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Leeport
LLEPORT (HOLDINGS) LIMITED
力豐 (集團) 有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 387)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019

The Board of Directors (the “**Directors**”) of Leeport (Holdings) Limited (the “**Company**”) would like to present the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31st December 2019, together with the comparative figures for the year ended 31st December 2018. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

Due to the prolonged trade war between China and the U.S. since mid-2018 and the weakening demand for manufacturing equipment, the Group’s business was adversely affected in 2019.

The Group’s sales amounted to HK\$690,896,000 in 2019, compared with HK\$814,836,000 in 2018, representing a decrease of 15.2%. The Group’s gross profit amounted to HK\$114,823,000, compared with HK\$137,933,000 in 2018, representing a decrease of 16.8%. The gross profit percentage was 16.6% in 2019, compared with 16.9% in 2018.

The total value of contracts signed in 2019 was HK\$588,523,000, compared with HK\$852,161,000 in 2018, representing a decrease of 30.9%.

* *For identification purpose only*

Other Income and Gains

The total value of other income and gains was HK\$14,481,000 in 2019, compared with HK\$16,476,000 in 2018, representing a decrease of 12.1%.

Service income was HK\$7,551,000 in 2019, compared with HK\$7,508,000 in 2018, representing an increase of 0.6%. Commission income was HK\$668,000 in 2019, compared with HK\$584,000 in 2018.

Other income included rental income of HK\$2,609,000, and a management fee of HK\$1,516,000 charged against Mitutoyo Leepport Metrology Corporation.

In the first half of 2019, our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Group received a dividend of HK\$2,030,000. The dividend received in 2018 was HK\$1,844,000.

Operating Expenses

Selling and distribution costs were HK\$27,041,000 in 2019, compared with HK\$26,841,000 in 2018, representing an increase of 0.7%. The selling and distribution costs were normal in terms of sales volume.

Administrative expenses amounted to HK\$136,688,000 in 2019, compared with HK\$117,158,000 in 2018, representing an increase of 16.7%. The main reason for the increase in administrative expenses was that additional staff costs and higher operating expenses were incurred after the acquisition of new investments. There was also an increase in travelling expenses and provision for doubtful debt.

Finance Expenses – Net

Finance expenses net of finance income were HK\$7,056,000 in 2019, compared with HK\$4,696,000 in 2018. Finance income in 2019 was HK\$1,579,000, compared with HK\$1,627,000 in 2018, representing a decrease of 3.0%. Interest income derived from the loan to OPS-Ingersoll Funkenerosion GmbH was HK\$1,137,000 in 2019, compared with HK\$1,112,000 in 2018.

Finance expenses were HK\$8,635,000 in 2019, compared with HK\$6,323,000 in 2018, representing an increase of 36.6%. This increase was due to the higher interest rate in the market and an increase in bank borrowings in 2019.

Share of post-tax profits of associates

The share of post-tax profits of associates in 2019 was HK\$352,000, compared with HK\$19,626,000 in 2018, representing a decrease of 98.2%. The business of associates in 2019 was adversely affected by the slow-down of the market. The business of Mitutoyo Leepport Metrology Corporation, OPS-Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited decreased in 2019 as compared with 2018.

Income Tax Expenses

Income tax expenses in 2019 were HK\$2,357,000, compared with HK\$5,395,000 in 2018, representing a decrease of 56.3%.

Profit Attributable to Owners of the Company and Earnings Per Share

The loss attributable to owners of the Company was HK\$43,413,000 in 2019, compared with the profit attributable to owners of the Company of HK\$19,210,000 in 2018. The operating loss for the trading business in 2019 was HK\$37,016,000, compared with an operating profit of HK\$10,242,000 in 2018. The Group's sales and gross profit in 2019 were lower than in 2018, and the staff costs and operating expenses increased after the acquisition of new investments contributed to the loss attributable to owners of the Company.

The basic losses per share was HK18.87 cents, compared with the basic earnings per share of HK8.35 cents in 2018.

