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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Leeport (Holdings) Limited, you should at once hand this circular, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE  
DISPOSAL OF 41% SHAREHOLDING IN A SUBSIDIARY**

**Independent Financial Advisor to  
Independent Board Committee and  
Independent Shareholders**



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A letter from the board of the Company is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from Quam Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 24 of this circular.

\* For identification purpose only

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*This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.*

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## DEFINITIONS

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*In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:*

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Agreements”	the Sale and Purchase Agreement and the Shareholders Agreement
“Board”	the board of Directors
“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)
“Completions”	Phase I Completion and Phase II Completion
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Phase I Sale Shares and Phase II Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors namely Dr. Lui Sun Wing, Mr. Pike, Mark Terence and Mr. Nimmo, Walter Gilbert Mearns
“Independent Financial Advisor” or “Quam Capital”	Quam Capital Limited, a licensed corporation under the SFO and engaged in type 6 (advising on corporate finance) regulated activity and the independent financial adviser appointed by the Board to advise on the terms of the Agreements, the Disposal and the transaction contemplated thereunder
“Independent Shareholder(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules

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## DEFINITIONS

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“Latest Practicable Date”	17 February 2011, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
“Leeport Shanghai”	Leeport Machinery (Shanghai) Company Limited, a limited liability company incorporated in the PRC and an associate of the Target Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LM-Dongguan”	Leeport Metrology (Dongguan) Limited, a limited liability company incorporated in the PRC, whose entire equity interest is held by the Target Company
“LM-Hong Kong”	Leeport Metrology (Hong Kong) Limited, a limited liability company incorporated in Hong Kong, whose entire issued share capital is held by the Vendor
“LM-Macao”	Leeport Metrology Macao Commercial Offshore Limited, a limited liability company incorporated in Macao, whose entire equity interest is held by the Target Company
“Macao”	Macao Special Administrative Region of the PRC
“Phase I Completion”	the completion of sale and purchase of the Phase I Sale Shares
“Phase I Completion Date”	the fifth (5th) Business Day after the date on which the conditions precedent for Phase I Completion under the Sale and Purchase Agreement are satisfied or waived or such other date as the Vendor and the Purchaser may agree in writing
“Phase I Long Stop Date”	31 May 2011 (or such later date to be agreed in writing between the Vendor and the Purchaser)
“Phase I Sale Shares”	700,000 ordinary shares of US\$1.00 of the Target Company, representing 10% of its entire issued share capital of the Target Company
“Phase II Completion”	the completion of sale and purchase of the Phase II Sale Shares

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## DEFINITIONS

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“Phase II Completion Date”	the fifth (5th) Business Day after the date on which the conditions precedent for Phase II Completion under the Sale and Purchase Agreement are satisfied or waived or such other date as the Vendor and the Purchaser may agree in writing
“Phase II Long Stop Date”	29 February 2012 (or such later date to be agreed in writing between the Vendor and the Purchaser)
“Phase II Sale Shares”	2,170,000 ordinary shares of US\$1.00 of the Target Company, representing 31% of its entire issued share capital of the Target Company
“PRC”	the People’s Republic of China
“Purchaser”	Mitutoyo Corporation, a company incorporated under the laws of Japan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 January 2011 and entered into between the Vendor as vendor, and the Purchaser as purchaser in relation to the Disposal
“Sale Shares”	Phase I Sale Shares and Phase II Sale Shares
“Shares”	the ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Agreement”	A strategic alliance and shareholders agreement dated 21 January 2011 entered into by and between the Vendor, the Purchaser and the Target Company in relation to the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	Leeport Metrology Corporation, a limited liability company incorporated in the British Virgin Islands, whose 90% share capital is held by the Vendor and 10% share capital is held by the Purchaser

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## DEFINITIONS

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“Target Group”	the group of companies consisting of the Target Company, LM-Dongguan, LM-Hong Kong and LM-Macao, where the context so requires, the businesses carried on by them
“Vendor”	Leeport Machine Tool Company Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

# Leepoort

## LLEPORT (HOLDINGS) LIMITED 力豐(集團)有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 387)

*Executive Directors*

Mr. LEE Sou Leung, Joseph (*Chairman*)  
Ms. TAN, Lisa Marie (*Deputy Chairman*)  
Mr. CHAN Ching Huen, Stanley

*Independent Non-Executive Directors*

Dr. LUI Sun Wing  
Mr. PIKE, Mark Terence  
Mr. NIMMO, Walter Gilbert Mearns

*Registered Office*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal Place of Business:*

1st Floor, Block 1  
Golden Dragon Industrial Centre  
152-160 Tai Lin Pai Road  
Kwai Chung  
New Territories  
Hong Kong

21 February 2011

*To the Shareholders*

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE  
DISPOSAL OF 41% SHAREHOLDING IN A SUBSIDIARY**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 21 January 2011 announcing that on 21 January 2011, the Vendor as vendor entered into the Sale and Purchase Agreement with the Purchaser as purchaser pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase an aggregate of 41% of the issued share capital of the Target Company.

