 1st January 2014, and does not expect there will be a significant impact to the Group’s financial statements.



In prior years, the directors of the Company regarded Japanese Yen (“JPY”) as the functional currency of the Company since JPY predominantly influences the operation and cash flows of the Group’s major operating subsidiaries. Since the second half of 2014, certain major suppliers relocated its trading offices to the PRC permanently. This change in circumstance triggers the directors to reassess the Company’s functional currency and resolved to change the functional currency of the Company from JPY to HK\$ as HK\$ is the currency that mainly influences the operation and cash flow of the Company. HK\$ remains to be the presentation currency in the consolidated financial statements. The change in functional currency has been applied prospectively with effect from 1st July 2014. The assets and liabilities of Company were converted into HK\$ at a fixed exchange rate on 1st July 2014 of JPY1: HK\$0.0761 and the total equity was HK\$151,196,000 as at 1st July 2014.

## 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.

	<b>For the year ended 31st December 2014</b>			
	<b>The PRC</b>	<b>HK</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Sales	<u>517,790</u>	<u>123,238</u>	<u>37,187</u>	<u>678,215</u>
Segment results	<u>10,309</u>	<u>859</u>	<u>(3,685)</u>	7,483
Finance expense – net				(605)
Share of profit of associates				<u>16,685</u>
Profit before income tax				23,563
Income tax expenses				<u>(998)</u>
Profit for the year				<u>22,565</u>

	For the year ended 31st December 2013			
	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>565,467</u>	<u>128,151</u>	<u>51,981</u>	<u>745,599</u>
Segment results	<u>(3,341)</u>	<u>(435)</u>	<u>(1,795)</u>	(5,571)
Finance expense – net				(2,518)
Share of profit of associates				<u>12,908</u>
Profit before income tax				4,819
Income tax credit				<u>1,674</u>
Profit for the year				<u>6,493</u>

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

#### Assets

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets:		
The PRC	224,280	212,441
Hong Kong	370,142	431,822
Other countries ( <i>Note (a)</i> )	<u>104,866</u>	<u>105,961</u>
	<u>699,288</u>	<u>750,224</u>

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 deposits.

The depreciation of property, plant and equipment and amortisation of leasehold land for the year are HK\$8,898,000 (2013: HK\$11,092,000) and HK\$317,000 (2013: HK\$232,000) respectively.

	<b>2014</b>	2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Capital expenditure:		
The PRC	<b>2,960</b>	3,648
Hong Kong	<b>831</b>	607
	<u><b>3,791</b></u>	<u>4,255</u>

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

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

*Note:*

(a) Other countries include Taiwan, Singapore, Macau, Indonesia and Malaysia.

### 3. OTHER INCOME AND GAINS – NET

	<b>2014</b>	2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value (loss)/gain	<b>(3,539)</b>	872
Rental income	<b>1,617</b>	1,056
Service income	<b>15,804</b>	9,461
Commission income	<b>713</b>	1,141
Net gain from fair value adjustment on an investment property	<b>2,700</b>	3,211
Other income	<b>4,166</b>	2,840
Management fee income from an associate	<b>1,404</b>	1,947
	<u><b>22,865</b></u>	<u>20,528</u>

#### 4. EXPENSES BY NATURE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Auditors' remuneration	2,478	2,426
Cost of inventories sold	539,935	600,925
Depreciation on property, plant and equipment	8,898	11,092
Amortisation on leasehold land	317	232
Operating lease rentals	3,671	4,361
Provision for slow moving inventories	1,997	2,077
Net provision for impairment of trade and bills receivables	2,166	1,256
Foreign exchange gain	(13,863)	(6,056)
Employee benefits expenses (including directors' remuneration)	73,388	81,131
Other expenses	74,610	74,254
	<hr/>	<hr/>
Total cost of goods sold, selling and distribution costs and administrative expenses	<u>693,597</u>	<u>771,698</u>

#### 5. INCOME TAX EXPENSE/(CREDIT)

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	286	29
– PRC and overseas taxation	167	617
– Over provision in previous years	148	(55)
Deferred income tax	397	(2,265)
	<hr/>	<hr/>
	<u>998</u>	<u>(1,674)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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% (2013: 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% (2013: 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

Final dividend of HK3.5 cents for the year ended 31st December 2014 (2013: HK1.5 cents) is to be proposed at the annual general meeting on 29th May 2015.

