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Leeport
LLEPORT (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 2016**

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 2016, together with the comparative figures for the year ended 31st December 2015. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

In 2016, the manufacturing industry in China continued to face the difficulty of weak exports and overcapacity in some industries. However, the economic situation has improved since the fourth quarter of 2016. Encouragingly, the overall business of the Group improved in 2016 as compared with 2015. The Group’s sales amounted to HK\$715,113,000, compared with HK\$674,980,000 in 2015, representing an increase of 5.9%. The Group’s gross profit amounted to HK\$133,595,000 in 2016, compared with HK\$123,410,000 in 2015, representing an increase of 8.3%. The gross profit percentage was 18.7% in 2016, slightly better than the gross profit percentage of 18.3% in 2015.

* *For identification purpose only*

Other Income and Gains

The total value of other income and gains was HK\$17,249,000 in 2016, compared with HK\$18,443,000 in 2015, representing a decrease of 6.5%.

The service income was HK\$8,735,000 in 2016, compared with HK\$9,626,000 in 2015, representing a decrease of 9.3%. The commission income was HK\$3,032,000 in 2016, higher than the amount of HK\$2,030,000 in 2015.

Other income included rental of HK\$1,625,000, a management fee of HK\$1,505,000 charged against Mitutoyo Leeport Metrology Corporation, and a gain of HK\$1,750,000 from the disposal of a subsidiary. There was a loss on forward contracts of HK\$2,810,000 in 2016.

In the first half of 2016 our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Group received a dividend of HK\$690,000.

Operating Expenses

Selling and distribution costs were HK\$34,070,000 in 2016, compared with HK\$28,074,000 in 2015, representing an increase of 21.4%. The higher selling and distribution costs were due mainly to higher marketing expenses, bank charges and logistics costs resulting from the higher sales volume.

Administrative expenses amounted to HK\$100,800,000 in 2016, compared with HK\$107,391,000 in 2015, representing a decrease of 6.1%. Staff costs for 2016 were lower than for 2015 because of the reducing value of the Renminbi in the year and there was cost of share option granted to staff in 2015. There was a reduction in rental costs after the opening of the new Group-owned showroom and logistics centre in Shanghai at the beginning of 2016. Travelling expenses also were lower in 2016 as compared with 2015 due to the improvement in the productivity of the sales team. In the second half of 2016, the Renminbi, Euro and Japanese Yen were very volatile, and the Group incurred an exchange loss of HK\$3,447,000 for the whole year, compared with an exchange loss of HK\$1,947,000 in 2015.

Share of Profit of Associated Companies

The share of profits of associates in 2016 was HK\$11,279,000, compared with HK\$16,307,000 in 2015, representing a decrease of 30.8%.

The share of profit of Mitutoyo Leepport Metrology Corporation was HK\$5,294,000 in 2016, which was significantly lower than the figure of HK\$12,264,000 in 2015. This was due mainly to the impact of the fluctuating Japanese Yen during the year. The business of Mitutoyo Leepport Metrology Corporation in 2016 was actually better than in 2015.

The share of profit of OPS Ingersoll Funkenerosion GmbH was HK\$5,486,000, compared with HK\$6,903,000 in 2015. OPS Ingersoll Funkenerosion GmbH actually achieved another successful year in 2016, however there were higher personnel costs and operating expenses in 2016 as compared with 2015.

The joint-venture plant, Prima Power Suzhou Company Limited, made a profit in 2016. The share of profit was HK\$499,000 in 2016, compared with a share of loss of HK\$2,860,000 in 2015.

Finance Expenses – Net

Finance expenses net of finance income were HK\$1,740,000 in 2016, compared with HK\$223,000 in 2015. Finance income in 2016 was HK\$1,767,000, compared with HK\$2,800,000 in 2015, representing a decrease of 36.9%. Interest income from bank deposits in 2016 was lower than in 2015. The decrease in finance income was due mainly to a reduction in restricted bank deposits in Renminbi. The Group has exchanged a significant amount of Renminbi to Hong Kong Dollars to avoid the impact of the weakening Renminbi. The interest rate in 2016 for Renminbi deposits was also relatively lower than in 2015. Interest income derived from the loan to OPS Ingersoll Funkenerosion GmbH was HK\$1,102,000 in 2016, compared with HK\$1,228,000 in 2015. At the end of August 2016, OPS Ingersoll Funkenerosion GmbH repaid a loan of Euro 1 million to Leepport.