DIVIDEND

The Directors did not recommend the payment of any final dividend per ordinary share for the year ended 31st December 2019 but recommended a special dividend of HK2.5 cents per ordinary share for the year ending 31st December 2020, totaling HK\$5,752,000 (in 2018, the final dividend was HK2.5 cents per ordinary share, totaling HK\$5,752,000). This special dividend recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 30th June 2020. Upon the approval of the shareholders, the special dividend warrant will be payable on or before 24th July 2020 to the shareholders of the Company whose names appear on the register of members on 15th July 2020.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales	2	690,896	814,836
Cost of goods sold	4	<u>(576,073)</u>	<u>(676,903)</u>
Gross profit		114,823	137,933
Other income and gains - net	3	14,481	16,476
Selling and distribution costs	4	(27,041)	(26,841)
Administrative expenses	4	(136,688)	(117,158)
Net impairment losses on trade receivables		<u>(2,591)</u>	<u>(168)</u>
Operating (loss)/profit		(37,016)	10,242
Finance income		1,579	1,627
Finance expenses		<u>(8,635)</u>	<u>(6,323)</u>
Finance expenses – net		(7,056)	(4,696)
Share of post-tax profits of associates	9(a)	<u>352</u>	<u>19,626</u>
(Loss)/profit before income tax		(43,720)	25,172
Income tax expense	5	<u>(2,357)</u>	<u>(5,395)</u>
(Loss)/profit for the year		<u>(46,077)</u>	<u>19,777</u>
(Loss)/profit attributable to:			
Owners of the Company		(43,413)	19,210
Non-controlling interests		<u>(2,664)</u>	<u>567</u>
		<u>(46,077)</u>	<u>19,777</u>
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company			
Basic (losses)/earnings per share (Hong Kong cents)	7	(HK18.87 cents)	HK8.35 cents
Diluted (losses)/earnings per share (Hong Kong cents)	7	<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	<i>Note</i>	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year		<u>(46,077)</u>	<u>19,777</u>
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of land and buildings		8,667	21,790
Movement of deferred tax		(73)	(2,515)
Change in value of financial assets at fair value through other comprehensive income, net of tax		<u>(6,711)</u>	<u>(92,199)</u>
		<u>1,883</u>	<u>(72,924)</u>
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(1,377)	(4,898)
Share of other comprehensive loss of associates		<u>(383)</u>	<u>(1,031)</u>
		<u>(1,760)</u>	<u>(5,929)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>123</u>	<u>(78,853)</u>
Total comprehensive loss for the year		<u>(45,954)</u>	<u>(59,076)</u>
Total comprehensive loss attributable to owners of the company		(43,224)	(59,614)
Total comprehensive (loss)/income attributable to non-controlling interest		<u>(2,730)</u>	<u>538</u>
		<u>(45,954)</u>	<u>(59,076)</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2019**

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Leasehold land		–	14,175
Property, plant and equipment		7,942	242,684
Right-of-use assets		294,613	–
Investment properties	8	55,674	55,611
Investments in associates	9(a)	63,895	155,300
Loan to an associate	9(b)	17,690	18,158
Financial assets at fair value through other comprehensive income		<u>8,489</u>	<u>8,089</u>
		<u>448,303</u>	<u>494,017</u>
Current assets			
Inventories		88,232	102,109
Trade and bills receivables	10	99,003	142,362
Other receivables, prepayments and deposits		24,812	33,047
Financial assets at fair value through other comprehensive income		64,695	81,131
Derivative financial instruments	11	253	316
Amounts due from an associate		247	261
Restricted bank deposits		26,593	26,576
Cash and cash equivalents		60,768	52,874
Tax recoverable		<u>848</u>	<u>–</u>
		<u>365,451</u>	<u>438,676</u>
Asset classified as held for sale		<u>83,374</u>	<u>–</u>
Total current assets		<u>448,825</u>	<u>438,676</u>
Total assets		<u>897,128</u>	<u>932,693</u>