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interim, paid, of HK Nil cents (2013: HK Nil cents) per ordinary share	–	–
Final, proposed, of HK3.5 cents (2013: HK1.5 cents) per ordinary share	<u>7,768</u>	<u>3,329</u>
	<u><b>7,768</b></u>	<u>3,329</u>

## 7. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the number of ordinary shares in issue during the year.

	<b>2014</b>	2013
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>22,565</u>	<u>6,493</u>
Number of ordinary shares in issue ( <i>in thousands</i> )	<u>221,934</u>	<u>221,934</u>
Basic earnings per share attributable to equity owners of the Company ( <i>HK cents per share</i> )	<u><b>10.17</b></u>	<u>2.93</u>

## 8. INVESTMENT PROPERTY

	2014	2013
<b>At fair value</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Opening balance at 1st January	37,700	–
Transfer from owner-occupied property	–	34,489
Net gain from fair value adjustment	<u>2,700</u>	<u>3,211</u>
Closing balance at 31st December	<u><b>40,400</b></u>	<u><b>37,700</b></u>

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

	2014	2013
	<b>HK\$'000</b>	<b>HK\$'000</b>
Rental income	<u>1,476</u>	<u>984</u>

As at 31st December 2014, the Group had no unprovided contractual obligations for further repairs and maintenance (2013: nil).

The investment property situated in Hong Kong is held on lease of between 10 to 50 years.

The investment property was revalued as at 31st December 2014 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The valuation was derived using the direct comparison approach, assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The fair value measurement of the Group's investment property is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The investment property was transferred from level 2 to level 3 during the year as there is no recent transaction as at 31st December 2014.

Bank borrowings are secured on an investment property for the carrying amount of HK\$40,400,000 (2013: HK\$37,700,000).

## 9(a). INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At 1st January	69,205	62,182
Addition	7,224	4,399
Share of post-tax profits of associates	16,685	12,908
Share of other comprehensive loss of associates	(9,770)	(9,402)
Dividend received from an associate	(1,862)	(882)
	<u>81,482</u>	<u>69,205</u>
At 31st December	<u>81,482</u>	<u>69,205</u>

Set out below are the associates of the Group as at 31st December 2014. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Details of investment in associates as at 31st December 2014 and 2013 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest		Principal activities and place of operation
		2014	2013	
Mitutoyo Leeport Metrology Corporation ("MLMC")	Hong Kong/British Virgin Islands	49	49	Trading of measuring tools
OPS-Ingersoll Funkenerosion GmbH ("OPS")	Germany/Germany	22.34	22.34	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd.	The PRC/The PRC	19	19	Manufacturing of metal forming machinery

There are no contingent liabilities relating to the Group's interest in the associates.

## 9(b). LOAN TO AN ASSOCIATE

The balance represents a loan effectively made to OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months but within five years from the reporting date. During the year, interest received from OPS amounted to HK\$1,469,000 (2013: HK\$1,462,000).

As at 31st December 2014, the carrying value of the loan to an associate was HK\$28,281,000 (2013: HK\$32,148,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

## 10. TRADE AND BILLS RECEIVABLES

At 31st December 2014 and 2013, the ageing analysis of trade and bills receivables by due dates are as follows:

	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<b>55,640</b>	69,148
1 – 3 months	<b>29,831</b>	30,582
4 – 6 months	<b>9,492</b>	8,900
7 – 12 months	<b>7,210</b>	4,630
Over 12 months	<b>10,277</b>	9,355
	<b>112,450</b>	122,615
Less: provision for impairment of receivables	<b>(6,377)</b>	(6,999)
	<b>106,073</b>	115,616

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

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>2014</b>		2013	
	<b>Assets</b>	<b>Liabilities</b>	Assets	Liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Forward foreign exchange contracts				
– non-hedge instruments	<b>25</b>	<b>3,749</b>	105	290

As at 31st December 2014, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR2,369,000 for HKD23,022,000; EUR245,000 for USD310,000; RMB11,000,000 for HKD13,737,000; JPY356,000,000 for HKD25,562,000; JPY32,000,000 for RMB1,726,000; GBP84,000 for HKD1,045,000; AUD525,000 for HKD3,597,000 (2013: Buy EUR626,000 for HKD6,625,000; JPY101,800,000 for USD1,008,000; RMB11,000,000 for HKD13,987,000; EUR3,000,000 for USD4,139,000).