Finance expenses were HK\$3,507,000 in 2016, compared with HK\$3,023,000 in 2015, representing an increase of 16.0%. The average borrowing in 2016 including the revolving loan and term loan was higher than in 2015, so the Group incurred higher finance expenses in the year.

Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK\$23,673,000 in 2016, compared with HK\$21,458,000 in 2015, representing an increase of 10.3%. The operating profit for the trading business in 2016 was HK\$15,974,000, compared with HK\$6,388,000 in 2015, representing an increase of 150.1%. The increase in operating profit was attributed to the increase in sales and the gross profit in the year. On the other hand, the increase in selling and distribution costs was compensated for by a reduction in administrative expenses. In 2016, the financial expenses were higher than in 2015, but the finance income was lower. There was gain of HK\$1,750,000 on the disposal of a subsidiary in Macau.

The basic earnings per share were HK10.57 cents in 2016, compared with the figure of HK9.63 cents in 2015, representing an increase of 9.8%.

DIVIDEND

An interim dividend of HK3.5 cents per ordinary share, totalling HK\$7,870,000, was paid to the shareholders of the Company on 19th October 2016.

The Directors recommended a final dividend of HK3.0 cents per ordinary share, totalling HK\$6,813,000 (in 2015, the final dividend was HK1.5 cents per ordinary share, totalling HK\$3,355,000). This recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 12th June 2017. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 28th June 2017 to the shareholders of the Company whose names appear on the register of members on 19th June 2017.

The total dividend paid per ordinary share for the year ended 31st December 2016 will be HK6.5 cents, compared with HK5.0 cents per ordinary share for the year ended 31st December 2015, representing an increase of 30%.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales	2	715,113	674,980
Cost of goods sold	4	<u>(581,518)</u>	<u>(551,570)</u>
Gross profit		133,595	123,410
Other income and gains – net	3	17,249	18,443
Selling and distribution costs	4	(34,070)	(28,074)
Administrative expenses	4	<u>(100,800)</u>	<u>(107,391)</u>
Operating profit		15,974	6,388
Finance income		1,767	2,800
Finance expenses		<u>(3,507)</u>	<u>(3,023)</u>
Finance expenses – net		(1,740)	(223)
Share of profits of associates	9(a)	<u>11,279</u>	<u>16,307</u>
Profit before income tax		25,513	22,472
Income tax expense	5	<u>(1,840)</u>	<u>(1,014)</u>
Profit for the year		<u>23,673</u>	<u>21,458</u>
Profit attributable to:			
Owners of the Company		<u>23,673</u>	<u>21,458</u>
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (Hong Kong cents)	7	<u>HK10.57 cents</u>	<u>HK9.63 cents</u>
Diluted earnings per share (Hong Kong cents)	7	<u>HK10.50 cents</u>	<u>HK9.56 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year		23,673	21,458
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of land and buildings		17,449	13,153
Movement of deferred tax		(1,494)	(1,218)
		15,955	11,935
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets, net of tax		4,246	(2,461)
Currency translation differences		(5,972)	(5,524)
Share of other comprehensive gain/(loss) of associates		364	(3,078)
		(1,362)	(11,063)
Other comprehensive income for the year, net of tax		14,593	872
Total comprehensive income for the year		38,266	22,330
Total comprehensive income attributable to owners of the company		38,266	22,330

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		211,102	190,522
Leasehold land		16,473	8,332
Investment property	8	43,000	43,000
Investments in associates	9(a)	101,871	96,996
Loan to an associate	9(b)	16,593	25,430
Prepayments		391	19,029
Available for sale financial assets		12,863	–
		<u>402,293</u>	<u>383,309</u>
		<u>402,293</u>	<u>383,309</u>
Current assets			
Inventories		60,595	62,231
Trade and bills receivables	10	97,906	115,055
Other receivables, prepayments and deposits		18,917	20,236
Available-for-sale financial assets		56,336	34,016
Derivative financial instruments	11	429	320
Amounts due from an associate		213	–
Tax recoverable		–	357
Restricted bank deposits		24,680	24,151
Cash and cash equivalents		53,954	45,476
		<u>313,030</u>	<u>301,842</u>
		<u>313,030</u>	<u>301,842</u>
Total assets		<u>715,323</u>	<u>685,151</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31ST DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>12</i>	22,554	22,367
Other reserves	<i>12</i>	168,483	157,498
Retained earnings		197,200	179,414
		<hr/>	<hr/>
Total equity		388,237	359,279
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	12,222	–
Deferred income tax liabilities		26,044	24,578
		<hr/>	<hr/>
		38,266	24,578
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables and bills payables	<i>13</i>	95,105	103,702
Other payables, accruals and deposits received		57,382	62,454
Derivative financial instruments	<i>11</i>	1,150	458
Borrowings	<i>14</i>	133,641	134,175
Tax payable		1,542	270
Amount due to an associate		–	235
		<hr/>	<hr/>
		288,820	301,294
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		327,086	325,872
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		715,323	685,151
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies Ordinance Cap. 622. 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 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.