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>12</i>	23,007	23,007
Other reserves	<i>12</i>	236,347	196,979
Retained earnings		180,623	224,456
		<u>439,977</u>	<u>444,442</u>
Non-controlling interest		(1,754)	976
		<u>438,223</u>	<u>445,418</u>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	–	8,889
Lease liabilities		2,966	–
Deferred income tax liabilities		32,399	32,326
		<u>35,365</u>	<u>41,215</u>
Current liabilities			
Trade and bills payables	<i>13</i>	100,661	145,819
Other payables, accruals and contract liabilities		70,793	90,030
Derivative financial instruments	<i>11</i>	65	275
Amount due to an associate		668	1,750
Amount due to a non-controlling shareholder		9,595	9,595
Borrowings	<i>14</i>	239,094	194,519
Lease liabilities		1,418	–
Tax payable		1,246	4,072
		<u>423,540</u>	<u>446,060</u>
Total liabilities		<u>458,905</u>	<u>487,275</u>
Total equity and liabilities		<u>897,128</u>	<u>932,693</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, financial assets through other comprehensive income, financial assets and financial liabilities through profit or loss (including derivative instruments) which are carried at fair value. Asset held for sale is stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(i) New and amended standards adopted by the Group

The following new standards, amendments to standards and interpretations to standards are mandatory for the Group’s financial year beginning on 1st January 2019.

Annual Improvements Project	Annual improvements 2015-2017 cycle
HKAS 19 (Amendment)	Plan amendments, curtailment or settlement
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1st January 2019. The impact of adoption of the standard is disclosed below.

Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

HKFRS 16 “Leases”

On adoption of HKFRS 16, the 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 value of the remaining lease payments.

(a) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1st January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The 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 Company relied on its assessment made applying HKAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

(b) Measurement of lease liabilities

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31st December 2018	703
Add: adjustments as a result of a different treatment of extension and termination options	<u>787</u>
Lease liabilities recognised as at 1st January 2019	<u>1,490</u>
Of which are:	
Non-current liabilities	895
Current liabilities	<u>595</u>
	<u>1,490</u>

(c) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31st 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.

(d) Adjustments recognised in the consolidated balance sheet on 1st January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1st January 2019:

- right-of-use assets – increased by HK\$293,335,000;
- leasehold land – decreased by HK\$14,175,000;
- property, plant and equipment – decreased by HK\$233,159,000;
- lease liabilities – increased by HK\$1,490,000; and
- land and building revaluation reserve – increased by HK\$44,511,000.

(ii) The following standards, amendments and interpretations have been published but are not mandatory for 31st December 2019 reporting period and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 1 and 8 (Amendment)	Definition of material	1st January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge accounting	1st January 2020
HKFRS 3 (Amendment)	Definition of a business	1st January 2020
HKFRS 17	Insurance contracts	1st January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January 2020

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. SEGMENT INFORMATION

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

The Board considers the business from a geographic perspective. Geographically, management considers the performance in the PRC, Hong Kong and other countries.

The Group is principally engaged in the trading of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the PRC, Hong Kong and other countries (principally Singapore, Germany, Malaysia and Indonesia). The PRC, for the purpose of this consolidated financial statement, excludes Hong Kong, Taiwan and Macau.

The Board assesses the performance of the operating segments based on a measure of segment result, total assets and total capital expenditure. The Group primarily operates in Hong Kong and the PRC. The Group's sales by geographical location are determined by the country in which the customer is located.

	For the year ended 31st December 2019			
	The PRC	HK	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales	<u>629,733</u>	<u>30,280</u>	<u>30,883</u>	<u>690,896</u>
Segment results	<u>(18,514)</u>	<u>(7,785)</u>	<u>(10,717)</u>	<u>(37,016)</u>
Finance income				1,579
Finance expenses				(8,635)
Share of profit of associates				<u>352</u>
Loss before income tax				(43,720)
Income tax expenses				<u>(2,357)</u>
Loss for the year				<u>(46,077)</u>

	For the year ended 31st December 2018			Total HK\$'000
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	
Sales	<u>693,735</u>	<u>99,404</u>	<u>21,697</u>	<u>814,836</u>
Segment results	<u>8,675</u>	<u>5,086</u>	<u>(3,519)</u>	10,242
Finance income				1,627
Finance expenses				(6,323)
Share of profit of associates				<u>19,626</u>
Profit before income tax				25,172
Income tax expenses				<u>(5,395)</u>
Profit for the year				<u>19,777</u>

During the year ended 31st December 2019, there is no single customer whose revenue amounted to 10% or more of the Group's revenue (2018: there is no single customer whose revenue amounted to 10% or more of the Group's revenue).

