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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)

VERY SUBSTANTIAL ACQUISITION AND RESUMPTION OF TRADING

The Board wishes to announce that on 21 October 2011 after trading hours, the Purchaser, a wholly-owned subsidiary of the Company, and Greatoo, an Independent Third Party, as purchasers and the Vendor as vendor entered into the Agreement pursuant to which the Purchaser has agreed (1) to acquire, either by itself or through its Nominee, the Sale Shares, representing 49.996% of the registered capital of the Target Company, at a purchase price of EUR13,124 (equivalent to approximately HK\$141,000) which will be satisfied in cash; and (2) to contribute EUR1,500,000 (equivalent to approximately HK\$16,129,000), in cash, to the capital reserve of the Target Company. Greatoo is at the same time acquiring another 49.996% of the registered capital of the Target Company. The remaining 0.008% of the registered capital of the Target Company will be retained by the Vendor. The Target Company will be an associate (as defined under the Listing Rules) of the Company after Completion of the Acquisition.

In addition, the parties will enter or have entered into the following agreements pursuant to the Agreement which will take effective at Completion:

- (1) the Purchaser (or its Nominee) will enter into the Loan Agreement with the Target Company upon Completion under which it will advance the Loan to the Target Company at Completion; the Target Company, in turn, will use the proceeds of the Loan to advance a loan to the Project Company in order to allow the Project Company to satisfy certain of its financial obligations; and
- (2) the Target Company entered into the Option Agreement on 21 October 2011 with the existing shareholders of the Project Company which will take effect at Completion for the purpose of granting the Options.

The exercise prices of the Options will be determined in accordance with the future market prices or values of the Option Shares when the Options will be exercised in accordance with the formula as set out in the Option Agreement.

The Agreement and the Transactions constitute a very substantial acquisition for the Company under the Listing Rules and will be subject to the approval by the Shareholders at the SGM under Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Acquisition and a notice of SGM for the purpose of approving the Agreement, the Loan Agreement, the Option Agreement and the Transactions and other information as required under the Listing Rules will be despatched by the Company to the Shareholders by 18 November 2011. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting in the SGM in respect of the resolution to approve the Acquisition.

As the Agreement is subject to a number of conditions precedent, the Agreement may or may not become unconditional or be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 24 October 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:00 a.m. on 28 October 2011 following the publication of this announcement.

THE AGREEMENT

Date

21 October 2011

Parties

- (1) the Purchaser
- (2) Greatoo
- (3) the Vendor
- (4) the Project Company

The Company was introduced to the opportunity for the Acquisition, Greatoo and the Vendor by Dr. Lui, who has extensive networks in the manufacturing industry. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries including the relationships of Dr. Lui with the other parties and his roles in the Acquisition, each of Greatoo, the Vendor, the Project Company and their respective ultimate beneficial owners is an Independent Third Party.

The Directors also confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, there is no prior transaction with Greatoo, the Vendor or its ultimate beneficial owners which is required to be aggregated with the Acquisition pursuant to Rule 14.22 of the Listing Rules.

Interests to be acquired

The Purchaser has agreed to acquire from the Vendor the Sale Shares, representing 49.996% of the registered capital of the Target Company, together with all rights and interests attaching thereto, which include the right to receive all dividends or distributions declared, made or paid on or after Completion. The transfer of the Sale Shares after Completion by the Purchaser or its Nominee, as the case may be, will be subject to customary transfer restrictions contained in the articles of association of the Target Company.

As at the date of this announcement, the Target Company is undergoing the Target Group Corporate Reorganisation whereby the Target Company will acquire the OPS Sale Shares from IKB, an Independent Third Party. Completion of the Agreement is conditional upon the completion of the Target Group Corporate Reorganisation, after which the Target Company will hold the OPS Sale Shares which represent 44.68% of the registered capital of the Project Company and the remaining 55.32% of the registered capital of the Project Company will be held by the Vendor as to 41.51%, the Seller as to 8.60% and the Managers as to 5.21%, which are Independent Third Parties as far as the Directors are aware.