**12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2014**

	Attributable to owners of the Company			Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	
Balance at 1st January 2014	22,193	173,973	144,596	340,762
<b>Comprehensive income</b>				
Profit for the year	–	–	22,565	22,565
<b>Other comprehensive income</b>				
Gain on revaluation of land and buildings	–	9,663	–	9,663
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(4,731)	4,731	–
Movement of deferred tax	–	(730)	–	(730)
Change of value of available-for-sale financial assets	–	4,880	–	4,880
Currency translation differences	–	(14,908)	–	(14,908)
Share of other comprehensive loss of associates	–	(9,770)	–	(9,770)
Total other comprehensive loss, net of tax	–	(15,596)	4,731	(10,865)
<b>Total comprehensive loss</b>	–	(15,596)	27,296	11,700
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>				
Dividend paid relating to 2013	–	–	(3,329)	(3,329)
	–	–	(3,329)	(3,329)
<b>Total transaction with owners, recognised directly in equity</b>	–	–	(3,329)	(3,329)
Balance at 31st December 2014	22,193	158,377	168,563	349,133

	Attributable to owners of the Company			Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	
Balance at 1st January 2013	22,193	199,991	141,001	363,185
<b>Comprehensive income</b>				
Profit for the year	–	–	6,493	6,493
<b>Other comprehensive income</b>				
Gain on revaluation of land and buildings	–	26,646	–	26,646
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(4,870)	4,870	–
Movement of deferred tax	–	1,209	–	1,209
Change of value of available-for-sale financial assets	–	720	–	720
Currency translation differences	–	(40,672)	–	(40,672)
Share of other comprehensive loss of associates	–	(9,402)	–	(9,402)
Total other comprehensive loss, net of tax	–	(26,369)	4,870	(21,499)
<b>Total comprehensive loss</b>	–	(26,369)	11,363	(15,006)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>				
Employees share option scheme: Share option scheme				
– value of services provided	–	351	–	351
Dividend paid relating to 2012	–	–	(7,768)	(7,768)
	–	351	(7,768)	(7,417)
<b>Total transaction with owners, recognised directly in equity</b>	–	351	(7,768)	(7,417)
Balance at 31st December 2013	22,193	173,973	144,596	340,762

### 13. TRADE AND BILLS PAYABLES

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current	98,845	87,991
1 – 3 months	3,089	12,365
4 – 6 months	1,068	184
7 – 12 months	3,439	611
Over 12 months	829	1,882
	<u>107,270</u>	<u>103,033</u>

### 14. BORROWINGS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Current</b>		
Bank overdraft	1,583	65
Trust receipt loans	55,032	71,818
Term loans from banks due for repayment within one year	87,775	150,052
	<u>144,390</u>	<u>221,935</u>

As at 31st December 2014, certain land and buildings, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$259,814,000 (2013: HK\$331,012,000) were pledged to secure the banking facilities of the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

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

- (i) from 27th May 2015 (Wednesday) to 29th May 2015 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 Annual General Meeting. In order to be eligible to attend and vote at the 2015 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 26th May 2015 (Tuesday); and
- (ii) from 4th June 2015 (Thursday) to 8th June 2015 (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 registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3rd June 2015 (Wednesday).

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

## **BUSINESS REVIEW**

The global economic situation in 2014 was bumpy, and there have been no clear signs of any recovery in the economy of Europe or Asia. The economy of the United States fared better. China was unavoidably affected by the bumpy global economy, and the Government has tried to stabilise the country's economy. China's GDP growth rate was 7.4% in 2014, compared with 7.7% in 2013. The lower GDP growth rate has become the norm for Government policy. The manufacturing industry grew by 9.4% in 2014, lower than the growth rate of 10.5% in 2013. The value of exports grew by 4.9% in 2014, significantly lower than the figure of 7.9% in 2013.

Manufacturing industries in 2014 faced many challenges, including shortages of labour, high labour costs, a reduction in orders and over-capacity in some industries. Fortunately, the substantial demand for mobile phones and car manufacturing supported the Group's business in 2014. The elevator industry, the production of general machinery and the manufacturing of switchgear were important to the business of the Group. In China, the production of cars in 2014 grew by 7.1% in 2014, reaching a volume of 23.9 million cars. In 2014, the production of computer, telecommunications and electronic equipment grew by 12.2%, and the production of general machinery grew by 9.1%.