The purpose of this circular is to provide the Shareholders with, among other things, further details of (a) the Disposal; (b) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Agreements and other information as required under the Listing Rules; and (c) a letter of recommendation from the Independent Board Committee to the Independent Shareholders.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### THE SALE AND PURCHASE AGREEMENT

On 21 January 2011, the Vendor as vendor and the Purchaser as purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase an aggregate of 41% of the entire issued share capital of the Target Company in two phases for a total consideration of HK\$28,700,000, which will be settled in cash upon Completions. The Sale Shares represent 41% of the entire issued share capital of the Target Company as at the Phase II Completion Date. The principal terms of the Sale and Purchase Agreement are as follows:

#### Date

21 January 2011

#### Parties to the Sale and Purchase Agreement

Vendor : Lleeport Machine Tool Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company

Purchaser : Mitutoyo Corporation, a company incorporated under the laws of Japan

#### Assets to be disposed

1. Phase I Sale Shares, representing 10% of the entire issued share capital of the Target Company; and
2. Phase II Sale Shares, representing 31% of the entire issued share capital of the Target Company.

#### Consideration

The aggregate consideration for the Disposal of HK\$28,700,000 shall be paid by the Purchaser to the Vendor in cash in the following phases:

1. HK\$7,000,000 for the Phase I Sale Shares upon Phase I Completion; and
2. HK\$21,700,000 for the Phase II Sale Shares upon Phase II Completion.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties with reference to the net asset value of the Target Group. The Directors consider the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### Conditions Precedent

#### 1. *Conditions Precedent for Phase I Completion*

Phase I Completion is conditional upon the following conditions, inter alia:

- (a) the Purchaser having been satisfied, in its reasonable discretion, with the result of its due diligence review on the Target Group;
- (b) all consents, authorizations, approval, resolutions or clearance which are required or, in the opinion of the Purchaser necessary or desirable, in connection with the execution and delivery of the Sale and Purchase Agreement and the consummation of the Phase I Completion, having been obtained in terms satisfactory to the Purchaser;
- (c) no material adverse change having occurred before the date on which Phase I Completion would otherwise have taken place;
- (d) no insolvency event as specified in the Sale and Purchase Agreement having occurred in relation to the Vendor or any member of the Target Group before the date on which Phase I Completion would otherwise have taken place;
- (e) there having been no material breach subsisting at the date on which Phase I Completion would otherwise have taken place;
- (f) there having been no material disclosure during the period of the date of the Sale and Purchase Agreement and the date on which Phase I Completion would otherwise have taken place;
- (g) (if required) the Company, having convened a special general meeting at which resolutions shall have been duly passed by its Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (h) the Target Company having a net asset value (on a consolidated basis) at more than HK\$52 million at the end of financial year 2010 after an estimated adjustment has been made.

If any of the above conditions precedent has not been satisfied or waived (save that item (g) cannot be waived) by the Purchaser on or before the Phase I Long Stop Date, the Sale and Purchase Agreement may be rescinded in which case the Sale and Purchase Agreement shall lapse and has no further effect and the parties shall be released from all obligations under it (without prejudice to the rights of the parties in respect of any antecedent breaches of the Sale and Purchase Agreement).

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## LETTER FROM THE BOARD

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### 2. *Conditions Precedent for Phase II Completion*

Phase II Completion is conditional upon the following conditions, inter alia:

- (a) Phase I Completion having taken place;
- (b) no key employee as specified under the Sale and Purchase Agreement having left or having submitted its resignation from the relevant member of the Target Group;
- (c) the Shareholders Agreement having remained effective and binding upon the parties thereto;
- (d) (if required) all consents, authorisations, approval, resolutions or clearances which are required or, in the opinion of the Purchaser necessary or desirable, in connection with the consummation of the Phase II Completion, having been obtained;
- (e) no material adverse change having occurred before the date on which Phase II Completion would otherwise have taken place;
- (f) no insolvency event having occurred in relation to the Vendor before the date on which Phase II Completion would otherwise have taken place;
- (g) there having been no material breach subsisting at the date on which Phase II Completion would otherwise have taken place;
- (h) there having been no material disclosure during the period of the Phase I Completion Date and the date on which Phase II Completion would otherwise have taken place; and
- (i) the Target Company having a net asset value (on a consolidated basis) at more than HK\$52 million at the end of financial year 2011 after an estimated adjustment has been made.

If any of the above conditions precedent has not been satisfied or waived by the Purchaser on or before the Phase II Long Stop Date, the Sale and Purchase Agreement may be rescinded in which case the Sale and Purchase Agreement shall lapse and has no further effect and the parties shall be released from all obligations under it (without prejudice to the rights of the parties in respect of any antecedent breaches of the Sale and Purchase Agreement). In such case, however, the transaction in relation to Phase I Sale Shares will not be affected.

### **Completion**

Phase I Completion shall take place on the Phase I Completion Date or at such other time as may be agreed between the parties subject to the satisfaction or waiver of the conditions precedent for Phase I Completion.

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## LETTER FROM THE BOARD

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Phase II Completion shall take place on the Phase II Completion Date or at such other time as may be agreed between the parties subject to the satisfaction or waiver of the conditions precedent for Phase II Completion.