Upon Completion, the Purchaser will effectively own approximately 22.338% interests of the Project Company.

Total commitment

The consideration under the Agreement, which will be paid in cash by the Purchaser on Completion comprises:

- (1) EUR13,124 (equivalent to approximately HK\$141,000), being the purchase price of the Sale Shares, payable by the Purchaser to the Vendor; and
- (2) EUR1,500,000 (equivalent to approximately HK\$16,129,000), being the cash contribution payable by the Purchaser to the capital reserve of the Target Company.

The consideration has been arrived at after arm's length negotiations between the parties to the Agreement with reference to the Company's internal valuation of the Project Company conducted with reference to various factors, including but not limited to its asset value and the historical financial information regarding its performance.

Pursuant to the Loan Agreement, the Purchaser will advance the Loan up to the sum of EUR3,000,000 (equivalent to approximately HK\$32,258,000) to the Target Company at Completion.

The exercise prices of the Options will be determined in accordance with the future market prices or values of the Option Shares when the Options will be exercised in accordance with the formula as set out in the Option Agreement.

The total commitment of the Group which includes the consideration under the Agreement, the Loan and the exercise prices of the Options will be funded by the internal resources of the Company.

Conditions Precedent

Completion of the Acquisition is conditional upon:

- (a) (if required) the Vendor having obtained the approval, confirmation, waiver or consent from the existing shareholders of the Project Company or other third parties in connection with the transfer of the OPS Sale Shares to the Target Company and the transfer of Sale Shares to the Purchaser;
- (b) the release of the OPS Sale Shares from all existing charges, pledges or encumbrances;
- (c) the successful completion of the Target Group Corporate Reorganisation and the completion of the acquisition by Greatoo of another 44.996% of the registered capital of the Target Company; and
- (d) the approval by the Shareholders of the Agreement, the Option Agreement, the Loan Agreement and the Transactions at the SGM in accordance with the Listing Rules.

The Vendor shall use its best endeavours to satisfy the above conditions (except condition (d)) whereas the Purchaser shall use its reasonable endeavours to satisfy the above condition (d) at any time on or before 5 p.m. on the Long Stop Date.

The Purchaser may, at its absolute discretion at any time, waive in writing any of the above conditions (except condition (d)). If all the above conditions have not been satisfied or waived by 5 p.m. on the Long Stop Date then the Agreement shall lapse and has no further effect and the parties shall be released from all obligations under it.

Completion

Subject to the satisfaction or waiver of the above conditions, Completion will take place on the Completion Date.

Pursuant to the Agreement, the parties will enter or have entered into the following agreements which will take effect upon Completion:

Loan Agreement

The Purchaser or its Nominee will enter into the Loan Agreement dated 21 October 2011 with the Target Company at Completion under which it will advance the Loan to the Target Company, the Target Company, in turn, will use the proceeds of the Loan to advance a loan to the Project Company in order to allow the Project Company to satisfy certain of its financial obligations. The Target Company shall have the right to terminate the loan advanced to the Project Company if the Target Company ceases to be a shareholder of the Project Company.

The Loan will be secured by the guarantee provided by the Vendor under which the Vendor will irrevocably and unconditionally guarantee the proper fulfillment of all of the obligations of the Target Company pursuant to the Loan Agreement, in particular, but not limited to, the repayment of the Loan plus interest as set out in the Loan Agreement within two weeks upon the Purchaser's written demand for repayment. The Loan will carry interest at the rate of HIBOR plus 4.5% per annum and payable on a quarterly basis.

The parties agree that the Loan Agreement will be valid for an initial period of eight years from the date of drawdown of the Loan and automatically renewed thereafter for an additional period of one year respectively unless it is terminated by any party to the Loan Agreement by serving six months prior notice to terminate the Loan Agreement. The Target Company will have the right to terminate the Loan if the Target Company ceases to be a shareholder of the Project Company.