The Group's business performance in South East Asian countries did not improve in 2014, due to the weak economic situation in the region. The Group will therefore adjust its strategy in the region. A new joint-venture company in Malaysia, involving a supplier and a local partner, will be formed.

The value of the Group's outstanding contracts was HK\$226,513,000 at the end of February 2015, due mainly to a number of large orders received from key customers. The sales pipeline has been promising since the beginning of 2015.

The associated company, Mitutoyo Leepport Metrology Corporation, was very successful in 2014. Thanks to its position as the market leader in measuring instruments and its aggressive marketing and selling strategies, Mitutoyo Leepport Metrology Corporation achieved an outstanding result in 2014. Another associated company, OPS Ingersoll Funkenerosion GmbH, performed well in 2014, especially in Germany, due to the strong economic situation in that country.

The overall financial result of the Group has improved significantly compared with 2013, due mainly to the effective cost-control measures achieved in the year, and the contribution from the share of profits of the associated companies.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The balance of cash net of overdraft of the Group as at 31st December 2014 was HK\$57,154,000 (31st December 2013: HK\$51,444,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 31st December 2014 was HK\$80,899,000 (31st December 2013: HK\$65,761,000). The turnover days of inventory was 54 at the end of December 2014, compared to 40 at the end of December 2013. The inventory level was higher at 31st December 2014 than at 31st December 2013. This was due to the delivery of more cutting tools from suppliers by the end of year, so that we could catch up on the outstanding contracts on hand. The balance of trade receivables and bills receivable was HK\$106,073,000 as at 31st December 2014 (31st December 2013: HK\$115,616,000). The turnover days of trade receivable was 57, same as 57 at the end of December 2013. The balance of trade payables and bills payable was HK\$107,270,000 as at 31st December 2014 (31st December 2013: HK\$103,033,000). The balance of short-term borrowings was HK\$144,390,000 as at 31st December 2014 (31st December 2013: HK\$221,935,000). The Group reduced the pledged loan balances purposely for the saving of bank interest in the year.

The Group's net gearing ratio was approximately 24.5% as at 31st December 2014 (31st December 2013: 50%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. This reduction in the gearing ratio came about because of a significant reduction in pledged loans, in order to save on finance costs.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2014, the Group had aggregate banking facilities of approximately HK\$777,854,000, of which approximately HK\$202,946,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$259,814,000 (31st December 2013: HK\$331,012,000). The directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## **FUTURE PLANS AND PROSPECTS**

The global economic situation is still stagnant. The global demand for exports from China is low, because the economic recovery in other countries is weak. The Chinese Government has set the direction for the country's economic growth, with the aim of qualitative but not quantitative advancement.

As for the manufacturing industries, the Chinese Government is trying to promote technology-intensive industries rather than labour- and resources-intensive industries. This strategy is likely to create business opportunities for the high-end manufacturing equipment that the Group sells. A significant number of government projects have been approved, including the high-speed train and improvements in the country's general infrastructure. It is expected that the loosening of capital market measures by the banks will trigger the launch of new projects and increase demand for manufacturing equipment and tools.

Due to the implementation of certain cost-control measures in 2014, and the consequent lean organisation and the enhancement and productivity of staff, it is expected that the Group's profits will improve further. We also need to enhance the management of key accounts in order to maintain our business expansion. Our policy of increasing the number of capable sales staff in various locations will also continue.

The Tools division of the Group has just acquired the business of another distributor for Mitsubishi cutting tools in Southern China in 2015. This is likely to contribute further to the performance of the Tools division.

The Group has also acquired a new property in the Pudong area of Shanghai. This new property will centralise our logistics, showroom, sales and support operations in Eastern China, and we are confident that this will produce cost-effective results. The new operational centre is due to open in the third quarter of 2015.

At the beginning of 2015, the Group increased its shareholding in the manufacturing plant for sheetmetal machinery, Prima Power Suzhou Company Limited, from 19% to 30%. The plant started production at the beginning of the year. Locally made machines in China are more competitive in terms of price, delivery lead time and service support. It is expected that this joint-venture plant will make a significant contribution to the Group's financial results.

The business for the associated companies, Mitutoyo Leepport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH, is expected to improve further in 2015. Meanwhile, the Group will continue to look for new investment opportunities, especially partnerships with existing and new suppliers.

I am confident that in 2015, the Group will be able to achieve a better result than in 2014.