Contract liabilities of HK\$36,347,000 (2018: HK\$58,496,000) were classified within "other payables, accruals and contract liabilities". It represents advanced payments received from customers for goods that have not been transferred to the customers. During the year ended 31st December 2019, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue. Decrease in contract liabilities is mainly due to the decrease in sales orders with advanced payments.

The provision for slow moving inventories for the year ended 31st December 2019 are HK\$1,926,000 (2018: HK\$1,771,000).

The net impairment losses on trade receivables for the year ended 31st December 2019 are HK\$2,591,000 (2018: HK\$168,000).

Assets

	2019 HK\$'000	2018 HK\$'000
Total assets:		
The PRC	331,977	335,417
Hong Kong	401,595	399,271
Other countries (<i>Note (a)</i>)	163,556	198,005
	<u>897,128</u>	<u>932,693</u>

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

Segment assets consist primarily of leasehold land, property, plant and equipment, investment properties, right-of-use assets, receivables, investment in associates, financial assets at fair value through other comprehensive income, derivative financial instruments, operating cash and deposits.

Liabilities

	2019	2018
	HK\$'000	HK\$'000
Total liabilities:		
The PRC	304,448	341,517
Hong Kong	116,043	119,161
Other countries (<i>Note (a)</i>)	38,414	26,597
	<hr/> 458,905	<hr/> 487,275

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

Segment liabilities consist primarily of borrowings, lease liabilities, deferred income tax liabilities, payables, derivative financial instruments and tax payable.

The depreciation of property, plant and equipment and depreciation of right-of-use assets for the year ended 31st December 2019 are HK\$12,167,000 (2018: depreciation of property, plant and equipment and amortisation of leasehold land are HK\$9,980,000).

Capital expenditure

	2019	2018
	HK\$'000	HK\$'000
Capital expenditure:		
The PRC	60	298
Hong Kong	62	87
Other countries (<i>Note (a)</i>)	–	4,784
	<hr/> 122	<hr/> 5,169

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

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

Note:

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

3. OTHER INCOME AND GAINS – NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Derivative instruments - forward contracts:		
– Realised and unrealised net fair value (loss)/gain	(348)	40
Rental income	2,609	2,679
Service income	7,551	7,508
Commission income	668	584
Net fair value gain on an investment properties	–	1,121
Other income	455	1,135
Dividend income from financial asset at fair value through other comprehensive income	2,030	1,844
Management fee income from an associate	1,516	1,565
	<u>14,481</u>	<u>16,476</u>

4. EXPENSES BY NATURE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditors' remuneration		
– Audit services	2,756	2,758
– Non-audit services	821	280
Cost of inventories sold	570,423	671,025
Depreciation on property, plant and equipment	1,576	9,980
Depreciation on right-of-use assets	10,591	–
Amortisation on leasehold land	–	433
Short-term leases (2018: Operating lease rentals)	1,256	2,783
Provision for slow moving inventories	1,926	1,771
Foreign exchange loss	4,367	3,759
Employee benefits expenses (including directors' remuneration)	81,340	68,023
Other expenses	64,746	60,090
	<u>739,802</u>	<u>820,902</u>
Total cost of goods sold, selling and distribution costs and administrative expenses	<u>739,802</u>	<u>820,902</u>

5. INCOME TAX EXPENSE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	50	6
– PRC and overseas taxation	2,105	5,387
– Under provision in prior year	202	–
Deferred income tax	–	2
	<hr/> 2,357	<hr/> 5,395

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax (“EIT”) in the PRC has been provided at the rate of 25% (2018: 25%) on the estimated assessable profit for the year with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2018: 17%) on the estimated assessable profit for the year.

Taxation on other overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

6. DIVIDENDS

The dividends paid in 2019 and 2018 were HK\$5,752,000 (HK2.5 cents per share) and HK\$14,955,000 (HK6.5 cents per share) respectively.