Option Agreement

The Target Company, the Vendor, the Seller and the Managers entered into the Option Agreement on 21 October 2011 pursuant to which:

- (a) The Target Company will grant to the Vendor the Put Option I in respect of the Option Shares I which is exercisable on or after 31 March 2013. The exercise price payable by the Target Company in respect of the Option Shares I will be determined as follows:
 - (i) if the Project Company will be listed on a stock exchange, the weighed average share price of the Option Shares I of the Project Company for the last three months prior to the date of exercise of the Put Option I; or
 - (ii) otherwise, the fair market value of the Option Shares I calculated as the 10.5 times of the average of the EBIT (excluding extra-ordinary items) from the audited financial statements of the Target Company for the last 2 fiscal years prior to the exercise of the Put Option I. The exercise price shall include cash and other liquid assets and exclude bank debt, other interest bearing debts and shareholders loans.

(b) The Vendor will grant to the Target Company the Call Option requiring the Vendor to sell the Option Shares I to the Target Company which is exercisable on or after 31 March 2016. The exercise price to be payable by the Target Company in respect of the Option Shares I will be determined as follows:

- (i) if the Project Company will be listed on a stock exchange, the weighed average share price of the Option Shares I of the Project Company for the last three months prior to the date of exercise of the Call Option; or
- (ii) otherwise, the fair market value of the Option Shares I calculated as the 10.5 times of the average of the EBIT (excluding extra-ordinary items) from the audited financial statements of the Target Company for the last 2 fiscal years prior to the exercise of the Call Option. The exercise price shall include cash and other liquid assets and exclude bank debt, other interest bearing debts and shareholders loans.

The articles of association of the Project Company stipulate that the Target Company shall seek the prior approval from the Vendor if the Target Company intends to transfer the OPS Sale Shares and the Option Shares I (after the same have been acquired by the Target Company as a result of the exercise of the Put Option I or Call Option, as the case may be) subsequently.

(c) The Target Company will grant to the Vendor, the Seller and the Managers jointly the Put Option II which is exercisable on or after 31 March 2018 on condition that the Project Company shall not be listed on any stock exchange.

The exercise price payable by the Target Company in respect of the Option Shares II will be the fair market value calculated as the 9 times of the average of EBIT (excluding extra-ordinary items) from the audited financial statements of the Target Company for the last 2 fiscal years prior to the exercise of the Put Option II. The exercise price shall include cash and other liquid assets and exclude bank debt, other interest bearing debts and shareholders loans.

The parties to the Option Agreement could only assign their rights and obligations resulting from or related to the Option Agreement with the prior written consent of all the other parties. The change of shareholders of the Project Company may only be effected with the prior written consent of all the other parties and only if the new shareholder becomes a party to the Option Agreement and assumes all rights and obligations of the selling shareholder.

Distribution Agreement

The Purchaser and the Project Company also entered into the Distribution Agreement on 15 October 2011 under which the Purchaser has been appointed as distributor for distributing, advertising, promoting and sale of all the products of the Project Company in the territory of the mainland China, Macau, Hong Kong, Taiwan and Southeast Asia subject to the terms and conditions of the Distribution Agreement.

It is expressly provided for in the Agreement, the Loan Agreement, the Option Agreement and the Distribution Agreement that these agreements are governed by and construed in accordance with the laws of Germany.