### **THE SHAREHOLDERS AGREEMENT**

On 21 January 2011, the Vendor, the Purchaser and the Target Company further entered into the Shareholders Agreement to regulate the relationship of the Vendor and the Purchaser as shareholders of the Target Company.

#### **Board of directors**

The existing board of the Target Company composed of four directors, of which three were appointed by the Vendor and one was appointed by the Purchaser.

Pursuant to the Shareholders Agreement, the board of the Target Company will be composed of five directors upon Phase I Completion, of which three will be nominated by the Vendor and two will be nominated by the Purchaser. Upon Phase II Completion, the Vendor will be entitled to nominate two directors whilst the Purchaser will be entitled to nominate three directors to the board of the Target Company.

#### **Preferred ordinary shares and preferred dividends**

Pursuant to the Shareholders Agreement, the ordinary shares of the Target Company held by the Vendor will be converted into preferred ordinary shares upon Phase II Completion. The preferred ordinary shares held by the Vendor will be entitled to a preferred dividend which shall be payable in the financial years of 2012, 2013 and 2014, subject to the distributing profits of the Target Company. The maximum amount of preferred dividends payable to the Vendor shall not be more than HK\$7,840,000.

After the preferred dividend has been paid in any financial year, the remaining distributable profits will be retained by the Target Company or distributed to the Vendor and the Purchaser pro rata based on their then shareholdings (that is 49% and 51% respectively).

At the end of the financial year 2014, the preferred ordinary shares of the Target Company held by the Vendor will be automatically re-converted into the same number of ordinary shares of the Target Company.

Terms of the Shareholders Agreement were arrived at after arm's length negotiations between the parties thereto. The Directors consider the terms of the Shareholders Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP, THE PURCHASER AND THE TARGET GROUP

#### Information of the Group

The Company is principally engaged in investment holding. The principal activities of the subsidiaries of the Group comprise the trading of 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 South East Asia. There will be no change in principal activities of the Company upon Completions.

#### Information of the Purchaser

The Purchaser is a company incorporated under the laws of Japan and is engaged in, inter alia, manufacturing and wholesales of measuring instruments.

#### Information of the Target Group

The Target Company is a special purpose vehicle and was incorporated under the laws of the British Virgin Islands. As at the Latest Practicable Date, the Target Company holds the entire equity interests in LM-Hong Kong, LM-Dongguan and LM-Macao and 20% equity interest in Leeport Shanghai.

LM-Hong Kong and LM-Macao are companies with limited liabilities incorporated under the laws of Hong Kong and Macao respectively, both of which are engaged in, inter alia, trading of measuring instruments as well as provision of product and application support.

LM-Dongguan is a wholly foreign-owned enterprise incorporated under the laws of the PRC and is engaged in, inter alia, installation, maintenance and wholesale of measuring instrument (including CMM, roundtests, surftests, profile projectors, contracers, microscope and height gauges) and provision of technical support of measuring instrument.

Leeport Shanghai is a company incorporated under the laws of the PRC and is engaged in, inter alia, wholesale, agency services, after sales services and trading of metalcutting machines, metalforming machines, measuring instruments, cutting tools and related spare parts.

#### Financial Information of the Target Group

The following are the consolidated financial information on the Target Group for the two years ended 31 December 2008 and 2009 and for six months period ended 30 June 2010 immediately preceding the date of the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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	<b>Audited</b>		<b>Unaudited</b>
	<b>For the year ended</b>		<b>Six months</b>
	<b>31 December</b>		<b>ended 30</b>
	<b>2008</b>	<b>2009</b>	<b>June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2010</i>
			<i>HK\$'000</i>
<b>Turnover</b>	148,230	99,696	63,277
<b>Profit / (Loss) before taxation</b>	(19,953)	(9,301)	3,624
<b>Profit / (Loss) after taxation</b>	(19,953)	(9,265)	3,624
<b>Net asset value</b>	71,524	62,016	64,394

### REASONS FOR AND BENEFITS OF THE DISPOSAL

Mitutoyo Corporation, the Purchaser, was established in 1934 and is one of the leading manufacturers for measuring instruments in the world, and has a long standing relationship with the Group for 43 years. The Company, through the Vendor, established the Target Company with the Purchaser in September 2003 to provide a complete range of measuring equipment to its customers in Hong Kong and the PRC. The Target Group, through LM-Hong Kong, is an authorised distributor of the products of the Purchaser in the Guangdong Province of the PRC which will be expired in the end of March 2011.

However, other than the cooperation with the Purchaser, the Target Company does not have any immediate opportunity to another suitable supplier to establish its own distribution network in the PRC. In mid 2007, administrative sanctions were imposed on the Purchaser by the Ministry of Economy, Trade and Industry of Japan, which banned the export of all of its products from July 2007 to January 2008 and its coordinate measuring machines and their components from July 2007 to July 2010. The coordinate measuring machines accounted for approximately 20% of the turnover of the Target Group for the year ended 31 December 2006. As such, the export ban of the Purchaser's coordinate measuring machines had a material adverse impact on the financial result of the Target Group. Furthermore, the global financial crisis that commenced in the last quarter of 2008 also adversely affected the Target Group's business in 2009. Consequently, the Target Group recorded audited net losses of approximately HK\$20 million and approximately HK\$9.3 million for the years ended 31 December 2008 and 2009 respectively.

