THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

LEEPORT (HOLDINGS) LIMITED
力豐（集團）有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 387)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED DISPOSAL OF 49% ISSUED SHARE CAPITAL OF MITUTOYO LEEPORT METROLOGY CORPORATION; AND NOTICE OF SPECIAL GENERAL MEETING

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined under the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 12 of this circular.

A notice convening the SGM to be held at 10:30 a.m. on Tuesday, 21 January 2020 at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you intend to attend the SGM, you are advised to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if you so wish.

* *For identification purposes only*

27 December 2019

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (not being a Saturday or Sunday) when banks generally are open in Hong Kong and Japan for the transaction of general banking business
"BVI"	the British Virgin Islands
"Company"	Leeport (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 387)
"Completion"	the completion of the Disposal
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of HK$100,000,000 payable by the Purchaser to the Vendor for the Disposal pursuant to the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
"Euro"	the lawful currency of the European Union
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons

"Latest Practicable Date"	23 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MLM – Dongguan"	Mitutoyo Leeport Metrology (Dongguan) Limited* (三豐力豐量儀(東莞)有限公司), a company established in the PRC with limited liability, which is wholly-owned by the Target Company
"MLM – Hong Kong"	Mitutoyo Leeport Metrology (Hong Kong) Limited, a company incorporated under the laws of Hong Kong with limited liability, which is wholly-owned by the Target Company
"Parties"	collectively, the Vendor and the Purchaser, being the parties to the Sale and Purchase Agreement, and each a "Party"
"PRC" or "China"	the People's Republic of China which, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
"Purchaser"	Mitutoyo Corporation, a company incorporated under the laws of Japan
"Remaining Group"	the Company and its subsidiaries after the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement in respect of the sale and purchase of 49% issued share capital of the Target Company dated 13 November 2019
"Sale Shares"	3,430,000 ordinary shares of US$1.00 each in the issued share capital of the Target Company, representing 49% of the issued share capital of the Target Company as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"Share(s)"	the ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Mitutoyo Leeport Metrology Corporation, a BVI business company limited by shares incorporated in the BVI
"Target Group"	the Target Company and its subsidiaries, namely MLM – Hong Kong and MLM – Dongguan
"US$"	U.S. dollar, the lawful currency of the U.S.
"U.S."	the United States of America
"Vendor"	Leeport Machine Tool Company Limited, a company incorporated under the laws of Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
"%"	per cent.

* *For identification purposes only*

Leeport

LEEPORT (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)*
Mr. CHU Weiman
Mr. CHAN Ching Huen, Stanley
Mr. WONG Man Shun, Michael

Independent non-executive Directors:
Mr. ZAVATTI Samuel
Mr. FUNG Wai Hing
Mr. WONG Tat Cheong, Frederick

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
1st Floor, Block 1
Golden Dragon Industrial Centre
152-160 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

27 December 2019

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED DISPOSAL OF 49% ISSUED SHARE CAPITAL OF MITUTOYO LEEPORT METROLOGY CORPORATION; AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 13 November 2019 in relation to the Disposal.

On 13 November 2019 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares at the Consideration of HK$100,000,000.

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreement; (ii) the financial information of the Group and the Target Group; (iii) the unaudited pro forma financial information of the Remaining Group; and (iv) notice of the SGM.

Date

13 November 2019

Parties

(i) The Vendor; and

(ii) The Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the issued shares of the Purchaser were owned as to (i) approximately 36.03% by Mr. Yoshiaki Numata and his family members; (ii) approximately 18.32% by several religious corporations established under the laws of Japan; (iii) approximately 17.29% by a group of employees under an employee's stock ownership plan of the Purchaser, (iv) approximately 15.79% by two public interest incorporated foundations established under the laws of Japan; (v) approximately 10.15% by several educational corporations in Japan; (vi) approximately 1.79% by the Purchaser itself as treasury stock; and (vii) approximately 0.63% by two private corporations established under the laws of Japan. Save as the fact that the Purchaser is holding 51% issued share capital of the Target Company, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, being 3,430,000 ordinary shares, representing 49% of the issued share capital of the Target Company.

Detailed information of the Target Group is included under the section headed "Information on the Target Group" in this circular.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration of HK$100,000,000 shall be settled by cash on Completion.

Basis of the Consideration

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations and on normal commercial terms, taking into account the unaudited consolidated net asset value of the Target Group as at 30 June 2019 of approximately HK$160,789,000 ("**Unaudited NAV**"). As part of the internal restructuring plan of the Purchaser group to further their business in the PRC, the Purchaser is desirous of obtaining 100% control of the Target Group and therefore agreed to pay a premium of approximately 26.9% over 49% of the Unaudited NAV for this transaction.

Based on the above, the Directors consider that the Consideration is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled:

(a) the Company having despatched this circular in relation to the Disposal;

(b) the Company having obtained the requisite Shareholders' approval and/or consent for the execution and implementation by the Vendor of the Sale and Purchase Agreement and other related documents in accordance with the Listing Rules; and

(c) all necessary consent, authorisation, permission, waiver, exemption, or other approval required to be obtained under the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

If the conditions shall not have been satisfied on or before 31 January 2020 (the "**Long Stop Date**"), the parties may extend the Long Stop Date for an agreed upon period of ninety (90) days. If the Conditions shall not have been satisfied on or before the Long Stop Date (including the ninety (90) day extension), the Purchaser may by written notice to the Vendor elect to rescind the Sale and Purchase Agreement in which case all rights and obligations of the Parties thereunder (except for those specified otherwise) shall terminate and no Party shall have any claim against the other, but without prejudice to the accrued rights and obligations of the Parties before that termination. As at the Latest Practicable Date, none of the conditions above had been fulfilled.

Completion

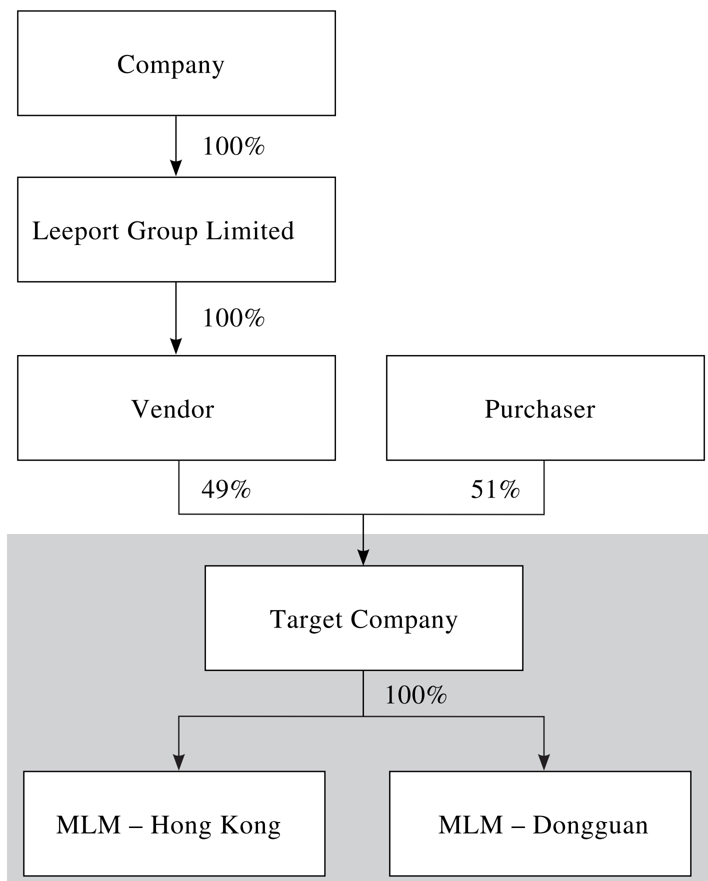
Completion shall take place on the fifth (5th) Business Day following the date on which the aforesaid conditions have been duly fulfilled provided this is on or before the Long Stop Date.

Termination

The Purchaser is entitled to proceed to Completion or rescind the Sale and Purchase Agreement without liability of any kind on its part if any breach of a warranty or of any other provision of the Sale and Purchase Agreement becomes known to the Purchaser before Completion. Under such circumstances, the Vendor shall fully indemnify the Purchaser any costs, charges and expenses reasonably incurred by the Purchaser in connection with the Sale and Purchase Agreement, and each Party's further rights and obligations shall cease immediately upon rescission (except for those specified otherwise), save for a Party's accrued rights and obligations at the date of rescission.

INFORMATION ON THE TARGET GROUP

The following diagram illustrates the shareholding structure of the Target Group as at the Latest Practicable Date.



Target Company

The Target Company was incorporated in the BVI with limited liability on 28 March 2003. It is engaged in investment holdings. As at the Latest Practicable Date, the Target Company was owned as to 51% by the Purchaser and 49% by the Vendor.

MLM – Hong Kong

MLM – Hong Kong was incorporated in Hong Kong with limited liability 15 May 2002. It is engaged in trading of precision measuring instruments and related equipment, as well as provision of product and application support. As at the Latest Practicable Date, MLM-Hong Kong was wholly-owned by the Target Company.

MLM – Dongguan

MLM – Dongguan is a wholly foreign owned enterprise established under the laws of the PRC with limited liability on 30 December 2001. It is engaged in, among others, installation, maintenance and wholesale of precision measuring instrument, as well as provision of technical support of precision measuring instrument. As at the Latest Practicable Date, MLM-Dongguan was wholly-owned by the Target Company.

Financial information on the Target Group

The Target Company is accounted for as an associate of the Company in the financial statements of the Group. Set out below is a summary of the unaudited financial information on the Target Group for the years ended 31 December 2017 and 2018 as extracted from Appendix II to this circular.

	For the year ended 31 December	
	2018	**2017**
	HK$'000	*HK$'000*
Profit before taxation	40,140	38,873
Profit after taxation	33,419	32,273

The unaudited consolidated net asset value of the Target Group as at 30 June 2019 amounted to approximately HK$160,789,000.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Disposal had taken place on 30 June 2019, it is estimated that the Group will record a gain of approximately HK$10,774,000 (before tax) from the Disposal, which is estimated by the Company based on the amount of Consideration, the Group's share of 49% net assets of the Target Group as at 30 June 2019, the goodwill relating to the Target Group as at 30 June 2019 and the amount of release of accumulated exchange reserve as at 30 June 2019. The estimated transaction costs attributable to the Disposal will be approximately HK$1,000,000.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Disposal had taken place on 30 June 2019, (i) the unaudited pro forma consolidated total assets of the Remaining Group would have increased from approximately HK$905,362,000 to approximately HK$921,376,000; and (ii) the unaudited pro forma consolidated total liabilities of the Remaining Group would remain unchanged at approximately HK$484,028,000.

Please refer to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular for more details on the basis and assumptions of the aforesaid financial impact to the Group.

Shareholders should note that the actual gain from the Disposal can only be determined at the date of Completion, and therefore may be different from the amount mentioned above.

Upon Completion, the Company will cease to hold any interest in the Target Group, and the Target Company will cease to be an associate of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 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 over 50 years. The Company, through the Vendor, established the Target Company with the Purchaser in 2003 to provide a complete range of precision measuring instruments and related equipment to its customers in Hong Kong and the PRC. The Target Company has been an authorised distributor of the Purchaser's products (the "**Mitutoyo Products**") in Southern China.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, due to the keen competition in the measuring equipment market in Southern China in recent years, the Purchaser has decided to restructure its business in Southern China by, among others, consolidating its interests in the Target Group. As part of the Purchaser's adjusted business strategies, upon Completion, the Target Company will cease to sell the Mitutoyo Products to its customers directly, and will rely on the distributors for the sale of the Mitutoyo Products.

As an incentive for the Group to dispose of its interests in the Target Company, the Purchaser has also agreed to appoint the Group as its preferred distributor in Southern China after the Disposal to sell the Mitutoyo Products through the Group's sales channel and network. A new distribution agreement in relation to, among other things, the preferred distribution arrangement will be entered into between the Purchaser and the Group, which is expected to take effect upon Completion. As a preferred distributor, the Group will take up all the existing direct customers of the Target Company and new potential customers will be preferentially referred to the Group by the Target Company in the future. The Group will also be allowed to provide installation, training and technical support services to the aforesaid customers. Given that the Group is already the authorised distributor for the Purchaser's products in Central and Northern China, the aforesaid preferential treatment would enable the Group to expand its distribution business in the PRC. Furthermore, after cessation of the cooperation arrangement with the Purchaser in the Target Company upon Completion, the Group would be able to develop and expand its own measuring instrument business in the PRC without any contractual restriction.