- (i) The following amendments to standards are mandatory for the Group’s financial year beginning on 1st January 2016. The adoption of these amendments has not had any significant impact to the results and financial position of the Group

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

- (ii) The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1st January 2016 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 7 Amendment	Disclosure Initiative	1st January 2017
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 9	Financial instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	1st January 2018
HKFRS 16	Leases	1st January 2019

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 2016, and does not expect there will be a significant impact to the Group's consolidated financial statements.

2. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, the Board of Directors, that are used to make strategic decisions.

The Board considers the business from a geographic perspective. 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, 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.

	For the year ended 31st December 2016			
	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>622,025</u>	<u>83,827</u>	<u>9,261</u>	<u>715,113</u>
Segment results	<u>14,557</u>	<u>3,908</u>	<u>(2,491)</u>	15,974
Finance expense – net				(1,740)
Share of profit of associates				<u>11,279</u>
Profit before income tax				25,513
Income tax expenses				<u>(1,840)</u>
Profit for the year				<u>23,673</u>

	For the year ended 31st December 2015			
	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>548,561</u>	<u>99,881</u>	<u>26,538</u>	<u>674,980</u>
Segment results	<u>6,783</u>	<u>2,725</u>	<u>(3,120)</u>	6,388
Finance expense – net				(223)
Share of profit of associates				<u>16,307</u>
Profit before income tax				22,472
Income tax expenses				<u>(1,014)</u>
Profit for the year				<u>21,458</u>

During the year ended 31st December 2016, revenue derives from the Group's largest customer amounted to HK\$107,972,000 or 15.1% of the Group's revenue (2015: HK\$99,533,000 or 14.7% of the Group's revenue).

Assets

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets:		
The PRC	236,435	237,385
Hong Kong	346,202	376,010
Other countries (<i>Note (a)</i>)	<u>132,686</u>	<u>71,756</u>
	<u>715,323</u>	<u>685,151</u>

Note:

- (a) Other countries include Italy, Germany, Finland, Taiwan, Singapore, Macau, Indonesia and Malaysia.

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

Segment assets consist primarily of property, plant and equipment, leasehold land, investment in associates, investment property, available-for-sale financial assets, inventories, receivables, derivative financial instruments, operating cash and deposits.

The depreciation of property, plant and equipment and amortisation of leasehold land for the year ended 31st December 2016 are HK\$8,752,000 (2015: HK\$9,354,000) and HK\$461,000 (2015: HK\$309,000) respectively.

Capital expenditure:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure:		
The PRC	21,017	75
Hong Kong	1,165	4,232
	<u>22,182</u>	<u>4,307</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.

3. OTHER INCOME AND GAINS – NET

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value loss	(2,810)	(1,774)
Rental income	1,625	1,511
Service income	8,735	9,626
Commission income	3,032	2,030
Net fair value gain on an investment property	–	2,600
Other income	5,162	3,017
Management fee income from an associate	1,505	1,433
	<u>17,249</u>	<u>18,443</u>

4. EXPENSES BY NATURE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditors' remuneration- Audit services	2,640	2,559
Cost of inventories sold	575,606	550,472
Depreciation on property, plant and equipment	8,752	9,354
Amortisation on leasehold land	461	309
Operating lease rentals	1,319	2,758
Provision for/(write back of) slow moving inventories	2,340	(2,425)
Net provision for impairment of trade and bills receivables	87	721
Foreign exchange loss	3,447	1,947
Employee benefits expenses (including directors' remuneration)	57,769	60,300
Other expenses	63,967	61,040
	<hr/>	<hr/>
Total cost of goods sold, selling and distribution costs and administrative expenses	716,388	687,035