Although the Target Group recorded unaudited net profit of approximately HK\$3.6 million for the six months ended 30 June 2010, it was mainly benefited from the increased revenue and implementation of cost saving programs to reduce operating expenses. The Board considered that the Target Group's results for the six months ended 30 June 2010 might not be a good indicator for its full year results.

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## LETTER FROM THE BOARD

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Following the cessation of the relevant administrative sanctions imposed by the Japanese government in July 2010, the Purchaser is keen in developing overseas markets, especially the PRC's market through the Target Group. The Board believed that the Purchaser, after the acquisition of additional shares in the Target Company, would put more resources, including technical supports and training to the existing sales and service teams, on the Target Company. The Target Company would be able to provide with its customers better products and services quality. Several Japanese sales and service experts have recently been deployed to the Target Group by the Purchaser. The Japanese personnel have been working with the sales and service teams of the Target Group to visit customers and to provide technical services. By leveraging on the network of the Purchaser, in particular, among Japanese manufacturers in the PRC, and strengthening the alliance with the Purchaser, through the provision of technical support and sales training, the Board believed the Target Company would be able to increase the revenue for the market in Hong Kong and the PRC.

The Directors are of the view that the terms of the Agreements are on normal commercial terms, which are fair and reasonable and the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Agreements and the transaction contemplated thereunder or is required to abstain from voting on the Board resolution for considering and approving the same.

### **FINANCIAL EFFECT OF THE DISPOSAL**

The total consideration for the Sale Shares is HK\$28,700,000. The unaudited net asset value of the Target Group as at 30 June 2010 was approximately HK\$64 million and the transfer of the Sale Shares representing net asset value of approximately HK\$26,240,000. Based on the unaudited financial information of the Target Company as at 30 June 2010, and assuming the Completions have taken place, the Group is expected to record a gain from the Disposal of not more than HK\$11,380,000, representing the difference between the consideration of the Disposal received under the Sale and Purchase Agreement, the preferred dividends payable to the Vendor under the Shareholders Agreement and the carrying value of the assets in the accounts of the Target Group. Shareholders should note that Completions will take place in two phases and the actual gain from the Disposal to be recorded by the Company will depend on the carrying value of the assets of the Target Group as at the date of Completions.

Upon Phase II Completion, the Target Company will cease to be a subsidiary of the Company and will become an associate of the Group. The financial results of Target Group will not be consolidated into the Group's financial statements. The Group's financial statements will only include the sharing of the net result of the Target Company.

### **USE OF PROCEEDS**

The Directors expect that the net proceeds from the Disposal of approximately HK\$28,300,000 (after deducting all relevant fees and expenses) will be used for general working capital for the development of the business for the Group.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Purchaser held 10% of the issued share capital of the Target Company. Since the Target Company is a subsidiary of the Company, the fact that the Purchaser is a substantial shareholder of the Target Company renders it a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company as defined under Chapter 14A of the Listing Rules. Further, as the application percentage ratios in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In light of the above, the transaction contemplated under the Disposal is subject to the reporting and announcement requirements and the Independent Shareholders' approval under the Listing Rules.

Pursuant to Rule 14A.43 of the Listing Rules, Shareholders' approvals for the Disposal may be obtained by written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) written Shareholders' approval has been obtained from a Shareholder who holds more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the transactions. So far as the Directors are aware after making reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal and the transaction contemplated thereunder. On 21 January, 2011, the Company obtained a written Shareholder's approval for the Disposal and the transaction contemplated thereunder from Peak Power Technology Limited, holding 144,529,982 Shares as at the Latest Practicable Date, representing of approximately 67.08% of the entire issued share capital of the Company and having the right to attend and vote at such general meeting. As such, an application for waiver of the Shareholders' meeting has been made to the Stock Exchange for and the Stock Exchange has granted to the Company, a waiver from strict compliance with the requirement to hold a general meeting to approve the Agreements, the Disposal and the transaction contemplated thereunder on the basis of the written approval of Peak Power Technology Limited issued pursuant to Rule 14A.43 of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders with respect to the terms of the Agreements, the Disposal and the transaction contemplated thereunder. The Company has appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders regarding the same.

### RECOMMENDATION

Having noted and considered the reasons stated under the section captioned "Reasons for and Benefits of the Disposal", the Directors (including the independent non-executive Directors whose views have been set out in this circular on page 15 after taking into account of the advice of the Independent Financial Adviser) considered that the terms of the Agreements, the Disposal and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent

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## LETTER FROM THE BOARD

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non-executive Directors) recommend the Independent Shareholders to support, and if a physical shareholders' meeting were to be held, to vote in favour of the relevant resolution(s) to approve the Agreements, the Disposal and the transaction contemplated thereunder.

### **FURTHER INFORMATION**

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 15 of this circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Agreements set out on pages 16 to 24, and the information set out in the Appendix to this circular.