## **EMPLOYEES**

As at 31st December 2014, the Group had 321 employees (31st December 2013: 380). Of these, 92 were based in Hong Kong, 212 were based in mainland China, and 17 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 and discretionary performance bonuses.

## SHARE CAPITAL

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u><b>100,000</b></u>	<u>100,000</u>
	<b>Number of shares</b> <i>(in thousand)</i>	<b>Share capital</b> <i>HK\$'000</i>
Issued and fully paid:		
At 1st January 2014 and 31st December 2014		
221,934,062 ordinary shares of HK\$0.10 each	<u>221,934</u>	<u>22,193</u>

### Share options

On 15th May 2013, a new share option scheme (the “New Scheme”) has been adopted in the annual general meeting held to replace the old scheme. Details of the New Scheme are set out in the circular dated 15th April 2013 which was sent to the shareholders.

On 15th November 2013, 1,740,000 share options have been offered and granted to Dr. Lui Sun Wing with an exercise price of HK\$1.13 per share. The closing price of the shares on the date of grant was HK\$1.13 per share and the average closing price of the shares for the five business days immediately preceding the date of grant was HK\$1.108 per share. The closing price of the shares on 14th November 2013 (immediately before 15th November 2013, the date his options granted) was HK\$1.13 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 2013 are as follows:

<b>Date of granted</b>	<b>15th November 2013</b>
Number of share options granted	1,740,000
Share price at date of grant (HK\$)	1.13
Exercise price (HK\$)	1.13
Expected life of options	3 years
Annualised volatility	34.70%
Risk free interest rate	0.45%
Dividend payout rate	3.47%

No share-based payment expenses was recognised in the consolidated income statement for these share options granted to directors and employees for the year ended 31st December 2014 (2013: HK\$351,000).

The exercise period of share option granted on 15th November 2013 is from 15th November 2013 to 14th November 2016 (both dates inclusive). Pursuant to the share option scheme, these share options were fully vested on 15th November 2013.

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	Granted during the year	Lapsed during the year	At end of the year
<b>Director</b>							
LUI Sun Wing (Dr. Lui)	15th November 2013	15th November 2013 – 14th November 2016	1.13	1,740,000	–	–	1,740,000
				<u>1,740,000</u>	<u>–</u>	<u>–</u>	<u>1,740,000</u>

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

## **DETAILS OF THE CHARGES ON THE GROUP'S ASSETS**

As at 31st December 2014, certain land and buildings, leasehold land and investment property restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK\$259,814,000 (31st December 2013: HK\$331,012,000), were pledged to secure the banking facilities of the Group by way of a fixed charge.

## **CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES**

During the year 2014, the Group spent a total of HK\$3,791,000 (31st December 2013: HK\$4,255,000) in capital expenditure, primarily consisting of property, plant and equipment. As at 31st December 2014, the Group had capital commitments of HK\$17,355,000 on property, plant and equipment (31st December 2013: HK\$736,000 on property, plant and equipment, and an investment of HK\$7,073,000 in an associated company) In the meantime, a total of HK\$14,557,000 (31st December 2013: HK\$24,155,000) in contingent liabilities in respect of letters of guarantee was given to customers.

## **EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

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

As at 31st December 2014, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR2,369,000 for HKD23,022,000; EUR245,000 for USD310,000; RMB11,000,000 for HKD13,737,000; JPY356,000,000 for HKD25,562,000; JPY32,000,000 for RMB1,726,000; GBP84,000 for HKD1,045,000; AUD525,000 for HKD3,597,000 (2013: Buy EUR626,000 for HKD6,625,000; JPY101,800,000 for USD1,008,000; RMB11,000,000 for HKD13,987,000; EUR3,000,000 for USD4,139,000).

## **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 2014, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

### **Code Provision A.2.1**

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and 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 2014, 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 2014 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu, and Mr. ZAVATTI Samuel has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the condensed consolidated financial statements for the year ended 31st December 2014 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 2014. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **2015 ANNUAL GENERAL MEETING**

It is proposed that the 2015 Annual General Meeting of the Company will be held on 29th May 2015 (Friday). A notice convening the 2015 Annual General Meeting will be published on the websites of the Stock Exchange and the Company in due course and will be dispatched to the shareholders of the Company accordingly.

By order of the Board  
**Leeport (Holdings) Limited**  
**LEE Sou Leung, Joseph**  
*Chairman*

Hong Kong, 16th March 2015

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