5. INCOME TAX EXPENSE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	168	104
– PRC and overseas taxation	1,450	644
– Under provision in previous years	250	221
Deferred income tax	(28)	45
	<hr/>	<hr/>
	1,840	1,014

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 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% (2015: 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

The dividends paid in 2016 and 2015 were HK\$11,225,000 (HK5.0 cents per share) and HK\$15,658,000 (HK7.0 cents per share) respectively. A dividend in respect of the year ended 31st December 2016 of HK3.0 cents per share, amounting to a total dividend of HK\$6,813,000, is to be proposed at the annual general meeting on 12th June 2017. These financial statements do not reflect this dividend payable.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim, paid, of HK3.5 cents (2015: HK3.5 cents) per ordinary share	7,870	7,829
Final, proposed, of HK3.0 cents (2015: HK1.5 cents) per ordinary share	6,813	3,355
	<u>14,683</u>	<u>11,184</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 weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>23,673</u>	<u>21,458</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>224,069</u>	<u>222,930</u>
Basic earnings per share attributable to equity owners of the Company (<i>HK cents per share</i>)	<u>10.57</u>	<u>9.63</u>

(b) Diluted

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 share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2016	2015
<i>Profit attributable to equity holders of the Company (HK\$'000)</i>	<u>23,673</u>	<u>21,458</u>
<i>Weighted average number of ordinary shares in issue (in thousands)</i>	224,069	222,930
Adjustments for:		
– Share options (in thousands)	<u>1,397</u>	<u>1,631</u>
 Weighted average number of ordinary shares for diluted earnings per share (in thousands)	 <u>225,466</u>	 <u>224,561</u>
 Diluted earnings per share (HK cents)	 <u>10.50</u>	 <u>9.56</u>

8 INVESTMENT PROPERTY

	2016	2015
At fair value	HK\$'000	HK\$'000
Opening balance at 1st January	43,000	40,400
Net gain from fair value adjustment	<u>–</u>	<u>2,600</u>
 Closing balance at 31st December	 <u>43,000</u>	 <u>43,000</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Rental income	<u>1,500</u>	<u>1,346</u>

As at 31st December 2016, the Group had no unprovided contractual obligations for further repairs and maintenance (2015: nil).

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

The investment property was revalued as at 31st December 2016 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. There were no such transfers during the year.

9(a). INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1st January	96,996	81,482
Additions	–	6,823
Share of post-tax profits of associates	11,279	16,307
Share of other comprehensive income/(loss) of associates	364	(3,078)
Dividend received from an associate	<u>(6,768)</u>	<u>(4,538)</u>
At 31st December	<u>101,871</u>	<u>96,996</u>

Set out below are the associates of the Group as at 31st December 2016 and 2015. 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 2016 and 2015 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest		Principal activities and place of operation
		2016	2015	
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	30	30	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 made to an associate – 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\$1,102,000 (2015: HK\$1,228,000).

As at 31st December 2016, the carrying value of the loan to an associate was HK\$16,593,000 (2015: HK\$25,430,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

10. TRADE AND BILLS RECEIVABLES

At 31st December 2016 and 2015, the ageing analysis of trade and bills receivables by due dates are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	48,557	77,365
1 – 3 months	31,496	18,633
4 – 6 months	11,858	4,810
7 – 12 months	4,117	9,071
Over 12 months	8,078	11,981
	104,106	121,860
Less: provision for impairment of receivables	(6,200)	(6,805)
	97,906	115,055

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.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	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	429	1,150	320	458

As at 31st December 2016, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000 (2015: buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; RMB8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000).

12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2016

	Attributable to owners of the Company			Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2016	22,367	157,498	179,414	359,279
Comprehensive income				
Profit for the year	–	–	23,673	23,673
Other comprehensive income				
Gain on revaluation of land and buildings	–	17,449	–	17,449
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(5,338)	5,338	–
Movement of deferred tax	–	(1,494)	–	(1,494)
Change of value of available-for-sale financial assets	–	4,246	–	4,246
Currency translation differences	–	(5,972)	–	(5,972)
Share of other comprehensive gain of associates	–	364	–	364
Total other comprehensive income, net of tax	–	9,255	5,338	14,593
Total comprehensive income	–	9,255	29,011	38,266
Total contributions by and distributions to owners of the Company recognised directly in equity				
Employees share option scheme:				
– exercise of options	187	1,730	–	1,917
Dividend paid relating to 2015	–	–	(3,355)	(3,355)
Dividend paid relating to 2016	–	–	(7,870)	(7,870)
	187	1,730	(11,225)	(9,308)
Total transaction with owners, recognised directly in equity	187	1,730	(11,225)	(9,308)
Balance at 31st December 2016	22,554	168,483	197,200	388,237