By order of the board  
**Leeport (Holdings) Limited**  
**Lee Sou Leung, Joseph**  
*Chairman*



**Leepoort**  
**LEEPORT (HOLDINGS) LIMITED**  
**力豐(集團)有限公司\***  
*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 387)**

21 February 2011

*To the Independent Shareholders*

Dear Sir/Madam,

We refer to the circular of the Company dated 21 February 2011 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the meanings given to them in the definition section of the Circular.

We have been appointed by the Board to consider and to advise you on the terms of the Agreements, the Disposal and the transaction contemplated thereunder, as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the same. In this connection, Quam Capital has been appointed as an independent financial adviser to advise you and us in this regard. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser have taken into consideration in giving such advice, are set out on pages 16 to 24 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Agreements and taking into account the independent advice of the Independent Financial Adviser, in particular the principal factors, reasons and recommendation as set out in its letter, we consider the terms of the Agreements, the Disposal and the transactions contemplated thereunder to be fair and reasonable so far as the interests of the Independent Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to support, and if a physical shareholders’ meeting were to be held, to vote in favour of, the relevant resolution(s) to approve the Agreements, the Disposal and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

<b>Dr. LUI Sun Wing</b>	<b>Mr. PIKE, Mark Terence</b>	<b>Mr. NIMMO, Walter Gilbert Mearns</b>
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreements.*



**Quam Capital Limited**

A Member of The Quam Group

21 February 2011

*The Independent Board Committee and the Independent Shareholders*

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE DISPOSAL OF 41% SHAREHOLDING IN A SUBSIDIARY**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Agreements. Details of the Agreements are set out in the “Letter from the Board” contained in the circular dated 21 February 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular, unless the context otherwise requires.

Dr. Lui Sun Wing, Mr. Pike, Mark Terence and Mr. Nimmo, Walter Gilbert Mearns, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Agreements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Quam Capital is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the terms of the Agreements.

In formulating our opinion, we have relied on the information and facts supplied by the Company, and the opinions expressed by and the representations of the directors and the management of the Company. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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completeness of the information and facts supplied by the Company, and the opinions expressed by and the representations of the directors and the management of the Company, and the Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Purchaser, the Target Company or any of their respective subsidiaries or associates.

### I. THE AGREEMENTS

#### A. The Sale and Purchase Agreement

On 21 January 2011, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares in two phases for a total consideration of HK\$28,700,000 (the “**Consideration**”), which will be settled in cash upon Completions. The Sale Shares represent 41% of the issued share capital of the Target Company.

The Target Company is owned as to 90% by the Vendor and 10% by the Purchaser. Upon Phase I Completion, the Vendor shall transfer its 10% interest in the Target Company to the Purchaser. Upon Phase II Completion, the Target Company will be owned as to 51% by the Purchaser and 49% by the Vendor. Upon Phase II Completion, the Target Company will become an associate company of the Company and, therefore, the results of the Target Group will no longer be consolidated into the accounts of the Group. The Group’s interest in the Target Group will be accounted for using the equity method.

The Directors expect that the net proceeds from the Disposal of approximately HK\$28.3 million will be used for general working capital for the development of the business for the Group.

#### B. The Shareholders Agreement

On 21 January 2011, the Vendor, the Purchaser and the Target Company further entered into the Shareholders Agreement to regulate the relationship of the Vendor and the Purchaser as shareholders of the Target Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### C. Implications under the Listing Rules

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As the Purchaser is a substantial shareholder of the Target Company, the Purchaser is a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders.

No Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal. On 21 January 2011, the Company obtained a written Shareholder's approval for the Disposal, the Agreements and the transaction contemplated thereunder from Peak Power Technology Limited holding 144,529,982 Shares as at the Latest Practicable Date, representing approximately 67.08% of the entire issued share capital of the Company and having the right to attend and vote at such general meeting. As such, no Shareholders' meeting will be convened in respect of the Agreements.

## II. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

### A. Information of the Target Group

#### *(i) Background*

The Target Company is a special purpose vehicle. Immediately prior to Phase I Completion, the Target Company will hold the entire equity interests in LM-Hong Kong, LM-Dongguan and LM-Macao.

LM-Hong Kong and LM-Macao are both principally engaged in trading of measuring instruments, as well as provision of product and application support. LM-Dongguan is principally engaged in installation, maintenance and wholesale of measuring instruments (including coordinate measuring machines, roundtests, surftests, profile projectors, contracers, microscopes and height gauges), as well as provision of technical support of measuring instruments.

Mitutoyo Corporation, the Purchaser, was established in 1934 and is one of the leading manufacturers for measuring instruments in the world. The Company, through the Vendor, established the Target Company with the Purchaser in September 2003 to provide a complete range of measuring equipment to its customers in Hong Kong and the PRC.

We are advised by the Company that the Purchaser is the sole supplier of the Target Group. Pursuant to the official agent agreement dated 1 November 2003 (as supplemented by a memorandum of understanding) entered into between LM-Hong Kong and the Purchaser, LM-Hong Kong is the distributor of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Purchaser's certain products in the Guangdong Province in the PRC up to 31 March 2011. The official agent agreement is crucial for the business of the Target Group.

As advised by the Company, other leading manufacturers for measuring instruments in the world have already established their own distribution network in the PRC. The Target Company does not have any immediate opportunity to find another suitable supplier.