No dividend was proposed per ordinary share for the shareholders of the Company during the year ended 31st December 2019.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim, paid, of nil (2018: HK3 cents) per ordinary share	–	6,902
Final, proposed, of nil (2018: HK2.5 cents) per ordinary share	–	5,752
	<hr/> –	<hr/> 12,654

7. EARNINGS PER SHARE

(a) Basic

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

	2019	2018
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(43,413)</u>	<u>19,210</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>230,076</u>	<u>230,076</u>
Basic (losses)/earnings per share attributable to equity owners of the Company (HK cents per share)	<u>(18.87)</u>	<u>8.35</u>

(b) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted (losses)/earnings per share. There is no share options issued/outstanding during the year ended 31st December 2018 and 2019, hence no diluted (losses)/earnings was presented.

8. INVESTMENT PROPERTY

	2019	2018
At fair value	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance at 1st January	55,611	54,658
Net gain from fair value adjustment	–	1,121
Exchange difference	<u>63</u>	<u>(168)</u>
Closing balance at 31st December	<u>55,674</u>	<u>55,611</u>

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

	2019	2018
	HK\$'000	HK\$'000
Rental income	2,609	2,679

As at 31st December 2019, the Group had no unprovided contractual obligations for further repairs and maintenance (2018: nil).

The investment properties situated in Hong Kong and Singapore are held on lease of between 10 to 50 years.

The investment property located in Hong Kong was revalued as at 31st December 2019 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The investment property of the Group located in Singapore was revalued as at 31st December 2019 by Dickson Property Consultants Pte Ltd., an independent firm of professional valuers.

The valuation was derived using the direct comparison approach, assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

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

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the year.

Below is a summary of the key inputs to the valuation of investment properties:

	Significant unobservable inputs	Price per square foot	Relationship of unobservable inputs to fair value
As at 31st December 2019			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK\$8,820	The higher the price per square foot, the higher the fair value
Land and buildings in Singapore	Market unit sale price (per square foot)	HK\$969	The higher the price per square foot, the higher the fair value
As at 31st December 2018			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK\$8,820	The higher the price per square foot, the higher the fair value
Land and buildings in Singapore	Market unit sale price (per square foot)	HK\$960	The higher the price per square foot, the higher the fair value

Bank borrowings are secured on investment properties with a carrying amount of HK\$55,674,000 (2018: HK\$55,611,000).

9(A). INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2019	2018
	HK\$'000	HK\$'000
At 1st January	155,300	126,525
Addition through capital injection without change of shareholding	–	18,491
Share of post-tax profits of associates	352	19,626
Share of other comprehensive loss of associates	(383)	(1,031)
Dividend received from an associate	(8,000)	(8,311)
Transferred to asset classified as held for sale	(83,374)	–
	<hr/>	<hr/>
At 31st December	63,895	155,300
	<hr/>	<hr/>

Set out below are the associates of the Group as at 31st December 2019 and 2018. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Details of investment in associates as at 31st December 2019 and 2018 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest		Principal activities and place of operation
		2019	2018	
Mitutoyo Leeport Metrology Corporation ("MLMC")	Hong Kong/ British Virgin Islands	49	49	Trading of measuring tools
OPS-Ingersoll Funkenerosion GmbH ("OPS")	Germany/Germany	22.34	22.34	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd. ("Prima")	The PRC/The PRC	30	30	Manufacturing of metal forming machinery

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

9(B). LOAN TO AN ASSOCIATE

The balance represents a loan made to an associate – OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months but within five years from the reporting date. During the year, interest received from OPS amounted to HK\$1,137,000 (2018: HK\$1,112,000).

As at 31st December 2019, the carrying value of the loan to an associate was HK\$17,690,000 (2018: HK\$18,158,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

10. TRADE AND BILLS RECEIVABLES

As at 31st December 2019 and 2018, the ageing analysis of trade and bills receivables by invoice date are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 3 months	78,851	118,854
4-6 months	6,257	10,220
7-12 months	7,959	5,419
Over 12 months	<u>11,504</u>	<u>11,238</u>
	104,571	145,731
Less: provision for impairment of receivables	<u>(5,568)</u>	<u>(3,369)</u>
	<u>99,003</u>	<u>142,362</u>

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Forward foreign exchange contracts – non-hedge instruments	<u>253</u>	<u>65</u>	<u>316</u>	<u>275</u>

Derivatives held for trading purpose are classified as a current asset or liability. As at 31st December 2019, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR3,112,000 for HKD26,977,000; GBP277,000 for HKD2,898,000; JPY193,500,000 for HKD13,797,000; and USD300,000 for HKD2,338,000 (2018: 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).