In addition, the proceeds generated from the Disposal would allow the Group to reduce its indebtedness level, explore and pursue new business opportunities and allocate its resources to expand its existing business. The intended use of proceeds from the Disposal is set out in the section headed "Intended Use of Proceeds" below.

Based on the above, the Directors consider that the Disposal contemplated by the Sale and Purchase Agreement is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

Upon Completion, the gross proceeds and net proceeds of the Disposal will be HK$100,000,000 and approximately HK$99,000,000, respectively. The Board intends to apply the net proceeds from the Disposal in the following manner:

Expansion of the business of the Group's measuring instrument division in the PRC

Approximately HK$50,000,000, representing approximately 50.51% of the net proceeds, will be applied to expand the Group's measuring instrument division in the PRC. For the year ended 31 December 2018, the measuring instrument division of the Group recorded revenue of approximately HK$101,098,000. The Group will continue to invest in the distribution of the Mitutoyo Products in the PRC. Appointment of the Group by the Purchaser as its preferred distributor in Southern China after the Disposal would provide an opportunity for the Group to gain market share in the market of measuring instruments. The Group will also continue to identify, develop and source advanced products complementary to Mitutoyo Products to diversify its product portfolio and enhance its competitiveness in the market. The Group will strengthen its after-sales services such as installation, repairing, maintenance as well as other value-added services. In achieving such expansion, more salespersons, service technicians and engineers will be recruited. The Group will also raise the level of stock of its products in the measuring instrument division to cope with the potential extra demand for its products as a result of its business expansion.

Investment in manufacturing equipment suppliers

Approximately HK$40,000,000, representing approximately 40.40% of the net proceeds, will be applied to invest in manufacturing equipment suppliers. As at the Latest Practicable Date, the Group was considering increasing its existing investment in certain entities, including (i) Prima Industrie S.p.A., a leading sheet metal machinery manufacturer which is listed on the Stock Exchange of Milan, Italy; and (ii) Cangzhou Lead Laser Technology Co., Ltd* (滄州領創激光科技有限公司), a company incorporated in the PRC which is principally engaged in the manufacturing and sale of laser cutting machines, laser welding machines and multi-function integrated laser processing equipment. The Group is especially interested in the aforementioned entities because of their well-established business in the PRC and Southeast Asia, and given that the Group is their distributor, further investment by the Group will strengthen the business relationship with them. The Directors are also of the view that further investment in the manufacturing equipment suppliers aligns with the Group's vision as a leading international company specialising in manufacturing technology. It is expected that the Group would benefit from the return from investment in these companies from a global perspective, especially in the PRC market.

Repaying certain outstanding bank loans of the Group

Approximately HK$9,000,000, representing approximately 9.09% of the net proceeds, will be applied to repay the Group's outstanding bank borrowings, comprising mainly revolving loans to rollover on a monthly basis and term loans repayable within one and a half years. This will reduce the level of indebtedness of the Group and save certain interest expenses.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

A notice convening the SGM to be held at 10:30 a.m. on Tuesday, 21 January 2020 at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the website of the investor relations service provider for the Company (www.irasia.com). Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder or any of its close associates had any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its associates do not have any interests in the issued share capital of the Company.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at the general meeting must be taken by poll. Therefore, the resolution proposed at the SGM will be voted by poll.

RECOMMENDATION

The Directors are of the opinion that the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM in relation to the Disposal and the transactions contemplated therein.

Your attention is drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 are disclosed in the annual reports of the Company for the years ended 2016 (pages 46 to 125), 2017 (pages 47 to 129) and 2018 (pages 46 to 141) and interim report of the Company for the six months ended 30 June 2019 (pages 13 to 50) respectively. The said annual reports and interim report have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the investor relations service provider for the Company (www.irasia.com), which can be accessed by the direct hyperlinks below:

2016 annual report:
https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0428/ltn20170428620.pdf

2017 annual report:
https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0430/ltn20180430455.pdf

2018 annual report:
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430794.pdf

2019 interim report:
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0930/ltn20190930171.pdf

2. INDEBTEDNESS STATEMENT

As at 31 October 2019, being the latest practicable date for the purpose of the indebtedness statement in this Circular, the Group had outstanding bank borrowings of approximately HK$248 million, comprising (i) trust receipt loans of approximately HK$113 million, (ii) terms loans of approximately HK$131 million and (iii) bank overdrafts of approximately HK$4 million.

The borrowings mentioned above are secured by certain land and buildings, right of use assets, investment properties and restricted bank deposits of the Group.

The Group leases various properties for the use of office. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. As at 31 October 2019, the lease liabilities of the Group was approximately HK$5 million, of which approximately HK$2 million would be due within one year and approximately HK$3 million would be due after one year.

The Group has also given undertakings to banks that they will perform certain contractual non-financial obligations to third parties. The Group had certain guarantees issued in favour of independent third parties totalling HK$6 million as at 31 October 2019.

Save as disclosed above or as otherwise mentioned herein, and apart from intra-group liabilities, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance lease or hire purchases and finance lease commitments, liabilities under acceptances or acceptance credits, or any other guarantees or other material contingent liabilities as at 31 October 2019.

3. WORKING CAPITAL

As at 31 October 2019, the Group had outstanding bank borrowings of approximately HK$248 million. In determining the sufficiency of the working capital of the Group, the Directors have made an assumption that the Group's existing bank facilities of approximately HK$340 million, which are due for renewal within the next 12 months from the date of publication of this circular, will be duly renewed. Based on past experience, the Directors are of the view that the aforesaid renewal will be approved by the underlying banks and granted to the Group within the next 12 months from the date of publication of this circular.

The Directors are of the opinion that, after taking into account the existing cash and bank balances, the net proceeds from the Disposal, the internal resources available to the Group, the existing banking facilities and the expected successful renewal of the banking facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial position or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

The Remaining Group is principally engaged in 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. At the same time, the Remaining Group maintains its shareholding in two associated companies, namely, OPS-Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited.

Looking into the second half of 2019, most of the Group's business division continues to face a drop in the number of orders received due to the unresolved trade war between China and U.S. However, the first stage trade agreement is likely to be reached while still waiting for final signing arrangement. We hope this will improve the global business environment. The Group has started to take actions to control its operating expenses, and such cost reduction will be reflected in the year of 2020. Competition in the market is likely to be very keen. The Group's management will therefore enhance the productivity of the sales team and the quality of service to customers.

We foresee that some industries, such as electric cars, 5G equipment and hand phones, will be able to provide new business opportunities for the Remaining Group. Given the current unfavorable market situation, the Remaining Group must cut costs and develop sales strategies to win more orders. We expect that business will improve in the year of 2020.

The Remaining Group will continue to invest in the distribution of the Mitutoyo's products in the PRC. Given that the Remaining Group is already the authorised distributors for Mitutoyo's products in Central and Northern China, the appointment of the Remaining Group by Mitutoyo as its preferred distributor in Southern China after the Disposal would provide an opportunity for the Remaining Group to gain market share in the market of measuring instruments. The Remaining Group will also continue to identify, develop and source advanced products complementary to Mitutoyo products to diversify its product portfolio and enhance its competitiveness in the market. The Remaining Group will strengthen its after-sales services such as installation, repairing, and maintenance, as well as other value-added services. In achieving such expansion, more salespersons, service technicians and engineers will be recruited. The Remaining Group will also raise the level of stock of its products in the measuring instrument division to cope with the potential extra demand for its products as a result of its business expansion.

The Remaining Group will continue to invest in the manufacturing equipment suppliers, which aligns with the Remaining Group's vision as a leading international company specialising in manufacturing technology. The Remaining Group is especially interested in the sheet metal machinery manufacturers because of its well-established business in the PRC and Southeast Asia. It is expected that the Remaining Group would benefit from the return from investment in these companies from a global perspective, especially in the PRC market.

REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF MITUTOYO LEEPORT METROLOGY CORPORATION

(incorporated in the British Virgin Islands with limited liability)

To the Board of Directors of Leeport (Holdings) Limited

Introduction

We have reviewed the historical financial information set out on pages II-3 to II-26 which comprise the condensed consolidated balance sheets of Mitutoyo Leeport Metrology Corporation (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") as of 31 December 2016, 2017 and 2018 and 30 June 2019, and the condensed consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 30 June 2019 and explanatory notes (the "**Historical Financial Information**"). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Leeport (Holdings) Limited (the "**Company**") in connection with the disposal of the Target Group in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**").

The directors of the Company (the "**Directors**") are responsible for the presentation and preparation of the Historical Financial Information of the Target Group in accordance with the basis of preparation set out in note 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rule. The Directors are also responsible for such internal control as management determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibility is to express a conclusion on this Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by HKICPA and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by HKICPA. A review of the historical financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Target Group for the relevant periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 December 2019

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 December			As at 30 June
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS					
Non-current assets					
Property and equipment	*3*	1,696	3,001	5,150	4,161
Right-of-use assets	*7*	–	–	–	2,641
		1,696	3,001	5,150	6,802
Current assets					
Inventories	*6*	34,040	32,696	49,230	65,643
Amounts due from fellow subsidiaries	*15*	115	135	638	21
Amounts due from related companies	*15*	36	549	1,750	1,461
Trade receivables	*5*	24,001	20,286	20,072	30,281
Other receivables, prepayments and deposits	*5*	588	762	1,010	1,173
Income tax recoverable		872	–	–	–
Cash and cash equivalents	*8*	106,632	147,043	156,742	128,760
		166,284	201,471	229,442	227,339
Total assets		167,980	204,472	234,592	234,141
EQUITY					
Capital and reserves attributable to the Target Company's equity holders					
Share capital	*9*	54,600	54,600	54,600	54,600
Retained earnings		66,763	93,872	110,609	103,971
Exchange reserves		(8,957)	(4,228)	(1,619)	2,218
Total equity		112,406	144,244	163,590	160,789

		As at 31 December			As at 30 June
		2016	**2017**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	*11*	79	67	57	68
Lease liabilities	*7*	–	–	–	1,110
		79	67	57	1,178
Current liabilities					
Amounts due to fellow subsidiaries	*15*	138	327	959	534
Amount due to the ultimate holding company	*15*	37,415	40,959	47,093	43,034
Amount due to the non-controlling shareholder	*15*	251	261	261	247
Amounts due to related companies	*15*	–	2,458	–	–
Trade and bills payables	*10*	819	1,090	2,379	2,079
Other payables, accruals and deposits received	*10*	16,667	12,602	19,844	23,088
Income tax payable		205	2,464	409	1,661
Lease liabilities	*7*	–	–	–	1,531
		55,495	60,161	70,945	72,174
Total liabilities		55,574	60,228	71,002	73,352
Total equity and liabilities		167,980	204,472	234,592	234,141

CONDENSED CONSOLIDATED INCOME STATEMENT

		Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	*12*	247,665	263,597	284,855	146,234	122,735
Cost of goods sold	*13*	(173,406)	(181,992)	(196,405)	(99,105)	(86,052)
Gross profit		74,259	81,605	88,450	47,129	36,683
Other income	*12*	491	30	41	19	18
Selling and distribution costs	*13*	(9,954)	(6,198)	(7,941)	(2,939)	(4,316)
Administrative expenses	*13*	(49,378)	(36,564)	(40,410)	(21,069)	(21,026)
Profit before income tax		15,418	38,873	40,140	23,140	11,359
Income tax expense	*14*	(4,614)	(6,600)	(6,721)	(3,756)	(1,669)
Profit for the year/period		10,804	32,273	33,419	19,384	9,690
Attributable to:						
Owners of the Target Company		10,804	32,273	33,419	19,384	9,690

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the year/period	10,804	32,273	33,419	19,384	9,690
Other comprehensive income					
Items that may be reclassified to profit or loss					
Currency translation differences	3,806	4,729	2,609	3,689	3,837
Total comprehensive income for the year/period	14,610	37,002	36,028	23,073	13,527
Attributable to:					
Owners of the Target Company	14,610	37,002	36,028	23,073	13,527

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company			
	Share capital	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2016	54,600	(12,763)	69,771	111,608
Comprehensive income				
Profit for the year	–	–	10,804	10,804
Other comprehensive income				
Currency translation differences	–	3,806	–	3,806
Total comprehensive income	–	3,806	10,804	14,610
Total distributions to owners of the Target Company recognised directly in equity				
Dividend paid *(Note 16)*	–	–	(13,812)	(13,812)
Total distributions to owners of the Target Company	–	–	(13,812)	(13,812)
As at 31 December 2016	54,600	(8,957)	66,763	112,406
As at 1 January 2017	54,600	(8,957)	66,763	112,406
Comprehensive income				
Profit for the year	–	–	32,273	32,273
Other comprehensive income				
Currency translation differences	–	4,729	–	4,729
Total comprehensive income	–	4,729	32,273	37,002
Total distributions to owners of the Target Company recognised directly in equity				
Dividend paid *(Note 16)*	–	–	(5,164)	(5,164)
Total distributions to owners of the Target Company	–	–	(5,164)	(5,164)
As at 31 December 2017	54,600	(4,228)	93,872	144,244