*(ii) Financial position*

We have reviewed the audited consolidated financial statements of the Target Group for the years ended 31 December 2008 and 2009, and the unaudited consolidated management accounts of the Target Group for the six months ended 30 June 2010. The following table illustrates certain key financial information of the Target Group for the aforesaid periods:

	<b>For the year ended 31 December</b>		<b>For the six months ended</b>
	<b>2008</b>	<b>2009</b>	<b>30 June 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Turnover	148,230	99,696	63,277
Gross profit	25,300	18,048	11,207
(Loss)/profit before taxation	(19,953)	(9,301)	3,624
(Loss)/profit after taxation	(19,953)	(9,265)	3,624
			<b>As at</b>
	<b>As at 31 December</b>		<b>30 June</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Net asset value	71,524	62,016	64,394

As advised by the Company, the Purchaser is the sole supplier of the Target Group. Administrative sanctions were imposed on the Purchaser by the Ministry of Economy, Trade and Industry of Japan, which banned the export of all of its products from July 2007 to January 2008 and its coordinate measuring machines and their components from July 2007 to July 2010. The coordinate measuring machines accounted for approximately 20% of the turnover of the Target Group for the year ended 31 December 2006, being the financial year immediately prior to the imposition of the administrative sanctions. As such, the export ban of the Purchaser's coordinate measuring machines had an adverse impact on the financial results of the Target Group. Furthermore, the global financial crisis that

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commenced in the last quarter of 2008 also adversely affected the Target Group's business in 2009. Consequently, the Target Group recorded audited net losses of approximately HK\$20 million and approximately HK\$9.3 million for the years ended 31 December 2008 and 2009 respectively. The Target Group recorded unaudited net profit of approximately HK\$3.6 million for the six months ended 30 June 2010, mainly benefited from the increased revenue and implementation of cost saving programs to reduce operating expenses. Notwithstanding, we are advised by the management of the Company that year-end adjustments such as provision for inventories and charges for supporting service from the holding company will be put through in 2010 full year results of the Target Group. As such, the Target Group's results for the six months ended 30 June 2010 might not be a good indicator for its full year results.

### **B. Reasons for and benefits of the Disposal**

We are advised by the Company that with the cessation of the administrative sanctions imposed on the Purchaser by the Japanese government for export of coordinate measuring machines in July 2010, the Purchaser is keen in developing overseas markets, especially the PRC through the Target Group. After acquiring the controlling stake in the Target Company, the Board believed that the Purchaser would put more resources, including technical support and training to the existing sales and service teams, on the Target Group. As a result, the Target Group would be able to provide with its customers better products and services. We are also advised by the Company that several Japanese sales and service experts have recently been deployed to the Target Group by the Purchaser. The Japanese personnel have been working with the sales and service teams of the Target Group to visit customers and to provide technical services. By leveraging on the network of the Purchaser, in particular, among Japanese manufacturers in PRC, and strengthening the alliance with the Purchaser, through the provision of technical support and training, the Board believed the Target Group would be able to increase the revenue generated from the PRC market. We are advised that the Company and the Purchaser shall endeavour to improve the profitability of the Target Group following the Disposal, such as reducing costs of the Target Group.

Given that (i) the Target Group will become a subsidiary of the Purchaser, its sole supplier, after Completions as opposed to a minority stake currently held by the Purchaser; (ii) the business of the Target Group solely relies on the distribution of the Purchaser's products; (iii) the expected increase in sales of the Target Group by leveraging the Purchaser's network, in particular, Japanese manufacturers in the PRC; and (iv) the Target Group will be able to provide with its customers better products and services as a result of the Purchaser deploying more resources to the Target Group, it is reasonable to believe that the Target Group could benefit operationally and financially after Completions as anticipated by the Board and the Group would benefit through its interest in the Target Group.

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The Group is principally engaged in the trading of 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 South East Asia. Thus, the entering into of the Agreements by the Group is not conducted in its ordinary and usual course of business.

In consideration of the aforesaid, we consider that though the entering into of the Agreements by the Group is not conducted in its ordinary and usual course of business, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

### C. Principal terms of the Agreements

#### (i) *The Sale and Purchase Agreement*

##### *The Consideration*

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase an aggregate 41% of the issued share capital of the Target Company in two phases for a total Consideration of HK\$28,700,000, which shall be settled by cash as follows:

- HK\$7,000,000 is payable for the Phase I Sale Shares, representing 10% of the issued share capital of the Target Company; and
- HK\$21,700,000 is payable for the Phase II Sale Shares, representing 31% of the issued share capital of the Target Company.

As stated in the “Letter from the Board” in the Circular, the Consideration was arrived at after arm’s length negotiations between the parties with reference to the net asset value of the Target Group. It is noted that the consideration for Phase I Completion and Phase II Completion is in proportion to the number of Phase I Sale Shares and Phase II Sale Shares.