12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2015

	Attributable to owners of the Company			Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2015	22,193	158,377	168,563	349,133
Comprehensive income				
Profit for the year	–	–	21,458	21,458
Other comprehensive income				
Gain on revaluation of land and buildings	–	13,153	–	13,153
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(5,051)	5,051	–
Movement of deferred tax	–	(1,218)	–	(1,218)
Change of value of available-for-sale financial assets	–	(2,461)	–	(2,461)
Currency translation differences	–	(5,524)	–	(5,524)
Share of other comprehensive loss of associates	–	(3,078)	–	(3,078)
Total other comprehensive income, net of tax	–	(4,179)	5,051	872
Total comprehensive income	–	(4,179)	26,509	22,330
Total contributions by and distributions to owners of the Company recognised directly in equity				
Employees share option scheme:				
– value of services provided	–	1,508	–	1,508
– exercise of options	174	1,792	–	1,966
Dividend paid relating to 2014	–	–	(7,829)	(7,829)
Dividend paid relating to 2015	–	–	(7,829)	(7,829)
	174	3,300	(15,658)	(12,184)
Total transaction with owners, recognised directly in equity	174	3,300	(15,658)	(12,184)
Balance at 31st December 2015	22,367	157,498	179,414	359,279

13. TRADE AND BILLS PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	87,720	100,819
1 – 3 months	2,553	2,265
4 – 6 months	1,225	174
7 – 12 months	3,541	114
Over 12 months	66	330
	<u>95,105</u>	<u>103,702</u>

14. BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current		
Portions of term loans from bank due for repayment after one year	12,222	–
Current		
Bank overdrafts	846	248
Trust receipt loans	24,356	33,488
Portions of term loans from banks due for repayment within one year	102,883	78,216
Portions of term loans from banks due for repayment after one year which contain a repayable on demand clause	5,556	22,223
	<u>133,641</u>	<u>134,175</u>
Total borrowings	<u>145,863</u>	<u>134,175</u>

As at 31st December 2016, certain land and buildings, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$244,301,000 (2015: HK\$234,636,000) were pledged to secure the banking facilities of the Group.

The facilities expiring within one year are annual facilities subject to review at various dates during 2017.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from 7th June 2017 (Wednesday) to 12th June 2017 (Monday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 Annual General Meeting. In order to be eligible to attend and vote at the 2017 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 6th June 2017 (Tuesday); and
- (ii) from 16th June 2017 (Friday) to 19th June 2017 (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 15th June 2017 (Thursday).

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

BUSINESS REVIEW

As the second largest economy in the world, China achieved a 6.7% GDP growth in 2016, which was outstanding. China was also the biggest driver of the global economy in 2016, with one third of the global economic growth being driven by China's economic growth. The growth rate for the value of industrial production was 6%. The value of exports fell slightly, by 0.2%. On the other hand, the Chinese Government Purchase Manager Index (PMI) for the manufacturing industry was higher than 50 for seven consecutive months from August 2016. The overall economic situation of China in 2016 was reasonably stable, and was improving towards the end of the year.

The business of the Group in 2016 came basically from similar customer segments as in the past few years. Car manufacturing and mobile phone manufacturing continued to be the Group's major customer segments. Other industries, including telecommunications, electronic products, molds and dies, home appliances and switchgear, were also important customer segments for the Group in 2016. The increase of the business in 2016 as compared with 2015 was due mainly to the business improvement in Central and Northern China, especially as a result of improved key account management. In terms of the Group's business divisions, the electronic equipment, cutting tools and measuring equipment divisions achieved fairly good results in 2016, however the business for the machine tool division was almost flat in the year.

The value of the Group's outstanding orders at the end of February 2017 was HK\$151,208,000, compared with HK\$175,900,000 at the end of February 2016. The contract amount was a bit low at the beginning of 2017, however we expect that the volume of orders will grow later in the year, due to the expected increased business opportunities in China.