	Attributable to owners of the Target Company			
	Share capital	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2018	54,600	(4,228)	93,872	144,244
Comprehensive income				
Profit for the period	–	–	33,419	33,419
Other comprehensive income				
Currency translation differences	–	2,609	–	2,609
Total comprehensive income	–	2,609	33,419	36,028
Total distributions to owners of the Target Company recognised directly in equity				
Dividend paid *(Note 16)*	–	–	(16,682)	(16,682)
Total distributions to owners of the Target Company	–	–	(16,682)	(16,682)
As at 31 December 2018	54,600	(1,619)	110,609	163,590
As at 1 January 2019	54,600	(1,619)	110,609	163,590
Comprehensive income				
Profit for the period	–	–	9,690	9,690
Other comprehensive income				
Currency translation differences	–	3,837	–	3,837
Total comprehensive income	–	3,837	9,690	13,527
Total distributions to owners of the Target Company recognised directly in equity				
Dividend paid *(Note 16)*	–	–	(16,328)	(16,328)
Total distributions to owners of the Target Company	–	–	(16,328)	(16,328)
As at 30 June 2019	54,600	2,218	103,971	160,789

	Attributable to owners of the Target Company			
	Share capital	**Exchange reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2018	54,600	(4,228)	93,872	144,244
Comprehensive income				
Profit for the period	–	–	19,384	19,384
Other comprehensive income				
Currency translation differences	–	3,689	–	3,689
Total comprehensive income	–	3,689	19,384	23,073
Total distributions to owners of the Target Company recognised directly in equity				
Dividend paid *(Note 16)*	–	–	(16,682)	(16,682)
Total distributions to owners of the Target Company	–	–	(16,682)	(16,682)
As at 30 June 2018	54,600	(539)	96,574	156,635

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities					
Cash generated from/(used in) operations	38,057	46,456	35,575	24,630	(14,259)
Income tax paid	(6,298)	(3,481)	(8,786)	(336)	(406)
Net cash generated from/(used in) operating activities	31,759	42,975	26,789	24,294	(14,665)
Cash flows from investing activities					
Purchase of property, plant and equipment	(394)	(2,136)	(3,385)	(196)	(586)
Proceeds from the disposal of property, plant and equipment	–	–	18	–	645
Interest received	376	30	41	19	18
Net cash (used in)/generated from investing activities	(18)	(2,106)	(3,326)	(177)	77
Cash flows from financing activity					
Dividend paid to the Target Company's shareholders	(13,812)	(5,164)	(16,682)	(16,682)	(16,328)
Payments of lease liabilities	–	–	–	–	(579)
Net cash used in financing activity	(13,812)	(5,164)	(16,682)	(16,682)	(16,907)
Net increase/(decrease) in cash and cash equivalents	17,929	35,705	6,781	7,435	(31,495)
Cash and cash equivalents at beginning of the year/period	87,773	106,632	147,043	147,043	156,742
Effect of foreign exchange rate changes	930	4,706	2,918	3,464	3,513
Cash and cash equivalents at end of the year/period	106,632	147,043	156,742	157,492	128,760

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Target Company and its subsidiaries (together referred to as the "**Target Group**") are principally engaged in the trading of measuring instruments.

The Target Company is a limited liability company incorporated in the British Virgin Islands and domiciled in Hong Kong. The address of its registered office is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands.

On 13 November 2019, the Company entered into a sale and purchase agreement with Mitutoyo Corporation for the disposal of the equity interest of Mitutoyo Leeport Metrology Corporation ("**Target Company**") and its subsidiaries (together, the "**Target Group**"), at a consideration of approximately HK$100,000,000 (the "**Proposed Disposal**"). Upon the completion of the Proposed Disposal, the Company will not retain any equity interest in Mitutoyo Leeport Metrology Corporation.

The Target Group is controlled by Mitutoyo Corporation (incorporated in Japan), which owns 51% of the Target Company's shares. The remaining 49% of the shares are held by Leeport Machine Tool Company Limited, a subsidiary of Leeport (Holdings) Limited (the "**Company**"). The directors of the Target Company regard Mitutoyo Corporation as being the ultimate holding company.

The condensed consolidated financial information are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**"), and solely for the purposes of inclusion in this circular. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor a set of condensed financial statements as defined in Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in connection with the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the period ended 30 June 2019.

The Historical Financial Information has been prepared in accordance with the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the period ended 30 June 2019. These policies have been consistently applied to all the periods presented, except for HKFRS 9 Financial Instruments ("**HKFRS 9**") and HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") which have been initially applied on 1 January 2018 and HKFRS 16 Leases ("**HKFRS 16**") which has been initially applied on 1 January 2019. Details of the changes in accounting policies are discussed below.

2.1 New and amended standards adopted by the Target Group

(a) New and amended standards adopted by the Target Group

(i) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement

The financial assets held by the Target Group mainly represents debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, there is no impact on the Target Group's accounting for financial assets.

There is no impact on the Target Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Target Group does not have any such liabilities.

Impairment of financial assets

The Target Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

– trade receivables

– other financial assets at amortised cost

The Target Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

Trade receivables

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the expected credit loss as at 1 January 2018, 31 December 2018 and 30 June 2019 are close to zero.

Other financial assets at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services.

The adoption of HKFRS 15 have resulted in changes in accounting policies and presentation of contract liabilities in accordance with the transaction provision in HKFRS 15 The Target Group elected to modified retrospective approach.

The adoption of HKFRS 15 has no material impact to the retained earnings as at 1 January 2018 and therefore, no adjustment was made. The account policies are as follows:

The Target Group derives revenue from trading of measuring instruments. Sales of products transferred at a point in time are recognised when control of the products has transferred, being when the Target Group has delivered the products to the customers and the customers have accepted the products. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the product. Delivery occurs when the products have been transported to the specified location.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

To reflect the terminology of HKFRS 15, the Target Group classified deposits received from customers as contract liabilities.

(iii) Adoption of HKFRS 16

On adoption of HKFRS 16, the Target Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The discounting impact quantified is immaterial.

	2019
	HK$'000
Operating lease commitments as at 31 December 2018	1,406
Add: adjustments as a result of short-term leases	(614)
Lease liabilities recognised as at 1 January 2019	792
Of which are:	
Non-current liabilities	471
Current liabilities	321
	792

The recognised right-of-use assets were related to rentals of offices and measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Practical expedients applied

In applying HKFRS 16 for the first time, the Target Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Target Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Target Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

The Target Group's leasing activities and how these are accounted for

The Target Group leases various offices and staff quarters. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Target Group. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) New and amended standards issued but not yet applied by the Target Group

The following new standards and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Target Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Target Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not expect the adoption will have a material impact on the Target Group in the current or future reporting periods and on foreseeable future transactions.

3 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixture and office equipment *HK$'000* (Unaudited)
At 1st January 2016	
Cost	6,032
Accumulated depreciation	(3,942)
Net book amount	2,090
Year ended 31st December 2016	
Opening net book amount	2,090
Exchange differences	6
Additions	394
Disposal	(70)
Depreciation *(Note 13)*	(724)
Closing net book amount	1,696
At 31st December 2016	
Cost	5,151
Accumulated depreciation	(3,455)
Net book amount	1,696
Year ended 31st December 2017	
Opening net book amount	1,696
Exchange differences	69
Additions	2,136
Depreciation *(Note 13)*	(900)
Closing net book amount	3,001
At 31st December 2017	
Cost	7,287
Accumulated depreciation	(4,286)
Net book amount	3,001

	Furniture, fixture and office equipment
	HK$'000
	(Unaudited)
Year ended 31 December 2018	
Opening net book amount	3,001
Exchange differences	(49)
Additions	3,385
Disposal	(18)
Depreciation *(Note 13)*	(1,169)
Closing net book amount	5,150
At 31 December 2018	
Cost	9,980
Accumulated depreciation	(4,830)
Net book amount	5,150
Six months ended 30 June 2019	
Opening net book amount	5,150
Exchange differences	(151)
Additions	586
Disposal	(645)
Depreciation *(Note 13)*	(779)
Closing net book amount	4,161
At 30 June 2019	
Cost	9,853
Accumulated depreciation	(5,692)
Net book amount	4,161

Depreciation expense of approximately HK$724,000, HK$900,000 and HK$1,169,000, HK$515,000 and HK$779,000 for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 respectively, has been recorded in administrative expenses.

4 SUBSIDIARIES

The following is a list of the subsidiaries of the Target Group:

Name	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest directly held
Mitutoyo Leeport Metrology (Hong Kong) Limited	Hong Kong, limited liability company	Trading of measuring instruments in Hong Kong	HK$10,000,000	100%
Mitutoyo Leeport Metrology (Dongguan) Limited	People's Republic of China (the "**PRC**"), limited liability company	Trading of measuring instruments in PRC	US$553,080	100%

5 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Trade receivables	24,001	20,286	20,072	30,281
Other receivables, prepayments and deposits	588	762	1,010	1,173
	24,589	21,048	21,082	31,454

The ageing analysis of trade receivables by invoice date is as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Within 3 months	24,001	18,715	17,043	28,890
4-6 months	–	1,475	1,497	1,356
7-12 months	–	96	29	35
More than 12 months	–	–	1,503	–
	24,001	20,286	20,072	30,281

6 INVENTORIES

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Merchandise	34,040	32,696	49,230	65,643

The cost of inventories recognised as an expense and included in the cost of goods sold amounted to HK$168,000,000, HK$174,813,000 and HK$191,493,000 and HK$96,835,000 and HK$83,961,000 for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 respectively.

7 RIGHT-OUT-USE ASSETS AND LEASE LIABILITIES

Amounts recognised in the condensed consolidated balance sheet

The condensed consolidated balance sheet shows the following amounts relating to the leases in respect of office premises:

	As at 30 June 2019	As at 1 January 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Right-of-use assets		
Cost	3,220	792
Accumulated depreciation	(579)	–
	2,641	792
Lease liabilities		
Current portion	1,531	471
Non-current portion	1,110	321
	2,641	792

The operating cash outflows for leases with lease term within 12 months during the six months ended 30 June 2019 were HK$616,000.

The Group leases various office and residential premises. Rental contracts are typically made for 1 to 3 years. The leases agreements do not impose any covenants.

8 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash at bank and in hand	106,632	147,043	156,742	128,760

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the bank balances of the Target Group amounting to HK$5,490,000, HK$9,087,000, HK$5,952,000 and HK$17,233,000 are placed with certain banks in the PRC. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

9 SHARE CAPITAL

	No. of shares	**Nominal value of ordinary share**	**Equivalent nominal value of ordinary shares**
		US$'000	*HK$'000*
Authorised:			
Ordinary share of US$1 each at1 January 2016, 31 December 2016, 2017 and 2018 and 30 June 2019 (Unaudited)	30,000,000	30,000	
Issued and fully paid:			
Ordinary share of US$1 each at1 January 2016, 31 December 2016, 2017 and 2018 and 30 June 2019 (Unaudited)	7,000,000	7,000	54,600

10 TRADE PAYABLES AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Trade payables and bills payables	819	1,090	2,379	2,079
Contract liabilities – customer deposits received	–	–	12,043	14,959
Other payables, accruals and deposits received	16,667	12,602	7,801	8,129
	17,486	13,692	22,223	25,167

The ageing analysis of trade payables and bills payable by invoice date is as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current	384	335	781	406
1-3 months	435	755	346	1,136
4-6 months	–	–	235	–
7-12 months	–	–	781	–
More than 12 months	–	–	236	537
	819	1,090	2,379	2,079

11 DEFERRED INCOME TAX

Deferred income tax are calculated on temporary differences under the liability method using a principal taxation rate of 16.5%.

The movement on the deferred income tax liabilities account is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Accelerated tax depreciation				
At 1 January	102	79	67	57
(Credited)/changed to condensed consolidated income statement *(Note 14)*	(23)	(12)	(10)	11
At the end of the year/period	79	67	57	68

12 REVENUE AND OTHER INCOME

The Target Group is principally engaged in the trading of measuring instruments. Revenue and other income recognised during the years end 31 December 2016, 2017 and 2018 and six months ended 30 June 2018 and 2019 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue					
– Sales of goods, net of returns and discounts	247,665	263,597	284,855	146,234	122,735
Other income					
– Bank interest income	376	30	41	19	18
– Other income	115	–	–	–	–
	491	30	41	19	18
Total revenue and other income	248,156	263,627	284,896	146,253	122,753

The revenue for the year ended 31 December 2018 and for the six months ended 30 June 2018 and 2019 are recognised at a point of time.