The unaudited net asset value of the Target Group was approximately HK\$64.4 million as at 30 June 2010. Therefore, the net asset value attributable to 41% equity interest of the Target Group amounted to approximately HK\$26.4 million (the “**Disposal NAV**”). It is noted that the Consideration represents a premium of approximately 8.7% over the Disposal NAV. Furthermore, pursuant to the Sale and Purchase Agreement, Phase I Completion and Phase II Completion are conditional upon the Target Group having net asset value of more than HK\$52 million as at 31 December 2010 and 31 December 2011 after an estimated adjustment has been made respectively. As advised by the Company, the estimated adjustment represents provision for inventories and accrual of expenses identified in the course of negotiations. This implies a downward adjustment would be made



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to the net asset value of the Target Group on the aforesaid year end dates. If the adjustment were made for the net asset value of the Target Group as at 30 June 2010, the premium to the Disposal NAV would increase.

As the Target Group was loss making for the year ended 31 December 2009, we are unable to analyse the implied price-to-earnings multiple of the Consideration.

In assessing the fairness and reasonableness of the Consideration, we have conducted a search of companies listed on the Stock Exchange that are principally engaged in business, which to the best of our knowledge, represent a close comparison to that of the Target Group. However, based on our research, we are unable to identify any suitable comparable companies under such criterion.

It is noted that the Consideration represents a premium of approximately 8.7% over the Disposal NAV and the Vendor will entitle to preferential dividends, subject to the distributable profits of the Target Company as stated in the section headed “The Shareholders Agreement” below. As such, we consider that the Consideration is fair and reasonable.

### *Other major terms*

We have also reviewed the other major terms of the Sale and Purchase Agreement and are not aware of any terms that are unusual.

In light of the foregoing, we are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable.

### **(ii) *The Shareholders Agreement***

The Shareholders Agreement regulates the relationship of the Vendor and the Purchaser as shareholders of the Target Company. As stated in the “Letter from the Board” in the Circular, the terms of the Shareholders Agreement were arrived at after arm’s length negotiations between the parties thereto. The major terms of the Shareholders Agreement are set out below:

#### *Board of directors*

The existing board of directors of the Target Company comprises four directors, of which three were appointed by the Vendor and one was appointed by the Purchaser.

Pursuant to the Shareholders Agreement, the board of the Target Company will comprise five directors upon Phase I Completion, of which three will be nominated by the Vendor and two will be nominated by the Purchaser. Upon Phase II Completion, the Vendor will be entitled to



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nominate two directors whilst the Purchaser will be entitled to nominate three directors to the board of the Target Company. Each of the chairman of the board of directors and the president (who shall be responsible for conducting and managing the daily operation of the Target Group) of the Target Group shall be appointed from among the directors nominated by the Purchaser.

We consider that it is a normal practice for the controlling shareholder to appoint the majority members of the board of directors of the Target Company.

### *Preferred ordinary shares and preferred dividends*

Pursuant to the Shareholders Agreement, the ordinary shares of the Target Company held by the Vendor will be converted into preferred ordinary shares upon Phase II Completion. The preferred ordinary shares to be held by the Vendor will be entitled to a preferred dividend payable in the financial years from 2012 to 2014, subject to the distributable profits of the Target Company. The maximum amount of preferred dividends payable to the Vendor shall not be more than HK\$7,840,000 in aggregate.

After the payment of preferred dividend in any financial year, the Target Company will either retain the remaining distributable profits or distribute the profits to the Vendor and the Purchaser in proportion to their then shareholdings in the Target Company.

At the end of the financial year 2014, the preferred ordinary shares of the Target Company held by the Vendor will be automatically re-converted into the same number of ordinary shares of the Target Company.

We consider that the preferred dividends arrangement is a favourable term to the Group compare to the usual practice that dividends are distributed to shareholders on a pro rata basis.

### *Other major terms*

We have reviewed the other major terms of the Shareholders Agreement and noted that the Shareholders Agreement includes the standard terms of a normal shareholders' agreement in relation to ownership, management and operation of a company and from our review of the Shareholders Agreement, we are not aware of any major terms that are unusual.

Based on the aforesaid, we are of the view that the terms of the Shareholders Agreement are on normal commercial terms and are fair and reasonable.

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### III. OPINION

Having considered the principal factors and reasons as discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the reasons for and the benefits of the Disposal as discussed in section (II)(B) above;
- the Consideration is fair and reasonable;
- the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable; and
- the terms of the Shareholders Agreement are on normal commercial terms and are fair and reasonable,

we consider that though the entering into of the Agreements by the Group is not conducted in its ordinary and usual course of business, it is in the interests of the Company and the Shareholders as a whole. Furthermore, the terms of the Agreements are on normal commercial terms and are fair and reasonable.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Noelle Hung**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors or chief executives of the Company in the Shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

### (A) Beneficial interests and long positions in Shares at the Latest Practicable Date:

Director		Number of ordinary shares of HK0.10 each held				Total	Percentage
		Personal Interests	Family Interest	Other Interests			
Mr. LEE Sou Leung, Joseph	Long position	7,752,000 Shares	816,000 Shares <i>(Note (b))</i>	144,529,982 Shares <i>(Note (a))</i>	153,097,982 Shares	71.06%	
Ms. TAN, Lisa Marie	Long position	816,000 Shares	7,752,000 Shares <i>(Note (c))</i>	144,529,982 shares <i>(Note (a))</i>	153,097,982 Shares	71.06%	
Mr. CHAN Ching Huen, Stanley	Long position	200,000 Shares	Nil	Nil	200,000 Shares	0.09%	
Mr. NIMMO, Walter Gilbert Mearns	Long position	Nil	402,445 Shares <i>(Note (d))</i>	Nil	402,445 Shares	0.19%	