The business of the associate, Mitutoyo Leepport Metrology Corporation, achieved double-digit growth in 2016 as compared with 2015. Unfortunately, the result was adversely affected by the fluctuating Japanese Yen during the year, and the company incurred a significant amount of exchange loss. The business of OPS Ingersoll Funkenerosion GmbH reached a record level in 2016, however due to higher personnel costs and operating expenses, the profit in 2016 was lower than in 2015. Prima Power Suzhou Company Limited also achieved a good result in 2016, and it became profitable after its establishment in 2014.

The business of the Group increased by 5.9% in 2016 as compared with 2015 (2016: HK\$715,113,000, 2015: HK\$674,980,000). The operating profit increased by 150.1% as compared with 2015 (2016: HK\$15,974,000, 2015: HK\$6,388,000). This was a significant improvement in the operating profit of the Group's trading business.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2016 was HK\$53,108,000 (31st December 2015: HK\$45,228,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 31st December 2016 was HK\$60,595,000 (31st December 2015: HK\$62,231,000). The turnover days of inventory was 38 at the end of December 2016, compared with 41 at the end of December 2015. The inventory level was lower at 31st December 2016 than at 31st December 2015 due to the provision for some slow-moving stock and also the clearance of some aged stock. The balance of trade receivable and bills receivable was HK\$97,906,000 as at 31st December 2016 (31st December 2015: HK\$115,055,000). The turnover days of trade receivable was 50, compared with 62 at the end of December 2015. The lower turnover days of trade receivable at the end of December 2016 was due to big amount of invoices issued at December 2015 so that the balance of account receivable was larger in 2015. The balance of trade payable and bills payable was HK\$95,105,000 as at 31st December 2016 (31st December 2015: HK\$103,702,000). The lower balance of trade payable and bills payable as at 31st December 2016 was in line with the lower trade receivable in December 2016. The balance of short-term borrowings was HK\$133,641,000 as at 31st December 2016 (31st December 2015: HK\$134,175,000). The balance of long-term borrowings was HK\$12,222,000 as at 31st December 2016 (31st December 2015: NIL), which provided a longer term of finance resources for the Group's business development.

The Group's net gearing ratio was approximately 23.7% as at 31st December 2016 (31st December 2015: 24.7%). The gearing ratio is slightly lower than in 2015. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2016, the Group had aggregate banking facilities of approximately HK\$656,439,000, of which approximately HK\$215,675,000 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\$244,301,000 (31st December 2015: HK\$234,636,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

In China, the Government predicted the GDP growth rate would not be lower than 6.5% in 2017. This is a reasonable target, even lower than the actual rate of 6.7% in 2016. Since mid-2016, the Chinese Government's Purchase Manager Index (PMI) for the manufacturing industry has trended upwards. This indicates the improving situation in China.

Overall, the global economy in 2017 looks to be improving at a relatively fast pace, compared with 2016. A major concern is the protectionism of the new US Government which may mean that some measures will adversely affect the economy of other countries, including China. On the other hand, the "One Belt One Road" and "Made in China 2025" initiatives have become hot topics in China, so the related capital investment is likely to increase gradually.

As part of China's "Made in China 2025" policy initiative, the Government aims to comprehensively upgrade the capabilities of the country's manufacturing industry. The Group therefore foresees that the automation of manufacturing processes will be one of the major business opportunities in China and we will invest more resources in forming a team to source more new products in the field of automation. The measuring business is another key area for development, as the Group already has a strong team in measuring products.

The car manufacturing industry, which is a traditional industry, is expected to slow down in 2017, except in the area of electric cars. It is possible that the mobile phone manufacturing industry will maintain a slight growth in 2017. The Group will try to explore new customer bases in the new year. The Group will also, as always, continue to explore opportunities for partnerships with suppliers. Investment in new products and new partnerships is an established strategy of the Group.

We expect that the business of the associates, Mitutoyo Leepport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH, will achieve reasonable growth in 2017. The impact of currency fluctuations is likely to be mild in 2017. Prima Power Suzhou Company Limited became profitable in 2016 and it is expected that its bottom line will continue to improve in 2017.

2017 is still likely to be a challenging year for the Group, even though we believe the market situation in China is improving. The Group has already set higher business targets for 2017.

In significant news, 2017 is the 50th anniversary of the Leeport Group. Over the past 50 years, the Group has accumulated broad knowledge, experience and expertise in various types of advanced manufacturing technology, especially metalcutting, metalforming, cutting tools and measurement technologies. China is moving rapidly towards its goal of becoming the leading industrial power in the world, and Leeport is ideally placed to take advantage of this great opportunity to grow its business as rapidly as possible. We therefore confidently believe that the Group will be bigger and more successful in the near future. To ensure a strong foundation for the Group's growing success for the future, we have worked diligently in recent years to restructure the Group and to build a highly experienced and talented management team.