13 EXPENSES BY NATURE

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

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditors' remuneration – audit services	464	464	484	267	270
Cost of inventories sold *(Note 6)*	168,000	174,813	191,493	96,835	83,961
Depreciation of property, plant and equipment *(Note 3)*	724	900	1,169	515	779
Depreciation on right-of-use assets	–	–	–	–	579
Exchange loss/(gain), net	15,503	(19)	696	1,162	1,184
Operating lease rentals	2,022	2,079	2,210	1,089	–
Lease expenses relating to short-term leases	–	–	–	–	616
Provision/(reversal) for slow moving inventories	1,796	2,283	(761)	283	137
Employee benefits expenses (including directors' remuneration)	19,751	21,297	22,893	11,839	10,854
Management fee paid to the non-controlling shareholder *(Note 15(a))*	1,505	1,565	1,565	783	773
Management fee paid to a fellow subsidiary *(Note 15(a))*	3,027	3,015	3,072	1,562	1,619
Commission Expense	10,531	4,357	5,303	2,242	2,039

14 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax					
– Hong Kong profits tax	4,123	6,236	6,265	3,761	1,468
– Over provision of prior years	–	–	(50)	–	–
– PRC taxation	514	376	516	(5)	190
Deferred income tax *(Note 11)*	(23)	(12)	(10)	1	11
	4,614	6,600	6,721	3,756	1,669

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

Enterprise income tax ("**EIT**") in the PRC has been provided at the rate of 25% on the estimated assessable profit for the year ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2018 and 2019. with certain preferential provisions.

15 RELATED PARTY TRANSACTIONS

(a) The Target Group had carried out the following material transactions with related parties during the years/periods:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales to the ultimate holding company	491	249	333	187	254
Sales to fellow subsidiaries	10,482	1,085	1,945	614	2,527
Sales to related companies	1,176	2,976	8,986	4,614	5,600
Purchase from the ultimate holding company	137,259	153,525	194,051	96,032	89,316
Purchase from fellow subsidiaries	3,011	10,591	1,917	372	1,690
Management fee paid to the non-controlling shareholder	1,505	1,565	1,565	783	773
Management fee paid to a fellow subsidiary	3,027	3,015	3,072	1,562	1,619
Service charges paid to the ultimate holding company	185	113	–	–	–
Service charges paid to a fellow subsidiary	44	87	43	44	4
Promotion expense paid to a fellow subsidiary	–	–	88	–	–
Consultancy fee paid to a fellow subsidiary	–	–	667	200	43
Customer referral fee paid to a related company	1,739	–	–	–	–

The above transactions were entered into in the normal course of business of the Target Group at terms mutually agreed by the relevant parties.

(b) Year/period end balances with related parties are as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Receivables from related companies				
– Fellow subsidiaries	115	135	638	21
– Related companies	36	549	1,750	1,461
	151	684	2,388	1,482
Payables to related companies				
– Ultimate holding company	37,415	40,959	47,093	43,034
– Fellow subsidiaries	138	327	959	534
– A related company	–	2,458	–	–
– Non-controlling shareholder	251	261	261	247
	37,804	44,005	48,313	43,815

The balances with related parties are unsecured, interest free and repayable on demand.

(c) Key management compensation

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	2,658	2,797	2,667	1,400	1,217
Pension costs – defined contribution plans	36	36	18	9	9
	2,694	2,833	2,685	1,409	1,226

16 DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividend paid	13,812	5,164	16,682	16,682	16,328

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group (the ''Unaudited Pro Forma Financial Information''), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal as if it had taken place on 30 June 2019 for the unaudited pro forma consolidated balance sheet and 1 January 2018 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial results or cash flows of the Remaining Group had the Disposal been completed as at 30 June 2019 for the financial position or 1 January 2018 for the financial results and cash flows or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

	Condensed consolidated interim balance sheet of the Group as at 30 June 2019	Pro forma adjustments		Pro forma consolidated balance sheet of the Remaining Group as at 30 June 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (a))	*(Note 2 (a))*	*(Note 2 (b))*	
ASSETS				
Non-current assets				
Property, plant and equipment	237,444			237,444
Right-of-use assets	19,354			19,354
Investment properties	55,673			55,673
Investments in associates	153,235		(82,239)	70,996
Loan to an associate	18,026			18,026
Financial assets at fair value through other comprehensive income	8,089			8,089
	491,821			409,582
Current assets				
Inventories	108,422			108,422
Trade receivables and bills receivables	139,771			139,771
Other receivables, prepayments and deposits	14,158	247		14,405
Financial assets at fair value through other comprehensive income	69,865			69,865
Derivative financial instruments	182			182
Amount due from an associate	247	(247)		–
Restricted bank deposits	26,680			26,680
Cash and cash equivalents	54,216		98,253	152,469
	413,541			511,794
Total assets	905,362			921,376

	Condensed consolidated interim balance sheet of the Group as at 30 June 2019	Pro forma adjustments		Pro forma consolidated balance sheet of the Remaining Group as at 30 June 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (a))	*(Note 2 (a))*	*(Note 2 (b))*	
EQUITY				
Capital and reserve attributable to the Company's equity holders				
Share capital	23,007			23,007
Retained earnings	215,929		9,027	224,956
Reserves	182,086		6,987	189,073
	421,022			437,036
Non-controlling interests	312			312
Total equity	421,334			437,348

	Condensed consolidated interim balance sheet of the Group as at 30 June 2019	Pro forma adjustments		Pro forma consolidated balance sheet of the Remaining Group as at 30 June 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (a))	*(Note 2 (a))*	*(Note 2 (b))*	
LIABILITIES				
Non-current liabilities				
Borrowings	5,556			5,556
Lease liabilities	3,516			3,516
Deferred income tax liabilities	32,258			32,258
	41,330			41,330
Current liabilities				
Trade payables and bills payables	145,118	1,478		146,596
Other payables, accruals and deposits received	59,039			59,039
Derivative financial instruments	71			71
Amount due to an associate	1,478	(1,478)		–
Amount due to a non-controlling shareholder	9,595			9,595
Borrowings	218,745			218,745
Lease liabilities	1,931			1,931
Tax payable	969			969
Dividend payable	5,752			5,752
	442,698			442,698
Total liabilities	484,028			484,028
Total equity and liabilities	905,362			921,376

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

	Consolidated income statement of the Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma consolidated income statement of the Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (b))	*(Note 3 (a))*	*(Note 3 (c))*	
Sales	814,836			814,836
Cost of goods sold	(676,903)			(676,903)
Gross profit	137,933			137,933
Other income and gains – net	16,476		14,151	30,627
Selling and distribution costs	(26,841)			(26,841)
Administrative expenses	(117,326)			(117,326)
Operating profit	10,242			24,393
Finance income	1,627			1,627
Finance costs	(6,323)			(6,323)
Finance costs – net	(4,696)			(4,696)
Share of post-tax profits of associates	19,626	(16,375)		3,251
Profit before income tax	25,172			22,948
Income tax expense	(5,395)			(5,395)
Profit for the year	19,777			17,553
Profit attributable to owners of the Company	19,210			16,986
Profit attributable to non-controlling interests	567			567
	19,777			17,553

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Consolidated statement of comprehensive income of the Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (b))	*(Note 3 (a))*	*(Note 3 (c))*	
Profit for the year	19,777			17,553
Other comprehensive loss				
Items that will not be reclassified subsequently to profit or loss				
Gain on revaluation of land and building	21,790			21,790
Movement of deferred tax	(2,515)			(2,515)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	(92,199)			(92,199)
	(72,924)			(72,924)
Items that may be reclassified to profit or loss				
Currency translation differences	(4,898)			(4,898)
Share of other comprehensive (loss)/income of associates	(1,031)	1,415		384
Release of exchange reserves upon disposal of an associate	–		10,283	10,283
	(5,929)			5,769
Other comprehensive loss, net of tax	(78,853)			(67,155)
Total comprehensive loss for the year	(59,076)			(49,602)

	Consolidated statement of comprehensive income of the Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (b))	*(Note 3 (a))*	*(Note 3 (c))*	
Total comprehensive loss attributable to owners of the Company	(59,614)			(50,140)
Total comprehensive income attributable to non-controlling interests	538			538
	(59,076)			(49,602)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

	Consolidated statement of cash flows of the Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (b))	*(Note 3 (b))*	*(Note 3 (c))*	
Profit before income tax	25,172	(16,375)	14,151	22,948
Adjustments for:				
– Depreciation of property, plant and equipment	9,980			9,980
– Amortisation on leasehold land	433			433
– Loss on sale of property, plant and equipment	2			2
– Fair value gain of investment properties	(1,121)			(1,121)
– Fair value gain on derivative financial instruments	(40)			(40)
– Interest income	(1,627)			(1,627)
– Interest expense	6,323			6,323
– Unrealised exchange loss/(gain)	1,850			1,850
– Provision for slow moving inventories	1,771			1,771
– Provision for impairment of trade receivables	199			199
– Recovery of impaired receivables	(31)			(31)
– Share of profits of associates	(19,626)	16,375		(3,251)
– Dividend income from financial assets at fair value through other comprehensive income	(1,844)			(1,844)
– Gain from disposal of an associate	–		(14,151)	(14,151)
Operating cash inflow before working capital changes:	21,441			21,441
Changes in working capital (excluding the effects of exchange differences on consolidation):				
– Inventories	(41,524)			(41,524)
– Trade receivables and bill receivables, other receivables, prepayments and deposits	(35,154)			(35,154)
– Trade payables and bills payables, other payables, accruals and deposits received	57,747			57,747
Cash generated from operations	2,510			2,510
Interest paid	(6,323)			(6,323)
Income tax paid	(4,823)			(4,823)
Net cash used in operating activities	(8,636)			(8,636)

	Consolidated statement of cash flows of the Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1 (b))	*(Note 3 (b))*	*(Note 3 (c))*	
Cash flows from investing activities				
Purchase of leasehold land and property, plant and equipment	(4,492)			(4,492)
Proceeds from sale of property, plant and equipment	135			135
Purchase of financial assets at fair value through other comprehensive income	(25,499)			(25,499)
Capital injection in an associate	(18,491)			(18,491)
Net cash acquired from acquisition of subsidiaries	8,837			8,837
Interest received	1,627			1,627
Dividend received from an associate	8,311	(8,311)		–
Net receipt from disposal of an associate	–		98,565	98,565
Dividend received from financial assets at fair value through other comprehensive income	1,844			1,844
Net cash (used in)/generated from investing activities	(27,728)			62,526
Cash flows from financing activities				
Proceeds from collateralised borrowings and bank loans	117,797			117,797
Repayment of collateralised borrowings and bank loans	(57,497)			(57,497)
Dividends paid to the Company's shareholders	(14,955)			(14,955)
(Increase)/decrease in restricted bank deposits	(7,269)			(7,269)
Net cash generated from financing activities	38,076			38,076
Net increase in cash, cash equivalents	1,712			91,966
Cash, cash equivalents at beginning of the period	52,323			52,323
Effect of the exchange rate for the period	(1,161)			(1,161)
Cash and cash equivalents at end of the period	52,874			143,128

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. (a) The amounts are extracted from the unaudited condensed consolidated interim balance sheet of the Group as at 30 June 2019 as set out in the published interim report of the Group for the six months ended 30 June 2019.

   (b) The amounts are extracted from the audited consolidated income statements, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2018 as set out in the published annual report of the Group for the year ended 31 December 2018.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated balance sheet, assuming the Disposal had taken place on 30 June 2019:

   (a) Certain reclassifications have been made to conform with the Group's presentation assuming the Disposal had taken place on 30 June 2019.

   (b) The adjustments represent the estimated gain on disposal assuming the Disposal had taken place on 30 June 2019 and is calculated as follows:

	Notes	*HK$'000*
Consideration	*(i)*	100,000
Share of 49% net assets of the Target Group as at 30 June 2019	*(ii)*	(78,787)
Goodwill relating to the Target Group	*(iii)*	(3,452)
Carrying value of the investment in the Target Group as at 30 June 2019		(82,239)
Release of accumulated exchange reserve	*(iv)*	(6,987)
		10,774
Less: Estimated transaction costs and taxes attributable to the Transaction	*(v)*	(1,747)
Estimated gain on disposal		9,027

Notes:

(i) Pursuant to the Sale and Purchase Agreement, the Consideration of HK$100 million shall be settled by cash on Completion.