*Notes:*

- (a) The 144,529,982 Shares are held by Peak Power Technology Limited in its capacity as the trustee of The Lee Family Unit Trust holding the same for the benefit of holders of units issued by The Lee Family Unit Trust. HSBC International Trustee Limited is the trustee of the LMT Trust whose discretionary objects are Ms. Tan and Mr. Lee's family members. The aforesaid shares that Mr. Lee and Ms. Tan are deemed to be interested refer to the same parcel of shares.

- (b) Mr. Lee is the husband of Ms. Tan. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee.
- (c) The personal interests of Mr. Lee above are disclosed as the family interest of Ms. Tan.
- (d) The 402,445 Shares are held by the spouse of Mr. Nimmo.

**(B) Share options**

The Company granted share options to the Directors in accordance with the share option scheme of the Company adopted on 17 June 2003 subject to the acceptance of the Directors. Details of share options granted to the Directors are set out below:

Eligible participants	Date of grant	Exercise Price HK\$	As at 1 January 2010	Granted during the financial year	Exercised during the financial year	Expired/ Lapsed/ Cancelled during the financial year	As at 31 December 2010
<b>Director</b>							
Mr. LEE Sou Leung, Joseph	22 April 2008	1.25	500,000	–	–	(500,000)	–
	29 March 2010	0.61	–	580,000	–	–	580,000
Ms. TAN, Lisa Marie	22 April 2008	1.25	500,000	–	–	(500,000)	–
	29 March 2010	0.61	–	580,000	–	–	580,000
Mr. CHAN Ching Huen, Stanley	22 April 2008	1.25	500,000	–	–	(500,000)	–
	29 March 2010	0.61	–	580,000	–	–	580,000
Dr. LUI Sun Wing	22 April 2008	1.25	100,000	–	–	(100,000)	–
	29 March 2010	0.61	–	100,000	–	–	100,000
Mr. PIKE, Mark Terence	22 April 2008	1.25	100,000	–	–	(100,000)	–
	29 March 2010	0.61	–	100,000	–	(100,000)	–
Mr. NIMMO, Walter Gilbert Mearns	22 April 2008	1.25	100,000	–	–	(100,000)	–
	29 March 2010	0.61	–	100,000	–	–	100,000
<b>Employees</b> (excluding directors)	22 April 2008	1.25	5,548,000	–	–	(5,548,000)	–
	29 March 2010	0.61	–	5,940,000	–	–	5,940,000
			<u>7,348,000</u>	<u>7,980,000</u>	<u>–</u>	<u>(7,448,000)</u>	<u>7,880,000</u>

Apart from the above, as at the Latest Practicable Date, there were no interest of the Directors or chief executives of the Company in the Shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### **3. SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in this circular, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, there were no other person (other than the Directors or chief executives of the Company as disclosed in the above) who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date.

### **4. DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors entered into a service contract with the Company for a term of 3 years commencing from the listing date of the Company, and will continue thereafter until terminated by either party thereto by giving to the other party a three month's written notice or three months' basic salary in lieu of notice.

Save as the aforesaid, as at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

### **5. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

### **6. MATERIAL CONTRACTS**

Within the two years immediately preceding the date of this circular, the Sale and Purchase Agreement, being contract not entered into in the ordinary course of business, has been entered into by members of the Company and is or may be material.

**7. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

**8. INTEREST OF DIRECTORS OR EXPERTS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP**

Since the date to which the latest published audited accounts of the Company were made up until the Latest Practicable Date, there had been no interest of any Director or experts (as listed out in paragraph 10 below) which had been or were proposed to be acquired or disposed of by or leased to any member of the Group.

**9. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP**

As at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

**10. EXPERT AND CONSENT**

The following is the qualification of the expert who has been named in this circular or has given opinion or letter contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Quam Capital	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, Quam Capital gave and did not withdraw its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As of the Latest Practicable Date, Quam Capital did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

**11. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

- (b) The company secretary and qualified accountant of the Company is Mr. Chan Ching Huen, Stanley. Mr. Chan is a fellow member of the Chartered Association of Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (c) The head office and principal place of business of the Company in Hong Kong is situated at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.
- (d) The principal share register of the Company is Butterfield Fulcrum Group (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Investor Service Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

## **12. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Company were made up.

## **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company which is situated at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, for a period of 14 days from the date of this circulars

- (a) this circular;
- (b) the Sale and Purchase Agreement;
- (c) the service contracts of the executive Directors;
- (d) the letter from the Independent Board Committee as set out on page 15 of this circular;
- (e) the letter from the Independent Financial Adviser as set out on pages 16 to 24 of this circular; and
- (f) the written consent of the expert as referred to in the paragraph headed "Expert and Consent" in this Appendix.

## **14. LANGUAGE**

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.