INFORMATION ON THE TARGET GROUP

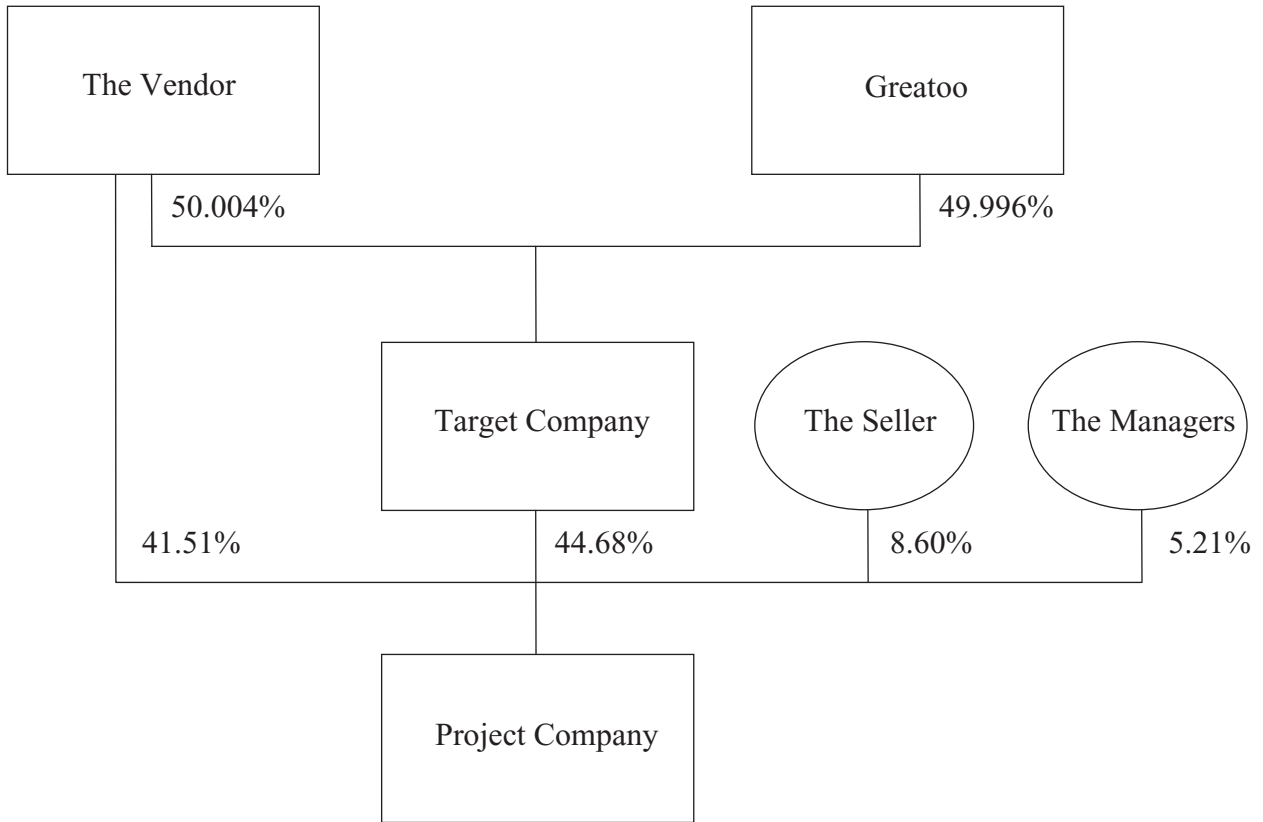
As at the date of this announcement, the Target Company has a registered capital of EUR25,000 divided into 25,000 shares of EUR1.00 each, of which 25,000 shares having been issued to and is fully paid up by the Vendor.

One of the conditions precedent of the Completion is the completion of the Target Group Corporate Reorganisation. The corporate structure of the Target Group upon completion of the Target Group Corporate Reorganisation and Completion of the Acquisition will be as follows:

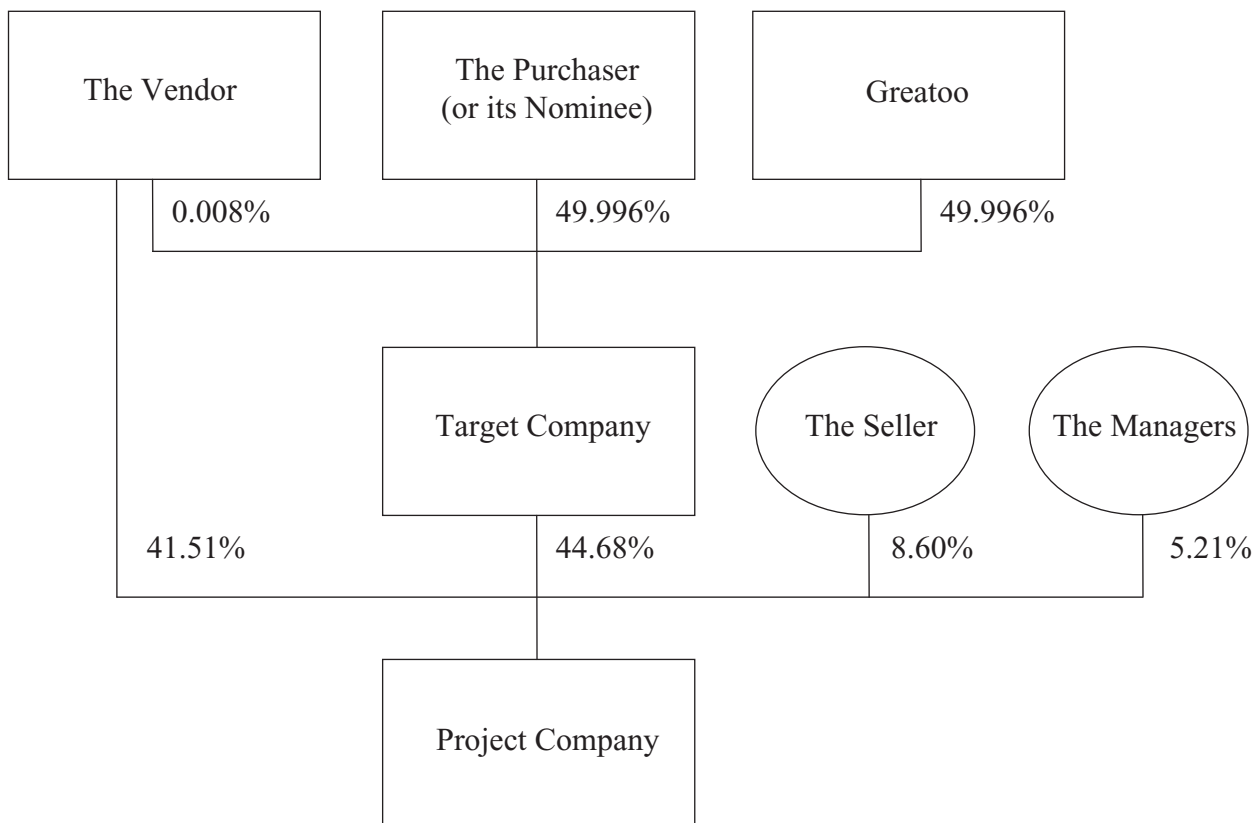
The corporate structure of the Target Group as at the date of this announcement is as follows:



The corporate structure of the Target Group upon completion of the Target Group Corporate Reorganisation and Greatoo Completion will be as follows:



The corporate structure of the Target Group upon completion of the Target Group Corporate Reorganisation and Completion of the Acquisition will be as follows:



To the best of the Directors' knowledge, information and belief having made all reasons enquiries, the Project Company is engaged in the business of developing producing, promoting, distributing and sales of high speed milling machining centres and electrical discharge machines and systems for molding and toolmaking industry with integral process solutions by integration of computer-aided-design components.

The Vendor and the Managers will remain in the management of the Project Company after Acquisition and continue to support the operation.

Financial Information

As the Target Company was newly incorporated on 27 September 2011, no financial statement has been prepared for the Target Company.