(ii) The amount represents the share of 49% net assets of the Target Group calculated with reference to the net asset value of the Target Group as at 30 June 2019 as set out in Appendix II to this Circular.

(iii) The amount represents the embedded goodwill relating to the Target Group and included in the carrying amount of the investment in the Target Group.

(iv) The amount represents the accumulated exchange reserve of the Target Group attributable to the Group as at 30 June 2019.

(v) The costs, expenses and taxes directly incurred for the Disposal amounting to HK$1,747,000 will be borne by the Group and are assumed to be settled in cash. The net receipt from the Disposal are HK$98,253,000.

(c) Apart from above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2019 for the purpose of preparation of the unaudited pro forma consolidated balance sheet of the Remaining Group.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposal had taken place on 1 January 2018:

(a) The adjustments represent the exclusion of the share of post-tax profit and other comprehensive income of the Target Group for the year ended 31 December 2018, assuming the Disposal had taken place on 1 January 2018. The amounts are extracted from the audited consolidated financial statements of the Group as set out in the published annual report of the Group for the year ended 31 December 2018.

(b) The adjustments represent the exclusion of the share of post-tax profit and dividend received from the Target Group for the year ended 31 December 2018, assuming the Disposal had taken place on 1 January 2018. The amounts are extracted from the audited consolidated financial statements of the Group as set out in the published annual report of the Group for the year ended 31 December 2018.

(c) The adjustments represents the estimated gain on disposal assuming the Transaction had taken place on 1 January 2018 and is calculated as follows:

	Notes	*HK$'000*
Consideration	*(i)*	100,000
Share of 49% net assets of the Target Group as at 1 January 2018	*(ii)*	(70,679)
Goodwill relating to the Target Group	*(iii)*	(3,452)
Carrying value of the investment in the Target Group as at 1 January 2018		(74,131)
Release of accumulated exchange reserve	*(iv)*	(10,283)
		15,586
Less: Estimated transaction costs and taxes attributable to the Transaction	*(v)*	(1,435)
Estimated gain on disposal		14,151

Notes:

(i) Pursuant to the Sale and Purchase Agreement, the Consideration of HK$100 million shall be settled by cash on Completion.

(ii) The amount represents the share of 49% net assets of the Target Group calculated with reference to the net asset value of the Target Group as at 31 December 2017 as set out in Appendix II to this Circular.

(iii) The amount represents the embedded goodwill relating to the Target Group and included in the carrying amount of the investment in the Target Group.

(iv) The amount represents the accumulated exchange reserve of the Target Group attributable to the Group as at 31 December 2017.

(v) The costs, expenses and taxes directly incurred for the Disposal amounting to HK$1,435,000 will be borne by the Group and are assumed to be settled in cash. The net receipt from the Disposal are HK$98,565,000.

(d) Apart from above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018 for the purpose of preparation of the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

(e) The above adjustments are not expected to have a continuing effect on the unaudited pro forma income statement, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Leeport (Holdings) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Leeport (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding Mitutoyo Leeport Metrology Corporation (the "**Target Company**") and its subsidiaries (the "**Target Group**") (collectively the "**Remaining Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 June 2019, the unaudited pro forma consolidated income statement for the year ended 31 December 2018, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2018, the unaudited pro forma consolidated statement of cash flow for the year ended 31 December 2018, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-12 of the Company's circular dated 27 December 2019, in connection with the proposed disposal of 49% issued share capital of the Target Company (the "**Disposal**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-12.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Disposal on the Group's financial position as at 30 June 2019 and the Group's financial performance and cash flows for the year ended 31 December 2018 as if the Disposal had taken place at 30 June 2019 and 1 January 2018 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the period ended 30 June 2019, on which no audit or review report has been published and year end 31 December 2018, on which an audit report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2019, 31 December 2018 and 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 December 2019

Upon completion of the Disposal, the Company will cease to hold any interest in the Target Company and the results of the Target Group will no longer be classified as associate of the Company. Following the Disposal, the Remaining Group will continue to carry out its existing businesses. The management discussion and analysis of the Remaining Group for each of the years ended 31 December 2016 ("**FY2016**"), 31 December 2017 ("**FY2017**") and 31 December 2018 ("**FY2018**") and the six months ended 30 June 2019 ("**Interim 2019**") respectively are set out below.

BUSINESS REVIEW

The Remaining Group is principally engaged in 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. At the same time, the Remaining Group maintains its shareholding in two associated companies, namely, OPS-Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited.

FY2016

Sales

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

Other Income and Gains

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

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

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

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

Operating Expenses

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

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

Share of Profits of Associates

The share of profits of associates in 2016 was HK$5,985,000, compared with HK$4,043,000 in 2015, representing an increase of 48%.

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

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

Finance Expenses – Net

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

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

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company was HK$18,379,000 in 2016, compared with HK$9,194,000 in 2015, representing an increase of 99.9%. The operating profit for the trading business in 2016 was HK$15,974,000, compared with HK$6,388,000 in 2015, representing an increase of 150.1%. The increase in operating profit was attributed to the increase in sales and the gross profit in the year. On the other hand, the increase in selling and distribution costs was compensated for by a reduction in administrative expenses. In 2016, the financial expenses were higher than in 2015, but the finance income was lower. There was a gain of HK$1,750,000 on the disposal of a subsidiary in Macau.

FY2017

Sales

In 2017, China's economy was stronger than in 2016. The demand for manufacturing equipment and tools was also good. Unfortunately, the Remaining Group's business in equipment sales was adversely affected by the delay of shipments from a Japanese supplier of some big orders. On the other hand, the sales of our cutting tools business increased 35.7% as compared with 2016, and the sales of measuring equipment increased 13.3% as compared with 2016.

The Remaining Group's sales amounted to HK$614,370,000 in 2017, compared with HK$715,113,000 in 2016, representing a decrease of 14.1%. The Remaining Group's gross profit amounted to HK$104,048,000, compared with HK$133,595,000 in 2016, representing a decrease of 22.1%. The gross profit percentage was 16.9% in 2017, lower than the gross profit percentage of 18.7% in 2016. The lower gross profit percentage in 2017 was due mainly to the lower gross profit percentage of equipment sales.

Although the sales of the Remaining Group fell by 14.1% in 2017, the total value of the contracts signed was 3% higher than in 2016. The total value of contract in 2017 was HK$744,946,000 and it was HK$723,026,000 in 2016. This was due mainly to the strong performance of the business in cutting tools and measuring instruments. In the second half of 2017, all the business divisions, including equipment, made significant improvements in closing sales contracts.

Other Income and Gains

The total value of other income and gains was HK$19,859,000 in 2017, compared with HK$17,249,000 in 2016, representing an increase of 15.1%.

Service income was HK$7,299,000 in 2017, compared with HK$8,735,000 in 2016, representing a decrease of 16.4%. Commission income was only HK$678,000 in 2017, lower than the amount of HK$3,032,000 in 2016.

Other income included a rental fee of HK$2,175,000, and a management fee of HK$1,565,000 charged against Mitutoyo Leeport Metrology Corporation. There was a gain on forward contracts of HK$569,000 in 2017, compared with a loss on forward contracts of HK$2,810,000 in 2016. Also there was a gain in valuation of investment properties amounting to HK$3,034,000 in 2017. There was no such gain in 2016.

In the first half of 2017, our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Remaining Group received a dividend of HK$1,091,000. The dividend received in 2016 was HK$690,000.

Operating Expenses

Selling and distribution costs were HK$17,392,000 in 2017, compared with HK$34,070,000 in 2016, representing a decrease of 49.0%. The reduction in selling and distribution costs was due mainly to the lower logistics costs, commissions paid to salespersons and sub-dealers, and bank charges in line with the lower sales volume.

Administrative expenses amounted to HK$90,553,000 in 2017, compared with HK$100,800,000 in 2016, representing a decrease of 10.2%. The decrease in administrative expenses was due mainly to an exchange gain of HK$6,953,000. The Japanese Yen rose by around 4%, the Euro rose by around 15%, and Renminbi rose by around 8% at the end of 2017. The stronger Euro caused the shareholder's loan to OPS-Ingersoll Funkenerosion GmbH to record a gain on the exchange difference. The Remaining Group held a certain amount of Renminbi in 2017, and accordingly this also recorded an exchange gain. As some Group entities operated using the functional currency of Japanese Yen, the translation of their net monetary liabilities, which were denominated mainly in HKD to the functional currency, also recorded an exchange gain. There was an exchange loss of HK$3,447,000 in 2016. On the other hand, the other general administrative expenses in 2017 were about the same as in 2016.

Finance Expenses – Net

Finance expenses net of finance income were HK$2,407,000 in 2017, compared with HK$1,740,000 in 2016. Finance income in 2017 was HK$1,475,000, compared with HK$1,767,000 in 2016, representing a decrease of 16.5%. The decrease in finance income was due mainly to a reduction in restricted bank deposits in Australian Dollars and Renminbi. Interest income derived from the loan to OPS-Ingersoll Funkenerosion GmbH was HK$899,000 in 2017, compared with HK$1,102,000 in 2016. This decrease was due to the fact that OPS-Ingersoll Funkenerosion GmbH repaid a loan of Euro 1 million to Leeport at the end of August 2016.

Finance expenses were HK$3,882,000 in 2017, compared with HK$3,507,000 in 2016, representing an increase of 10.7%. This increase was due to the higher interest rate in the market in 2017.

Share of Profit of Associated Companies

The share of profits of associates in 2017 was HK$3,532,000, compared with HK$5,985,000 in 2016, representing a decrease of 41.0%.

The business for OPS-Ingersoll Funkenerosion GmbH in 2017 was lower than in 2016. Due to the strong Euro in 2017, the business in the US market was adversely affected. The share of profit of OPS-Ingersoll Funkenerosion GmbH in 2017 was HK$2,197,000, compared with HK$5,486,000 in 2016.

The business for Prima Power Suzhou Company Limited improved slightly in 2017 as compared with 2016. The plant still did not reach a level of economic scale, and the competition for metalforming machinery in China was keen. The share of profit of Prima Power Suzhou Company Limited was HK$1,335,000 in 2017, compared with HK$499,000 in 2016.

Income Tax Expenses

Income tax expenses in 2017 were HK$4,870,000, compared with HK$1,840,000 in 2016, representing an increase of 164.7%. The increase in the business of cutting tools and measuring instruments in 2017 came mainly from the Remaining Group's subsidiaries in China, and they were subject to an income tax rate of 25%. On the other hand, the reduction in equipment sales came mainly from some subsidiaries in Hong Kong. In 2016, some subsidiaries in Hong Kong made use of the tax loss carried forward to set off the taxable income, so Hong Kong income tax payable in 2016 is at relatively low level.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company was HK$12,217,000 in 2017, compared with HK$18,379,000 in 2016, representing a decrease of 33.5%. The operating profit for the trading business in 2017 was HK$15,962,000, compared with HK$15,974,000 in 2016, representing a decrease of 0.1%. Even though the Remaining Group's sales and gross profit in 2017 were lower than in 2016, the increase in other income and gains, and the significant reduction in selling and distribution costs and administrative expenses, contributed to the increase in profit attributable to owners of the Company. Also, the significant increase in the share of profits of associates in 2017 contributed to the improvement in profit attributable to owners of the Company.

FY2018

Sales

During the year 2018, the business situation in the second half of the year was quite different than in the first half of the year. In the first half of 2018, the overall business of the Remaining Group improved strongly as compared with same period last year, however in the second half of 2018, the business of the Remaining Group slowed down due to uncertain market conditions in China.

The Remaining Group's sales amounted to HK$814,836,000 in 2018, compared with HK$614,370,000 in 2017, representing an increase of 32.6%. The Remaining Group's gross profit amounted to HK$137,933,000, compared with HK$104,048,000 in 2017, representing an increase of 32.6%. The gross profit percentage was 16.9% in 2018, the same as in 2017.

The total value of contracts signed in 2018 was HK$852,161,000, compared with HK$744,946,000 in 2017, representing an increase of 14.4%.

Other Income and Gains

The total value of other income and gains was HK$16,476,000 in 2018, compared with HK$19,859,000 in 2017, representing a decrease of 17.0%.

Service income was HK$7,508,000 in 2018, compared with HK$7,299,000 in 2017, representing an increase of 2.9%. Commission income was only HK$584,000 in 2018, lower than the amount of HK$678,000 in 2017.

Other income included a rental income of HK$2,679,000, and a management fee of HK$1,565,000 charged against Mitutoyo Leeport Metrology Corporation. There was a gain in forward contracts of HK$40,000 and a gain in the valuation of investment properties amounting to HK$1,121,000 in 2018. The gain in forward contracts was HK$569,000 and the gain in valuation of investment properties was HK$3,034,000 in 2017.