**12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	Attributable to owners of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1st January 2019	23,007	196,979	224,456	444,442	976	445,418
Change in accounting policy	–	44,511	–	44,511	–	44,511
Balance at 1st January 2019, as restated	<u>23,007</u>	<u>241,490</u>	<u>224,456</u>	<u>488,953</u>	<u>976</u>	<u>489,929</u>
Comprehensive loss						
Loss for the year	–	–	(43,413)	(43,413)	(2,664)	(46,077)
Other comprehensive income/(loss)						
Gain on revaluation of land and buildings	–	8,667	–	8,667	–	8,667
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(7,133)	7,133	–	–	–
Movement of deferred tax	–	(73)	–	(73)	–	(73)
Change of value of financial assets at fair value through other comprehensive income	–	(6,711)	–	(6,711)	–	(6,711)
Currency translation differences	–	(1,311)	–	(1,311)	(66)	(1,377)
Share of other comprehensive loss of associates	–	(383)	–	(383)	–	(383)
Total other comprehensive (loss)/income, net of tax	<u>–</u>	<u>(6,944)</u>	<u>7,133</u>	<u>189</u>	<u>(66)</u>	<u>123</u>
Total comprehensive loss	<u>–</u>	<u>(6,944)</u>	<u>(36,280)</u>	<u>(43,224)</u>	<u>(2,730)</u>	<u>(45,954)</u>
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	1,801	(1,801)	–	–	–
Transactions with owners of the Company recognised directly in equity						
Dividend paid relating to 2018	–	–	(5,752)	(5,752)	–	(5,752)
Total transactions with owners, recognised directly in equity	<u>–</u>	<u>–</u>	<u>(5,752)</u>	<u>(5,752)</u>	<u>–</u>	<u>(5,752)</u>
Balance at 31st December 2019	<u>23,007</u>	<u>236,347</u>	<u>180,623</u>	<u>439,977</u>	<u>(1,754)</u>	<u>438,223</u>

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1st January 2018	23,007	282,334	213,670	519,011	–	519,011
Comprehensive income						
Profit for the year	–	–	19,210	19,210	567	19,777
Other comprehensive income/(loss)						
Gain on revaluation of land and buildings	–	21,790	–	21,790	–	21,790
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(6,531)	6,531	–	–	–
Movement of deferred tax	–	(2,515)	–	(2,515)	–	(2,515)
Change of value of financial assets at fair value through other comprehensive income	–	(92,199)	–	(92,199)	–	(92,199)
Currency translation differences	–	(4,869)	–	(4,869)	(29)	(4,898)
Share of other comprehensive loss of associates	–	(1,031)	–	(1,031)	–	(1,031)
Total other comprehensive (loss)/income, net of tax	–	(85,355)	6,531	(78,824)	(29)	(78,853)
Total comprehensive (loss)/income	–	(85,355)	25,741	(59,614)	538	(59,076)
Transactions with owners of the Company recognised directly in equity						
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	438	438
Dividend paid relating to 2017	–	–	(8,053)	(8,053)	–	(8,053)
Dividend paid relating to 2018	–	–	(6,902)	(6,902)	–	(6,902)
Total transactions with owners, recognised directly in equity	–	–	(14,955)	(14,955)	438	(14,517)
Balance at 31st December 2018	23,007	196,979	224,456	444,442	976	445,418

13. TRADE AND BILLS PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current	93,937	134,021
1-3 months	4,570	3,874
4-6 months	4	1,393
7-12 months	637	–
Over 12 months	1,513	6,531
	<u>100,661</u>	<u>145,819</u>

14. BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current		
Portions of term loans from bank due for repayment after one year	–	8,889
Current		
Trust receipt loans	113,793	61,641
Portions of term loans from banks due for repayment within one year or with repayment on demand clause	125,301	132,878
	<u>239,094</u>	<u>194,519</u>
Total borrowings	<u>239,094</u>	<u>203,408</u>

As at 31st December 2019, certain land and buildings, investment properties and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$285,067,000 (2018: HK\$284,987,000) were pledged to secure the banking facilities of the Group.

The facilities expiring within one year are annual facilities subject to review at various dates during 2020.