According to the management accounts of the Project Company prepared in accordance with IFRS for the two years ended 31 March 2010 and 31 March 2011, the profit before and after taxation of the Project Company for the two years ended 31 March 2010 and 31 March 2011 and the net asset value of the Project Company as at 31 March 2011 are set out below:

	For the year ended 31 March 2010 (audited) EUR '000	For the year ended 31 March 2011 (audited) EUR '000
Profit before taxation	963 (equivalent to approximately HK\$10,354,000)	690 (equivalent to approximately HK\$7,419,000)
Profit after taxation	591 (equivalent to approximately HK\$6,355,000)	254 (equivalent to approximately HK\$2,731,000)
Net asset value		1,321 (equivalent to approximately HK\$14,204,000)

INFORMATION ON GREATOO

Greatoo is a radial tire mold manufacturer which specialized in designing, researching and manufacturing. Greatoo is listed on Shenzhen Stock Exchange with stock code 2031.

It is an Independent Third Party which entered into the Agreement to acquire another 44.996% of the registered capital of the Target Company at a purchase price of EUR13,124 (equivalent to approximately HK\$141,000) which will be satisfied in cash at Greatoo Completion.

At Greatoo Completion, Greatoo will also contribute EUR1,500,000 (equivalent to approximately HK\$16,129,000) in cash to the capital reserve of the Target Company and provide a loan in the sum of EUR3,004,240 (approximately HK\$32,304,000) to the Target Company.

Greatoo Completion will take place prior to the Completion and simultaneously upon the completion of the Target Group Corporate Reorganisation.

The Completion of the Agreement take place subsequent to and conditional upon, inter alia, the Greatoo completion.

INFORMATION ON THE VENDOR

The Vendor is a limited partnership organised under the laws of Germany. Its principal business is investment holding.

INFORMATION OF THE GROUP AND REASONS FOR THE ACQUISITION

The principal activities of the Group comprise the distribution and maintenance of a wide range of machine tools, precision measuring instruments, cutting tools, electronics equipment, professional tools and other machinery for the manufacturing industry in Hong Kong, the PRC and Southeast Asia. The Acquisition is in line with the Company's strategy of investing in and collaborating with leading makers of manufacturing equipment and tools around the world to distribute such equipment and tools in Hong Kong, the PRC and Southeast Asia using the Group's solid experiences in distributing high-end manufacturing equipment and tools and its strong financial position and experienced management.

The Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

The Agreement and the Transactions constitute a very substantial acquisition for the Company under the Listing Rules and will be subject to the approval of the Shareholders at the SGM under Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Acquisition and a notice of the SGM for the purpose of approving the Agreement, the Loan Agreement, the Option Agreement and the Transactions and other information as required under the Listing Rules will be despatched by the Company to the Shareholders by 18 November 2011. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting in the SGM in respect of the resolution to approve the Acquisition.

Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 24 October 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:00 a.m. on 28 October 2011 following the publication of this announcement.