In the first half of 2018, our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Remaining Group received a dividend of HK$1,844,000. The dividend received in 2017 was HK$1,091,000.

Operating Expenses

Selling and distribution costs were HK$26,841,000 in 2018, compared with HK$17,392,000 in 2017, representing an increase of 54.3%. The increase in selling and distribution costs was due mainly to higher logistics costs, commissions paid to salespersons and sub-dealers, and bank charges in line with the higher sales volume.

Administrative expenses amounted to HK$117,326,000 in 2018, compared with HK$90,553,000 in 2017, representing an increase of 29.6%. The increase in administrative expenses was due mainly to an exchange loss of HK$3,759,000, compared with an exchange gain of HK$6,953,000 in 2017. Furthermore, additional staff costs and higher operating expenses were incurred after the acquisition of new investments and the expansion of the sales team.

Finance Expenses – Net

Finance expenses net of finance income were HK$4,696,000 in 2018, compared with HK$2,407,000 in 2017. Finance income in 2018 was HK$1,627,000, compared with HK$1,475,000 in 2017, representing an increase of 10.3%. Interest income derived from the loan to OPS-Ingersoll Funkenerosion GmbH was HK$1,112,000 in 2018, compared with HK$899,000 in 2017.

Finance expenses were HK$6,323,000 in 2018, compared with HK$3,882,000 in 2017, representing an increase of 62.9%. This increase was due to the higher interest rate in the market and an increase in bank borrowings in 2018. The increase in borrowing was due to the bigger business volume and larger investment scale in the year.

Share of Post-Tax Profits of Associates

The share of post-tax profits of associates in 2018 was HK$3,251,000, compared with HK$3,532,000 in 2017, representing a decrease of 8.0%.

The business for OPS-Ingersoll Funkenerosion GmbH in 2018 was better than in 2017. In particular, the Company's performance in China was outstanding.

The business for Prima Power Suzhou Company Limited in 2018 was lower than in 2017. This was due to the weaker result in the sales of 3D laser machines, which were affected by the reduction in car manufacturing in China.

Income Tax Expenses

Income tax expenses in 2018 were HK$5,395,000, compared with HK$4,870,000 in 2017, representing an increase of 10.8%. The increase in the business of the equipment division and cutting tools in 2018 came mainly from the Remaining Group's subsidiaries in China, and they were subject to an income tax rate of 25% which was higher than income tax rate of 16.5% in Hong Kong.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company was HK$2,835,000 in 2018, compared with HK$12,217,000 in 2017, representing a decrease of 76.8%. The operating profit for the trading business in 2018 was HK$10,242,000, compared with HK$15,962,000 in 2017, representing a decrease of 35.8%. Although the Remaining Group's sales and gross profit in 2018 were higher than in 2017, the increase in staff costs and operating expenses after the acquisition of new investments and the expansion of the sales team, and the exchange loss incurred in 2018 compared with an exchange gain in 2017, contributed to the decrease in profit attributable to owners of the Company.

Interim 2019

Sales

Due to the uncertain global economy and the trade war between China and the U.S. since the middle of 2018, the Remaining Group's business in equipment and measuring instrument sales in the first half of 2019 was adversely affected.

In the first six months of 2019, the Remaining Group's sales amounted to HK$379,751,000, compared with HK$430,297,000 in the same period last year, representing a decrease of 11.7%. Our gross profit amounted to HK$68,163,000, compared with HK$68,275,000 in the same period last year, representing a slightly decrease of 0.2%. The gross profit percentage was 17.9%, compared with 15.9% in the same period last year – this increase was due mainly to changes in our product mix.

The total value of contracts signed in the first half of 2019 was HK$312,289,000, compared with HK$473,069,000 in the same period last year, representing a decrease of 34.0%.

Other Income and Gains

The total value of other income and gains was HK$10,345,000, compared with HK$8,472,000 in the same period last year, representing an increase of 22.1%. The main reason for the increase of other income and gains was due to the increase of service income.

Our service income was HK$4,900,000 in the first half of 2019, compared with HK$3,869,000 in the same period last year. Our investee, Prima Industrie S.p.A. declared a dividend, so the Remaining Group received a dividend of HK$2,030,000, compared with HK$1,844,000 last year.

Other income included rental income of HK$1,064,000 and a management fee of HK$773,000 charged against Mitutoyo Leeport Metrology Corporation.

Operating Expenses

Selling and distribution costs were HK$16,900,000, compared with HK$14,348,000 in the same period last year, representing an increase of 17.8%. The increase in selling and distribution costs was due mainly to the increase in exhibition costs and logistics costs.

Administrative expenses amounted to HK$68,296,000, compared with HK$50,479,000 in the same period last year, representing an increase of 35.3%. During the first half of 2019, the administrative expenses included an exchange loss of HK$558,000, however in the same period last year there was an exchange gain of HK$3,123,000. Staff costs and travelling costs were also higher in the first half of 2019 due to the expansion of the sales team and the acquisition of a company in the automation industry in Germany.

Finance Expenses – Net

Finance costs net of interest income were HK$3,175,000, compared with HK$2,057,000 in the same period last year.

Finance income in the first half of 2019 was HK$798,000, compared with HK$803,000 in the same period last year.

Finance costs in the first half of 2019 were HK$3,973,000, compared with HK$2,860,000 in the same period last year, representing an increase of 38.9%. This increase was due to the higher interest rate in the market and an increase in bank borrowings in the first half of 2019.

Share of Post-Tax Profits of Associates

The share of post-tax profits of associates in the first half of 2019 was HK$136,000, compared with HK$551,000 in the same period last year, representing a decrease of 75.3%. The business for OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited was lower than in the same period of last year.

Income Tax Expenses

The income tax expenses in the first half of 2019 amounted to HK$1,889,000, compared with HK$2,037,000 in the same period last year, representing a decrease of 7.3%.

Loss Attributable to Owners of the Company

In the first half of 2019, the loss attributable to owners of the Company was HK$10,989,000, compared with the profit attributable to owners of the Company of HK$7,745,000 in the same period last year.

The operating loss for the trading business was HK$6,688,000, compared with an operating profit of HK$11,920,000 in the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

FY2016

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

The followings were the currencies in which cash and cash equivalents were held and in which the borrowings were made.

Currencies in which cash and cash equivalents were held

	31 December 2016	**31 December 2015**
	HK$'000	*HK$'000*
Cash and cash equivalents	53,954	45,476
Restricted bank deposits	24,680	24,151
Bank overdrafts	846	248
Cash and cash equivalents		
By currencies:		
EUR	1,738	4,280
HK$	4,014	4,228
JPY	19,846	7,196
USD	2,244	3,826
RMB	25,243	25,274
Other Currencies	869	672
	53,954	45,476
Restricted bank deposits		
By Currencies:		
RMB	20,821	20,185
AUD	3,859	3,966
	24,680	24,151

Currencies in which borrowings were made

	31 December 2016	**31 December 2015**
	HK$'000	*HK$'000*
By Currencies:		
GBP	–	723
EUR	4,189	6,796
HK$	120,661	100,687
JPY	804	1,712
USD	19,363	24,257
SGD	846	–
	145,863	134,175

The Remaining Group's net gearing ratio was approximately 25.8% as at 31 December 2016 (31 December 2015: 26.6%). The net gearing ratio is slightly lower than in 2015. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent.

The Remaining Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31 December 2016, the Remaining Group had aggregate banking facilities of approximately HK$656,439,000, of which approximately HK$215,675,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment property and restricted bank deposits of the Remaining Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$244,301,000 (31 December 2015: HK$234,636,000). The Directors are confident that the Remaining Group is able to meet its operational and capital expenditure requirements.

FY2017

The balance of cash net of overdraft of the Remaining Group as at 31 December 2017 was HK$52,323,000 (31 December 2016: HK$53,108,000). The Remaining Group maintained a reasonable cash position. The Remaining Group's inventory balance as at 31 December 2017 was HK$61,441,000 (31 December 2016: HK$60,595,000). The turnover days of inventory were 44 at the end of December 2017, compared with 38 at the end of December 2016. The higher inventory turnover days in year 2017 was due to a higher purchase amount of cutting tools products at the year end of 2017 for the shipment before Chinese New Year in 2018. The balance of trade receivables and bills receivables was HK$108,445,000 as at 31 December 2017 (31 December 2016: HK$97,906,000). The turnover days of trade receivables were 64, compared with 50 at the end of December 2016. The turnover days of trade receivables were higher as higher proportion of the business in the year of 2017 was cutting tools. The credit period for the cutting tools business is relatively longer than the equipment business. The balance of trade payables and bills payables was HK$110,452,000 as at 31 December 2017 (31 December 2016: HK$95,105,000). The higher balance of trade payables and bills payables as at 31 December 2017 was due to a higher purchase amount of cutting tools products at the year end of 2017. The balance of short-term borrowings was HK$137,254,000 as at 31 December 2017 (31 December 2016: HK$133,641,000). The balance of long-term borrowings was HK$5,556,000 as at 31 December 2017 (31 December 2016: HK$12,222,000).

The followings were the currencies in which cash and cash equivalents were held and in which the borrowings were made.

Currencies in which cash and cash equivalents were held

	31 December 2017	**31 December 2016**
	HK$'000	*HK$'000*
Cash and cash equivalents	52,323	53,954
Restricted bank deposits	19,307	24,680
Bank overdrafts	–	846
Cash and cash equivalents		
By currencies:		
EUR	1,489	1,738
HK$	3,419	4,014
JPY	11,939	19,846
USD	2,977	2,244
RMB	30,369	25,243
Other Currencies	2,130	869
	52,323	53,954
Restricted bank deposits		
By Currencies:		
HK$	10,056	–
RMB	9,251	20,821
AUD	–	3,859
	19,307	24,680

Currencies in which borrowings were made

	31 December 2017	**31 December 2016**
	HK$'000	*HK$'000*
By Currencies:		
EUR	1,586	4,189
HK$	102,278	120,661
JPY	17,388	804
USD	21,558	19,363
SGD	–	846
	142,810	145,863

The Remaining Group's net gearing ratio was approximately 19.3% as at 31 December 2017 (31 December 2016: 25.8%). The net gearing ratio is lower than in 2016. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. Lower net gearing ratio is due to larger amount of equity which majorly comes from appreciation of available for sale financial assets, valuation of investment in associates and properties.

The Remaining Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31 December 2017, the Remaining Group had aggregate banking facilities of approximately HK$727,005,000, of which approximately HK$164,095,000 was utilized, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment properties and restricted bank deposits of the Remaining Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$262,565,000 (31 December 2016: HK$244,301,000). The Directors are confident that the Remaining Group is able to meet its operational and capital expenditure requirements.

FY2018

The Remaining Group's balance of cash as at 31 December 2018 was HK$52,874,000 (31 December 2017: HK$52,323,000). The Remaining Group maintained a reasonable cash position. The Remaining Group's inventory balance as at 31 December 2018 was HK$102,109,000 (31 December 2017: HK$61,441,000). The turnover days of inventory were 55 at the end of December 2018, compared with 44 at the end of December 2017. The higher inventory turnover days in year 2018 was due to a higher purchase amount of cutting tools products at the year end of 2018 for the shipment before Chinese New Year in 2019, and the inventory in the new investments, i.e. Grassinger Technologies GmbH and Screw & Fastener (HK) Co. Ltd. The balance of trade receivables and bills receivables was HK$142,362,000 as at 31 December 2018 (31 December 2017: HK$108,445,000). The turnover days of trade receivables were 64, same as the end of December 2017. The balance of trade payables and bills payables was HK$145,819,000 as at 31 December 2018 (31 December 2017: HK$110,452,000). The higher balance of trade payables and bills payables as at 31 December 2018 was due to a higher purchase amount of cutting tools product at the year end of 2018. The balance of short-term borrowings was HK$194,519,000 as at 31 December 2018 (31 December 2017: HK$137,254,000). The balance of long-term borrowings was HK$8,889,000 as at 31 December 2018 (31 December 2017: HK$5,556,000).

The followings were the currencies in which cash and cash equivalents were held and in which the borrowings were made.