15. SUBSEQUENT EVENTS

(a) Disposal of shares in Mitutoyo Leepport Metrology Corporation

On 23rd January 2020, a subsidiary of the Group, Leepport Machine Tool Company Limited, disposed of 49% of the issued shares in an associate, MLMC, a trader of measuring tools, for a consideration of HK\$100,000,000.

(b) Impact of Coronavirus Disease 2019 outbreak (“COVID-19 outbreak”)

The Group expects the economy in Hong Kong, Europe and the PRC to be negatively impacted and this may potentially affect the Group’s business and financial performance in 2020. The Group will pay close attention to the development of the epidemic and evaluate its impact on the financial position and operating results.

(c) Decrease in fair value of investment in a listed securities

As at the date on which this set of consolidated financial statements were authorised for issue, the share price of the Group’s investment in a listed share had decreased by approximately 28%. Since this investment represents a significant proportion of the Group’s total assets, fair value fluctuation would have a significant impact on the financial performance of the Group.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from 24th June 2020 (Wednesday) to 30th June 2020 (Tuesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 Annual General Meeting. In order to be eligible to attend and vote at the 2020 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 23rd June 2020 (Tuesday); and
- (ii) from 13th July 2020 (Monday) to 15th July 2020 (Wednesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed special dividend. In order to establish entitlements to the proposed special dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 10th July 2020 (Friday).

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

BUSINESS REVIEW

Trading

The trade war between China and the U.S. was not resolved until the two sides reached an agreement in early 2020. The economic situation of China in the second half of 2019 did not improve as much as expected. The country's GDP growth rate was 6.1% in 2019, compared with 6.7% in 2018. The growth rate in the value of industrial production was 5.7%, compared with 6.2% in 2018.

The overall business of the Group in 2019 fell by 15.2% compared with 2018. Equipment sales in 2019 recorded a drop of 16.3% compared with 2018, however the sales of sheetmetal machinery recorded a significant increase in 2019, as a number of higher-value production lines were delivered. The sales of cutting tools and assembly tools fell by 5.8% in 2019. This was an acceptable result as the market for these kinds of consumable products was relatively stable, even though the economy was poor. The sales of measuring instruments fell by 38.5%. One of the main causes of this was that some shipments were delayed until 2020. The results of the Group's automation business in Germany were also well below budget due to the poor economic situation.

The major customer segments of the Group's business in China, i.e., the automotive industry and mobile phone manufacturing, were weaker than in previous years. The volume of automotive manufacturing in 2019 fell by 7.5% compared with 2018, and the volume of smart phone manufacturing in 2019 fell by 7% compared with 2018.

The value of the Group's outstanding orders as at the end of February 2020 was HK\$128,903,000, compared with HK\$211,982,000 as at the end of February 2019. The lower order booking level was due to the outbreak of the coronavirus.

Investment

The Group's associated companies that do business in China and Europe also faced a weakening economic situation. The share of profit of the associated companies in 2019 was significantly lower than in 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash of the Group as at 31st December 2019 was HK\$60,768,000 (31st December 2018: HK\$52,874,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 31st December 2019 was HK\$88,232,000 (31st December 2018: HK\$102,109,000). The turnover days of inventory were 56 at the end of December 2019, compared with 55 at the end of December 2018. The balance of trade receivable and bills receivable was HK\$99,003,000 as at 31st December 2019 (31st December 2018: HK\$142,362,000). The turnover days of trade receivable were 52 (31st December 2018: 64). The balance of trade payable and bills payable was HK\$100,661,000 as at 31st December 2019 (31st December 2018: HK\$145,819,000). The lower balance of trade payable and bills payable as at 31st December 2019 was due to a lower purchase amount of machinery product at the year end of 2019. The balance of short-term borrowings was HK\$239,094,000 as at 31st December 2019 (31st December 2018: HK\$194,519,000). No long-term borrowing was made as at 31st December 2019 (31st December 2018: HK\$8,889,000).