As the Agreement is subject to a number of conditions precedent, the Agreement may or may not become unconditional or be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of the Sale Shares under the Agreement
“Agreement”	the share purchase agreement dated 21 October 2011 entered into between the Vendor as vendor, and the Purchaser and Greatoo as purchasers and the Project Company in relation to the Acquisition
“Board”	the board of Directors
“Call Option”	the call option granted by the Seller to the Target Company under the Option Agreement requiring the Seller to sell the Option Shares I to the Target Company
“Company”	Leeport (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 387)
“Completion”	the completion of sale and purchase of the Sale Shares
“Completion Date”	the fifth (5th) Business Day after the date on which the conditions precedent for Completion under the Agreement are satisfied or waived or such other date as the Vendor and the Purchaser may agree in writing
“Distribution Agreement”	the agreement dated 15 October 2011 entered into between the Purchaser and the Project Company for appointing the Purchaser as distributor for distributing, advertising, promoting and sale of all the products of the Project Company in the territory of the mainland China, Macau, Hong Kong, Taiwan and Southeast Asia
“Directors”	the directors of the Company
“Dr. Lui”	Dr. Lui Sun Wing, an executive Director of the Company
“Greatoo”	Guangdong Greatoo Molds Inc., an Independent Third Party
“Greatoo Completion”	the completion of sale and purchase of the 44.996% of the registered capital of the Target Company by Greatoo
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IKB”	IKB Equity Capital Fund GmbH, the legal and beneficial owner of the OPS Sale Shares
“Independent Third Party(ies)”	(a) party(ies) who is/are not (a) connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan up to the sum of EUR3,000,000 (equivalent to approximately HK\$32,258,000) to be advanced by the Purchaser or its Nominee to the Target Company pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement to be entered into between the Purchaser or its Nominee as lender and the Target Company as borrower at Completion in relation to the Loan
“Long Stop Date”	21 April 2012 or such later date to be agreed between the Purchaser, Greatoo and the Vendor in writing
“Managers”	Mr. Matthias Schmidt, Dr. Georg Zander and Mr. Peter Stein, the existing shareholders of the Project Company and Independent Third Parties
“Nominee”	any wholly-owned subsidiary of the Purchaser
“OPS Sale Shares”	the 2 shares of the Project Company representing 44.68% of its registered capital
“Options”	collectively the Put Option I, Put Option II and Call Option
“Option Agreement”	the put and call option agreement to be entered into between the Vendor, the Target Company, the Seller and the Managers at Completion in relation to the Put Option I, Put Option II and the Call Option
“Option Shares”	collectively the Option Shares I and Option Shares II
“Option Shares I”	approximately 21.32% of the registered capital of the Project Company now owned by the Vendor and the subject matter of Put Option I and Call Option

“Option Shares II”	approximately 34% of the registered capital of the Project Company now owned by the Vendor, the Seller and the Managers and the subject matter of Put Option II
“Project Company”	OPS-Ingersoll Funkenerosion GmbH, a company incorporated under the laws of the Germany having its registered office at Daimlerstraße 22 in 57299 Burbach, Germany
“Purchaser”	Leeport Machine Tool Company Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Put Option I”	the put option granted by the Target Company in favour of the Vendor under the Option Agreement to sell the Option Shares I to the Target Company
“Put Option II”	the put option granted by the Target Company in favour of the Vendor, the Seller and the Managers under the Option Agreement to sell the Option Shares II to the Target Company
“Sale Shares”	the issued 12,499 shares with a nominal capital of EUR1.00 per share in the registered capital of the Target Company legally and beneficially owned by the Vendor
“Seller”	Mr. Kai-Steffen Jung, one of the existing shareholders of the Project Company and an Independent Third Party
“SGM”	the special general meeting of the Company to be convened to approve the Acquisition
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Platin 752. GmbH, a company incorporated under the laws of Germany and the registered capital of which is held by the Vendor as at the date of this announcement
“Target Group”	the Target Company and the Project Company and the expressions “member of the Target Group” and “Target Group Company” shall be construed accordingly

“Target Group Corporate Reorganisation”	the corporate restructuring to be conducted by the Target Group which includes the acquisition of the OPS Sale Shares
“Transactions”	the transactions contemplated under the Agreement, the Option Agreement and the Loan Agreement
“Vendor”	Reiner Jung OPS GmbH & Co. KG, a limited partnership organised under the laws of Germany and being the vendor under the Agreement
“EUR”	EUR, the official currency of the Institutions of the European Union
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“IFRS”	International Financial Reporting Standards
“PRC”	the People’s Republic of China
“%”	per cent.

For the purpose of this announcement, the exchange rate at HK\$1.00 = EUR0.093 has been used, where applicable, for purpose of illustration only.

By Order of the Board
Leeport (Holdings) Limited
Lee Sou Leung, Joseph
Chairman

Hong Kong, 28 October 2011

As at the date of this announcement, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Ms. TAN Lisa Marie, Mr. CHAN Ching Huen, Stanley, Dr. LUI Sun Wing and the independent non-executive directors are Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Professor Tai-chiu LEE.

* *For identification purposes only*