Currencies in which cash and cash equivalents were held

	31 December 2018	**31 December 2017**
	HK$'000	*HK$'000*
Cash and cash equivalents	52,874	52,323
Restricted bank deposits	26,576	19,307
Cash and cash equivalents		
By currencies:		
EUR	939	1,489
HK$	3,898	3,419
JPY	3,418	11,939
USD	1,845	2,977
RMB	40,178	30,369
Other Currencies	2,596	2,130
	52,874	52,323
Restricted bank deposits		
By Currencies:		
HK$	10,163	10,056
RMB	9,150	9,251
EUR	7,263	–
	26,576	19,307

Currencies in which borrowings were made

	31 December 2018	**31 December 2017**
	HK$'000	*HK$'000*
By Currencies:		
GBP	453	–
EUR	12,829	1,586
HK$	157,211	102,278
JPY	31,436	17,388
USD	1,479	21,558
	203,408	142,810

The Remaining Group's net gearing ratio was approximately 39.9% as at 31 December 2018 (31 December 2017: 19.3%). The net gearing ratio is higher than in 2017. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. The net gearing ratio was higher as the borrowing level was higher due to the increase in business volume and the larger investment scale during the year.

The Remaining Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31 December 2018, the Remaining Group had aggregate banking facilities of approximately HK$726,916,000, of which approximately HK$255,992,000 was utilized, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment properties and restricted bank deposits of the Remaining Group in Hong Kong, Shenzhen and Singapore, with an aggregate carrying amount of HK$284,987,000 (31 December 2017: HK$262,565,000). The Directors are confident that the Remaining Group is able to meet its operational and capital expenditure requirements.

Interim 2019

The Remaining Group's balance of cash as at 30 June 2019 was HK$54,216,000, compared with HK$52,874,000 as at 31 December 2018. The Remaining Group maintained a reasonable cash position. The Remaining Group's inventory balance as at 30 June 2019 was HK$108,422,000, compared with HK$102,109,000 as at 31 December 2018. The turnover days of inventory was 63 at the end of June 2019, compared with 55 at the end of December 2018 – this was due to the fact that during the first half of 2019, the cutting tools and assembly tools business contributed a higher proportion of our total business revenue, compared with the other business types of our Group. The balance of trade receivable and bills receivable was HK$139,771,000 as at 30 June 2019, compared with HK$142,362,000 as at 31 December 2018. The turnover days of trade receivable was 67, compared with 64 at the end of December 2018 – this was due to the fact that during the first half of 2019, the cutting tools and assembly tools business contributed a higher proportion of our total business revenue, compared with the other business types of our Group. The balance of trade payable and bills payable was HK$145,118,000 as at 30 June 2019, compared with HK$145,819,000 as at 31 December 2018. The balance of short-term borrowings was HK$218,745,000 as at 30 June 2019, compared with HK$194,519,000 as at 31 December 2018. The balance of long-term borrowings was HK$5,556,000 as at 30 June 2019, compared with HK$8,889,000 as at 31 December 2018.

The followings were the currencies in which cash and cash equivalents were held and in which the borrowings were made.

Currencies in which cash and cash equivalents were held

	30 June 2019	**31 December 2018**
	HK$'000	*HK$'000*
Cash and cash equivalents	54,216	52,874
Restricted bank deposits	26,680	26,576
Cash and cash equivalents		
By currencies:		
EUR	556	939
HK$	6,793	3,898
JPY	2,065	3,418
USD	2,356	1,845
RMB	40,698	40,178
Other Currencies	1,748	2,596
	54,216	52,874
Restricted bank deposits		
By Currencies:		
HK$	10,244	10,163
RMB	9,224	9,150
EUR	7,212	7,263
	26,680	26,576

Currencies in which borrowings were made

	30 June 2019	**31 December 2018**
	HK$'000	*HK$'000*
By Currencies:		
GBP	–	453
EUR	7,794	12,829
HK$	189,094	157,211
JPY	27,413	31,436
USD	–	1,479
	224,301	203,408

The Remaining Group's net gearing ratio was approximately 49.1% as at 30 June 2019, compared with 39.9% as at 31 December 2018. Our net gearing ratio is calculated as net debt divided by total equity, and our net debt is calculated as total borrowings less cash and cash equivalent. The Remaining Group's net gearing ratio was higher because our borrowing level was higher and the equity value was lower compared with amount at the end of December 2018.

The Remaining Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 30 June 2019, the Remaining Group had aggregate banking facilities of approximately HK$737,916,000, of which approximately HK$262,297,000 was utilised, bearing interest at prevailing market rates and secured by certain land and buildings, investment properties and restricted bank deposits of the Remaining Group in Hong Kong, Shenzhen and Singapore, with an aggregate carrying amount of HK$281,813,000, (31 December 2018: HK$284,987,000). The Directors are confident that the Remaining Group is able to meet its operational and capital expenditure requirements.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

FY2016

During the year 2016, the Remaining Group spent a total of HK$22,182,000 (31 December 2015: HK$4,307,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 31 December 2016, the Remaining Group had capital commitments of HK$168,000 on property, plant and equipment. (31 December 2015: HK$2,004,000 on property, plant and equipment) In the meantime, a total of HK$25,090,000 (31 December 2015: HK$23,870,000) in contingent liabilities in respect of letters of guarantee was given to customers.

FY2017

During the year 2017, the Remaining Group spent a total of HK$1,187,000 (31 December 2016: HK$22,182,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 31 December 2017, the Remaining Group had capital commitments of HK$2,707,000 on property, plant and equipment. (31 December 2016: HK$168,000 on property, plant and equipment) In the meantime, a total of HK$5,472,000 (31 December 2016: HK$25,090,000) in contingent liabilities in respect of letters of guarantee was given to customers.

FY2018

During the year 2018, the Remaining Group spent a total of HK$5,169,000 (31 December 2017: HK$1,187,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 31 December 2018, the Remaining Group has settled all capital commitments regarding on property, plant and equipment. (31 December 2017: HK$2,707,000 on property, plant and equipment) In the meantime, a total of HK$4,631,000 (31 December 2017: HK$5,472,000) in contingent liabilities in respect of letters of guarantee was given to customers.

Interim 2019

For the first six months of 2019, the Remaining Group spent a total of HK$116,000 (30 June 2018: HK$4,071,000) in capital expenditure, primarily consisting of property, plant and equipment. As at 30 June 2019 and 31 December 2018, the Remaining Group had no capital commitment. In the meantime, a total of HK$5,706,000 (31 December 2018: HK$4,631,000) in contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

FY2016

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

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

FY2017

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

As at 31 December 2017, the Remaining Group had outstanding gross-settled foreign currency forward contracts to buy EUR1,300,000 for HKD11,979,000; JPY78,000,000 for RMB4,836,000; JPY92,000,000 for USD829,000 and JPY270,840,000 for HKD18,890,000 (2016: buy EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000).

Foreign exchange gains and losses are calculated on the settlement of monetary transactions and on the translation of monetary assets and liabilities at the exchange rates of the end of the year.

Some group entities with functional currency of Japanese Yen ("**JPY**") have recorded exchange gain when Japanese Yen ("**JPY**") strengthened against Hong Kong dollars ("**HKD**") over the year of 2017 when such entities translate their net monetary liabilities which is mainly denominated in HKD to the functional currency.

FY2018

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

As at 31 December 2018, the Remaining Group had outstanding gross-settled foreign currency forward contracts to buy EUR2,680,000 for HKD24,280,000; GBP78,000 for HKD784,000; JPY546,357,000 for HKD38,553,000; USD57,000 for HKD446,000; and JPY11,100,000 for USD100,000 (2017: buy EUR1,300,000 for HKD11,979,000; JPY92,000,000 for USD829,000; JPY78,000,000 for RMB4,836,000 and JPY270,840,000 for HKD18,890,000).

Foreign exchange gains and losses are calculated on the settlement of monetary transactions and on the translation of monetary assets and liabilities at the exchange rates of the end of the year.

Interim 2019

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

As at 30 June 2019, the Remaining Group had outstanding gross-settled foreign currency forward contracts to buy EUR2,868,000 for HKD25,574,000; GBP137,000 for HKD1,366,000; JPY141,591,000 for HKD10,205,000 and JPY25,800,000 for USD241,000 (2018: EUR2,680,000 for HKD24,280,000; GBP78,000 for HKD784,000; JPY546,357,000 for HKD38,553,000; USD57,000 for HKD446,000; and JPY11,100,000 for USD100,000).

Foreign exchange gains and losses are calculated on the settlement of monetary transactions and on the translation of monetary assets and liabilities at the exchange rates of the end of the period.

DETAILS OF THE CHARGES ON THE REMAINING GROUP'S ASSETS

FY2016

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

Available-for-Sales Financial Assets

Prima Industrie SpA – The Remaining Group holds 429,228 shares in Prima Industrie SpA, representing around 4.1% of the total shareholding of Prima Industrie SpA. The company is a world leader in high-technology laser systems, sheet metal working systems and electronics components for industrial applications, and also possesses some advanced technology. Prima Industrie SpA and Leeport have a joint-venture manufacturing plant in Suzhou that produces laser cutting and punching machines and imports 3D laser machines and production systems. Leeport is also the distributor for Prima's products in China. The valuation of the financial assets was based on the closing price of the shares at the end of December 2016. Prima Industrie SpA is listed on the Stock Exchange of Milan, Italy. The value of the Prima Industrie SpA shares held by the Remaining Group as at 31 December 2016 was HK$56,336,000. The value of the total assets of the Remaining Leeport Group as at 31 December 2016 was HK$656,792,000. The value of Prima Industrie SpA to the total assets of the Remaining Leeport Group was 8.6%.

In the year ended 31 December 2016, Prima Industrie SpA achieved revenues of Euro 393.9 million as compared with Euro 364.5 million in 2015, representing an increase of 8.1%. The company also achieved a net profit of Euro 10.2 million as compared with Euro 5.6 million in 2015, representing an increase of 82.1%. Prima Industrie SpA is a long-term partner of Leeport. The Remaining Group will continue to partner with Prima Industrie SpA and explore appropriate business opportunities in the future. We believe the business of the company will continue to be strong in the near future.

OY Mapvision Limited ("**Mapvision**") – The Remaining Group holds 29,388 shares in Mapvision, representing 2.67% of the total shareholding of the company. Based in Finland, Mapvision is a leading innovator in optical measurement systems for mass production. The company specialises in the 100% in-line inspection of automotive body and chassis components.

The cost of the Remaining Group's investment in Mapvision as at the end of December 2016 was HK$12,863,000. The cost of investment for Mapvision to total assets of the Remaining Leeport Group as at the end of December 2016 was 2.0%.

The business partner of Leeport, Mitutoyo Corporation, is also an investor in Mapvision. Mitutoyo has an extensive partnership with Mapvision for the distribution of Mapvision's products.

According to the management report, Mapvision made a loss in 2016, however the company forecasts that the business will grow at a significant pace in the coming years and will be profitable. As Mapvision possesses a unique in-line inspection system and is very focused in the huge market of automobile components, the Remaining Group believes the projection of profit-making in the near future is achievable.

Furthermore, the Remaining Group will continue to explore investment opportunities in advanced manufacturing technology.

FY2017

As at 31 December 2017, certain land and buildings, leasehold land, investment properties and restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK$262,565,000 (31 December 2016: HK$244,301,000), were pledged to secure the banking facilities of the Remaining Group.

Available-for-Sales Financial Assets

Prima Industrie S.p.A. – The Remaining Group holds 446,228 shares in Prima Industrie S.p.A., representing around 4.3% of the total shareholding of Prima Industrie S.p.A. The company is a world leader in high-technology laser systems, sheet metal working systems and electronics components for industrial applications, and also possesses some advanced technology. Prima Industrie S.p.A. and Leeport have a joint-venture manufacturing plant in Suzhou that produces laser cutting and punching machines and imports 3D laser machines and production systems. Leeport is also the distributor for Prima's products in China. The valuation of the financial assets was based on the closing price of the shares at the end of December 2017. Prima Industrie S.p.A. is listed on the Stock Exchange of Milan, Italy. The value of the Prima Industrie S.p.A. shares held by the Remaining Group as at 31 December 2017 was HK$143,057,000. The value of the total assets of the Remaining Leeport Group as at 31 December 2017 was HK$795,298,000. The value of the Remaining Group's share of interest in Prima Industrie S.p.A. to the total assets of the Remaining Leeport Group was 18.0%.

In the year ended 31 December 2017, Prima Industrie S.p.A. achieved revenues of Euro 449.5 million as compared with Euro 393.9 million in 2016, representing an increase of 14.1%. The company also achieved a net profit of Euro 18.7 million as compared with Euro 10.2 million in 2016, representing an increase of 83.3%. Prima Industrie S.p.A. is a long-term partner of Leeport. The Remaining Group will continue to partner with Prima Industrie S.p.A. and explore appropriate business opportunities in the future. We believe the business of the company will continue to be strong in the near future.