EMPLOYEES

As at 31st December 2016, the Group had 256 employees (31st December 2015: 256). Of these, 80 were based in Hong Kong, 165 were based in mainland China, and 11 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, education subsidies and discretionary performance bonuses.

SHARE CAPITAL

Share capital

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>

	Number of shares <i>(in thousand)</i>	Share capital <i>HK\$'000</i>
Issued and fully paid: At 1st January 2015	221,934	22,193
Exercise of options	<u>1,740</u>	<u>174</u>
At 31st December 2015	223,674	22,367
Exercise of options	<u>1,868</u>	<u>187</u>
At 31st December 2016	<u><u>225,542</u></u>	<u><u>22,554</u></u>

Share options

The Company adopted a share option scheme (the “Old Scheme”) at a special general meeting held on 17th June 2003. At the annual general meeting of shareholders held on 15th May 2013, the Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK\$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) shall not exceed 10% of the shares in issue as at the date of such shareholder’s approval. At the date of this report, the total number of options that granted and may be granted was 17,035,406 representing approximately 7.5% of the number of issued shares in issue as at the approval of the New Share Option Scheme.

Subscription price in relation to each option pursuant to the New Scheme shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date on which the option is offered to an Eligible Participant; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

The options are exercisable within the option period as determined by the Board of the Company. The New Scheme shall be valid and effective for a period of 10 years commencing from 15th May 2013, the date of the approval of the New Scheme.

Share options are granted to directors and to selected employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2016		2015	
	Average exercise price in HK\$ per share option	Number of share options (<i>thousands</i>)	Average exercise price in HK\$ per share option	Number of share options (<i>thousands</i>)
At 1st January	1.026	7,907	1.13	1,740
Granted	–	–	1.026	7,907
Exercised	1.026	(1,868)	1.13	(1,740)
At 31st December	<u>1.026</u>	<u>6,039</u>	<u>1.026</u>	<u>7,907</u>

All the outstanding options as of 31st December 2016 and 2015 were exercisable. Option exercised in 2016 resulted in 1,868,000 (2015: 1,740,000) shares being issued at HK\$1.026 each (2015: 1.13). The related weighted average share price at the time of exercise was HK\$1.50 (2015: HK\$2.07) each. No transaction costs has been borne by the Group.

Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in HK\$ per share option	Number of share options (<i>thousands</i>)	
		2016	2015
16th June 2017	1.026	<u>6,039</u>	<u>7,907</u>
At 31st December		<u>6,039</u>	<u>7,907</u>

During the year ended 31st December 2015, the weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was approximately HK\$0.19 per option. The significant inputs into the model were share price of HK\$1.01 per share at the grant date, exercise price of HK\$1.026 per share as shown above, volatility of 40.47%, dividend yield of 3.47%, an expected option life of 2.25 years, and an annual risk-free interest rate of 0.63%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2016, 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\$244,301,000 (31st December 2015: HK\$234,636,000), were pledged to secure the banking facilities of the Group.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

During the year 2016, the Group spent a total of HK\$22,182,000 (31st December 2015: HK\$4,307,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 31st December 2016, the Group had capital commitments of HK\$168,000 on property, plant and equipment. (31st December 2015: HK\$2,004,000 on property, plant and equipment) In the meantime, a total of HK\$25,090,000 (31st December 2015: HK\$23,870,000) 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 2016, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000 (2015: buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; RMB8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000).

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 2016, 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.

Code Provision C.2.5

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. This situation will be reviewed annually.

DESIGNATION OF MR LEE SOU LEUNG, JOSEPH

The board of directors of the Company announces that Mr. Lee Sou Leung, Joseph, the Chairman, has been chief executive officer of the Group instead of managing director with effect from 24th March 2017 and the Company has no title as managing director anymore.

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

For the year ended 31st December 2016, 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 2016 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 principle and practices adopted by the Group with the management and has discussed risk management and internal control systems and financial reporting matters, including a review of the consolidated financial statements for the year ended 31st December 2016 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 2016. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2017 ANNUAL GENERAL MEETING

It is proposed that the 2017 Annual General Meeting of the Company will be held on 12th June 2017 (Monday). A notice convening the 2017 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, 24th March 2017

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