The Group's net gearing ratio was approximately 34.6% as at 31st December 2019 (31st December 2018: 27.8%). The net gearing ratio was higher than in 2018. 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 and restricted bank deposits. The net gearing ratio was higher due to the higher borrowing level that was required in order to satisfy the operating activities during the year.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2019, the Group had aggregate banking facilities of approximately HK\$665,118,000, of which approximately HK\$270,086,000 was utilized, bearing interest at prevailing market rates and secured by certain land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$285,067,000 (31st December 2018: HK\$284,987,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

The outbreak of the coronavirus in early 2020 has seriously affected the Group's business activities, and recent developments in the global situation are likely to cause a great deal of uncertainty about the business results in the year. On the other hand, the coronavirus in China seems to have been contained, and economic and social activities have begun to pick up again. Most manufacturers have re-started production. The Group predicted that business would be very challenging in 2020, so we implemented a cost-reduction program in order to reduce our operating expenses significantly. The leaner organisation and lower operating expenses are paving the way for a profitable result once business returns to normal. The Chinese Government is preparing to invest a significant amount on infrastructure, and we see this as an opportunity for us in 2020.

In November 2019, the Group agreed with our key partner in measuring instruments, Mitutoyo Corporation, to dispose of our 49% shareholding in Mitutoyo Leepport Metrology Corporation. The transaction was completed in January 2020 and a consideration of HK\$100 million was received. Leepport will continue to be the preferred distributor of Mitutoyo. The Company will also continue to identify, develop and source advanced products complementary to those of Mitutoyo and we expect to achieve significant growth in our measurement business in China. The Group will also continue to invest in manufacturing equipment suppliers, especially Prima Industrie S.p.A., which will enable us to expand our sheetmetal machinery business in China and Southeast Asia.

EMPLOYEES

As at 31st December 2019, the Group had 310 employees (31st December 2018: 328). Of these, 77 were based in Hong Kong, 201 were based in mainland China, and 32 were based in other offices around Asia and Germany. 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 Group offered staff benefits including medical schemes, education subsidies and discretionary performance bonuses.

SHARE CAPITAL

Share capital

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
	Number of shares (in thousand)	Share capital <i>HK\$'000</i>
Issued and fully paid: At 1st January 2019 and 31st December 2019 230,076,062 ordinary shares of HK\$0.10 each	230,076	23,007

Share options

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

Pursuant to the Scheme, the Company can grant options to Eligible Participants for a consideration of HK\$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) shall not exceed 10% of the shares in issue as at the date of such shareholder's approval. At the date of this announcement, the total number of options that can be granted under the Scheme was 12,546,406 representing approximately 5.45% of the number of issued shares in issue as at the approval of the Scheme.

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

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

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share options were outstanding at the end of the year.

No share options were granted, exercised or lapsed during the year ended 31st December 2019 and 2018.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2019, certain land and buildings, investment properties and restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK\$285,067,000 (31st December 2018: HK\$284,987,000), were pledged to secure the banking facilities of the Group.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

During the year 2019, the Group spent a total of HK\$122,000 (31st December 2018: HK\$5,169,000) in capital expenditure, primarily consisting of property, plant and equipment. As at 31st December 2019 and 31st December 2018, the Group had no capital commitment. In the meantime, a total of HK\$10,281,000 (31st 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

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

As at 31st December 2019, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR3,112,000 for HKD26,977,000; GBP277,000 for HKD2,898,000; JPY193,500,000 for HKD13,797,000; and USD300,000 for HKD2,338,000 (2018: 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).

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year under review.

CORPORATE GOVERNANCE

During the year ended 31st December 2019, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and Group Chief Executive Officer of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the company.

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

For the year ended 31st December 2019, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31st December 2019 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. WONG Tat Cheong, Frederick, Mr. ZAVATTI Samuel and Mr. FUNG Wai Hing has reviewed the accounting principles and practices adopted by the Group with the management and has discussed risk management and internal control systems and financial reporting matters, including a review of the consolidated financial statements for the year ended 31st December 2019 with the directors.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31st December 2019. The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2019 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2020 ANNUAL GENERAL MEETING

It is proposed that the 2020 Annual General Meeting of the Company will be held on 30th June 2020 (Tuesday). A notice convening the 2020 Annual General Meeting will be published on the websites of the Stock Exchange and the Company in due course and will be dispatched to the shareholders of the Company accordingly.

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

Hong Kong, 23rd March 2020

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

* *For identification purpose only*