OY Mapvision Limited ("**Mapvision**") – The Remaining Group holds 29,388 shares in Mapvision, representing 2.67% of the total shareholding of the company. Based in Finland, Mapvision is a leading innovator in optical measurement systems for mass production. The company specialises in the 100% in-line inspection of automotive body and chassis components.

The cost of the Remaining Group's investment in Mapvision as at the end of December 2017 was HK$12,863,000. The cost of investment for Mapvision to total assets of the Remaining Leeport Group as at the end of December 2017 was 1.6%.

The business partner of Leeport, Mitutoyo Corporation, is also an investor in Mapvision. Mitutoyo has an extensive partnership with Mapvision for the distribution of Mapvision's products.

According to the management report, Mapvision made a loss in 2017, however the company forecasts that the business will grow at a significant pace in the coming years and will be profitable. As Mapvision possesses a unique in-line inspection system and is very focused in the huge market of automobile components, the Remaining Group believes the projection of profit-making in the near future is achievable.

Furthermore, the Remaining Group will continue to explore investment opportunities in advanced manufacturing technology.

FY2018

As at 31 December 2018, certain land and buildings, leasehold land and investment properties and restricted bank deposits in Hong Kong, Shenzhen and Singapore, with an aggregate carrying value of approximately HK$284,987,000 (31 December 2017: HK$262,565,000), were pledged to secure the banking facilities of the Remaining Group.

Financial assets at fair value through other comprehensive income

Prima Industrie S.p.A. – The Remaining Group holds 519,549 shares in Prima Industrie S.p.A., representing around 5.0% of the total shareholding of Prima Industrie S.p.A. The company is a world leader in high-technology laser systems, sheet metal working systems and electronics components for industrial applications, and also possesses some advanced technology. Prima Industrie S.p.A. and Leeport have a joint-venture manufacturing plant in Suzhou that produces laser cutting and punching machines and imports 3D laser machines and production systems. Leeport is also the distributor for Prima's products in China. The valuation of the financial assets was based on the closing price of the shares at the end of December 2018. Prima Industrie S.p.A. is listed on the Stock Exchange of Milan, Italy. The value of the Prima Industrie S.p.A. shares held by the Remaining Group as at 31 December 2018 was HK$81,131,000. The value of the total assets of the Remaining Leeport Group as at 31 December 2018 was HK$849,082,000. The value of the Remaining Group's share of interest in Prima Industrie S.p.A. to the total assets of the Remaining Leeport Group was 9.6%.

In the year ended 31 December 2018, Prima Industrie S.p.A. achieved revenues of Euro 466.9 million as compared with Euro 449.5 million in 2017, representing an increase of 3.9%. The company also achieved a net profit of Euro 24.1 million as compared with Euro 18.7 million in 2017, representing an increase of 28.9%. Prima Industrie S.p.A. is a long-term partner of Leeport. The Remaining Group will continue to partner with Prima Industrie S.p.A. and explore appropriate business opportunities in the future. We believe the business of the company will continue to be strong in the near future.

OY Mapvision Limited ("**Mapvision**") – The Remaining Group holds 29,388 shares in Mapvision, representing 2.67% of the total shareholding of the company. Based in Finland, Mapvision is a leading innovator in optical measurement systems for mass production. The company specialises in the 100% in-line inspection of automotive body and chassis components.

The fair value of the Remaining Group's investment in Mapvision as at the end of December 2018 was HK$8,000,000. The fair value of investment for Mapvision to total assets of the Remaining Leeport Group as at the end of December 2018 was 0.9%.

The business partner of Leeport, Mitutoyo Corporation, is also an investor in Mapvision. Mitutoyo has an extensive partnership with Mapvision for the distribution of Mapvision's products.

According to the management report, Mapvision made a loss in 2018, however the company forecasts that the business will grow at a resonable pace in the coming years and will be profitable. As Mapvision possesses a unique in-line inspection system and is very focused in the huge market of automobile components, the Remaining Group believes the projection of profit-making in the near future is achievable.

Furthermore, the Remaining Group will continue to explore investment opportunities in advanced manufacturing technology.

Interim 2019

As at 30 June 2019, certain land and buildings, leasehold land and investment properties and restricted bank deposits in Hong Kong, Shenzhen and Singapore, with an aggregate carrying value of approximately HK$281,813,000 (31 December 2018: HK$284,987,000), were pledged to secure the banking facilities of the Remaining Group by way of a fixed charge.

Financial assets at fair value through other comprehensive income

Prima Industrie S.p.A. – The Remaining Group holds 519,549 shares in Prima Industrie S.p.A., representing around 5.0% of the total shareholding of Prima Industrie S.p.A. The company is a world leader in high-technology laser systems, sheet metal working systems and electronics components for industrial applications, and also possesses some advanced technology. Prima Industrie S.p.A. and Leeport have a joint-venture manufacturing plant in Suzhou that produces laser cutting and punching machines and imports 3D laser machines and production systems. Leeport is also the distributor for Prima's products in China. The valuation of the financial assets was based on the closing price of the shares at the end of June 2019. Prima Industrie S.p.A. is listed on the Stock Exchange of Milan, Italy. The value of the Prima Industrie S.p.A. shares held by the Remaining Group as at 30th June 2019 was HK$69,865,000. The value of the total assets of the Remaining Leeport Group as at 30 June 2019 was HK$823,123,000. The value of the Remaining Group's share of interest in Prima Industrie S.p.A. to the total assets of the Remaining Leeport Group was 8.5%.

In the first six months of 2019, Prima Industrie S.p.A. achieved revenues of Euro 214.8 million as compared with Euro 216.7 million in the same period last year, representing a decrease of 0.9%. The company also achieved a net profit of Euro 1.8 million, which penalized by impairment for Euro 1.2 million, as compared with Euro 11.1 million in the same period last year, representing a decrease of 83.8%. The high net profit in the first six month of last year is influenced by the capital gain of Euro 7.2 million from the full disposal of an investment. Prima Industrie S.p.A. is a long-term partner of Leeport. The Remaining Group will continue to partner with Prima Industrie S.p.A. and explore appropriate business opportunities in the future. We believe the business of the company will improve in the near future.

OY Mapvision Limited ("**Mapvision**") – The Remaining Group holds 29,388 shares in Mapvision, representing 2.67% of the total shareholding of the company. Based in Finland, Mapvision is a leading innovator in optical measurement systems for mass production. The company specialises in the 100% in-line inspection of automotive body and chassis components.

The business partner of Leeport, Mitutoyo Corporation, is also an investor in Mapvision. Mitutoyo has an extensive partnership with Mapvision for the distribution of Mapvision's products.

There is no material change of the operation and financial position of Mapvision during the first half year of 2019. Hence, there is no change of the fair value of the Remaining Group's investment in Mapvision as at the end of June 2019.

The fair value of the Remaining Group's investment in Mapvision as at the end of June 2019 was HK$8,000,000. The fair value of investment for Mapvision to total assets of the Remaining Leeport Group as at the end of June 2019 was 1.0%.

According to the first half year management report, Mapvision has made profit. The company forecasts that the business will grow at a reasonable pace in the coming years and will be profitable. As Mapvision possesses a unique in-line inspection system and is very focused in the huge market of automobile components, the Remaining Group believes the projection of profit-making in the near future is achievable.

Furthermore, the Remaining Group will continue to explore investment opportunities in advanced manufacturing technology.

EMPLOYEES

Competitive remuneration packages were structured to be commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, pension scheme contribution in different countries, the Remaining Group offered staff benefits including medical schemes, education subsidies and discretionary performance bonuses.

FY2016

As at 31 December 2016, the Remaining Group had 256 employees (31 December 2015: 256). Of these, 80 were based in Hong Kong, 165 were based in mainland China, and 11 were based in other offices around Asia.

FY2017

As at 31 December 2017, the Remaining Group had 256 employees (31 December 2016: 256). Of these, 75 were based in Hong Kong, 167 were based in mainland China, and 14 were based in other offices around Asia.

FY2018

As at 31 December 2018, the Remaining Group had 328 employees (31 December 2017: 256). Of these, 85 were based in Hong Kong, 204 were based in mainland China, and 39 were based in other offices around Asia and Germany.

Interim 2019

As at 30 June 2019, the Remaining Group had 346 employees (31 December 2018: 328). Of these, 82 were based in Hong Kong, 219 were based in mainland China, and 45 were based in other offices around Asia and Germany.

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 DIRECTORS' INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Directors' interests or short positions in the Shares underlying shares and debentures of the Company or the associated corporation

		Number of Shares each held					
Director		Personal interests	Family interests	Other interests	Share options	Total	Percentage
Mr. LEE Sou Leung, Joseph ("**Mr. Lee**")	Long position	23,668,000 Shares	Nil	144,529,982 Shares *(Note (a))*	Nil	168,197,982 Shares	73.11%
Mr. CHU Weiman	Long position	1,000,000 Shares	Nil	Nil	Nil	1,000,000 Shares	0.43%
Mr. CHAN Ching Huen, Stanley	Long position	1,104,000 Shares	Nil	Nil	Nil	1,104,000 Shares	0.48%

Director		Personal interests	Family interests	Other interests	Share options	Total	Percentage
		Number of Shares each held					
Mr. WONG Man Shun, Michael	Long position	1,432,000 Shares	Nil	Nil	Nil	1,432,000 Shares	0.63%
Mr. ZAVATTI Samuel	Long position	110,000 Shares	Nil	Nil	Nil	110,000 Shares	0.05%

Note (a): As at the Latest Practicable Date, the 144,529,982 shares were 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 Lisa Marie ("**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. Ms. Tan is deemed to be interested in all the interests held by Mr. Lee, her husband.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholder

As at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, 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.

5. MATERIAL CONTRACT

Within the two years immediately preceding the date of this circular, the following agreement, being contract not entered into in the ordinary course of business, has been entered into by member(s) of the Group and is or may be material:

(a) the Sale and Purchase Agreement.

6. COMPETING INTEREST OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

7. INTEREST OF DIRECTORS IN ASSETS 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, none of the Directors or proposed Directors or experts (as listed out in paragraph 9 below) had or had proposed to acquire or dispose or lease any interest, direct or indirect, in any assets to any member of the Group.

8. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE ENLARGED 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.

9. EXPERT AND CONSENT

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

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, the above expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which have been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

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

(b) The Company's head office and principal place of business 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.

(c) The company secretary 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.

(d) The principal share registrar and transfer agent of the Company is MUFG Fund Services (Bermuda) Limited at 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

(e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the head office and principal place of business of the Company in Hong Kong 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 weekdays (public holidays excepted) from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018, respectively;

(c) the interim report of the Company for the six months ended 30 June 2019;

(d) the report in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(e) a copy of the material contract referred to in the paragraph headed "5. Material Contract" in this appendix;

(f) the written consent referred to in the paragraph headed "9. Expert and Consent" in this appendix; and

(g) this circular.

LEEPORT (HOLDINGS) LIMITED
力豐（集團）有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 387)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Leeport (Holdings) Limited (the "**Company**") will be held at 10:30 a.m. on Tuesday, 21 January 2020 at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

1. (A) the entering into of the Sale and Purchase Agreement (as defined in the circular of the Company dated 27 December 2019), a copy of which is tabled at the SGM and marked "A" and signed by the chairman of the SGM for identification purpose, and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

   (B) any one of the directors of the Company ("**Director(s)**") be and is hereby authorised to do all such acts and things, to sign, execute and seal (where required) any such documents, instruments or agreements for and on behalf of the Company as may be deemed by such Director in his/her absolute discretion to be incidental to, ancillary to or in connection with the Sale and Purchase Agreement and all transactions contemplated thereunder."

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

Hong Kong, 27 December 2019

* *For identification purposes only*

Notes:

1. A form of proxy for use at the SGM is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.

3. Any shareholder of the Company entitled to attend and vote at the SGM convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote on behalf of him. A proxy needs not be a shareholder of the Company. A shareholder of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy are so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 24 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the SGM, whether in person or by proxy, priority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

7. In order to determine the right to attend the SGM, the register of members of the Company will be closed from Thursday, 16 January 2020 to Tuesday, 21 January 2020 (both days inclusive), during which no transfer of Shares can be registered. To qualify for the attendance at the SGM, shareholders of the Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 15 January 2020.

8. In the case of inconsistency, the English text of this notice shall prevail over the Chinese text.

As at the date of this notice, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHU Weiman, Mr. CHAN Ching Huen, Stanley, and Mr. WONG Man Shun, Michael and the independent non-executive directors of the Company are Mr. ZAVATTI Samuel, Mr. FUNG Wai Hing and Mr. WONG Tat Cheong, Frederick.