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# Corporate Information

## DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

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

## COMPANY SECRETARY

Mr CHAN Ching Huen, Stanley

## MEMBERS OF AUDIT COMMITTEE

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

## SOLICITORS

Stevenson, Wong & Co  
Solicitors and Notaries

## AUDITORS

PricewaterhouseCoopers  
Certified Public Accountants

## PRINCIPAL BANKERS

Standard Chartered Bank  
Liu Chong Hing Bank Limited  
Fortis Bank Asia HK  
BNP Paribas, Hong Kong Branch

## 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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

## WEBSITE

[www.leeport.com.hk](http://www.leeport.com.hk)

# Chairman's Statement

On behalf of the Board of Directors (the "Board") of Leeport (Holdings) Limited (the "Company"), I am pleased to present to our shareholders the report and the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2004.

## FINANCIAL PERFORMANCE

Year 2004 was another encouraging year for the Group. The China factor is still a significant driver for the growth of the Group's business. The turnover of the Group was HK\$661,266,000 (2003: HK\$519,675,000), representing an increase of 27.2% as compared with year 2003. The profit attributable to shareholders was HK\$43,451,000 (2003: HK\$31,028,000) representing an increase of 40.0% as compared with year 2003. The profit attributable to shareholders included a gain on disposal of an investment property, i.e. HK\$4,668,000. Excluding this income, the profit attributable to shareholders was HK\$38,783,000 representing an increase of 25.0% as compared with year 2003. The basic earnings per share was HK 21.73 cents (2003: HK 17.42 cents) representing an increase of 24.7% as compared with year 2003.

## DIVIDENDS

An interim dividend of HK 6 cents per ordinary share was paid to the shareholders of the Company on 23rd September 2004.

The Directors recommended a final dividend of HK 7 cents per ordinary share, totalling HK\$14,020,000 (2003: HK 9 cents per ordinary share). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 25th May 2005. Upon the approval of shareholders, the final dividend warrant will be payable on or before 31st May 2005 to shareholders of the Company whose names appear on the register of members on 25th May 2005. This proposed final dividend, together with the interim dividend paid by the Company, will make a total dividend of HK 13 cents per ordinary share for the year ended 31st December 2004.

## BUSINESS REVIEW

In 2004, the demand for manufacturing equipment and related products continued to be very strong. The Group's turnover in China grew by 44.2%, as compared with year 2003. Turnover from Eastern China, i.e. the Yangtze Delta region, in particular, was outstanding. It increased by 51%, as compared with year 2003. The turnover in Hong Kong also achieved 21% growth in year 2004.

In terms of product range, measuring instruments grew by 39% and cutting tools by 38%. The biggest growth was from electronic equipment which achieved 107% sales increase during the year.



# Chairman's Statement

## **BUSINESS REVIEW (Continued)**

In 2004, the biggest customer group was from the electronics industry, which represented 29% of the Group's turnover. The second biggest was from the mould-making industry, representing 25% of the Group's total sales. Other significant sales came from industrial machinery, automobile, switchgear, lifts and home-appliance manufacturers.

China is today the biggest consumer of machine tools in the world. In 2004, the machine tool consumption in China was US\$9,260 million (an increase of 37% compared with 2003). China is also the biggest importer for machine tools in the world. In 2004, the import value of machine tools was US\$5,780 million (an increase of 39% compared with 2003). China mainly imports mid-range to high-end manufacturing equipment. Most of the products that Leeport represents are from Europe, Japan and the U.S.A., and they are in that category.

We continued to face the pressure of the appreciation of Euro and Japanese Yen which affected our profit margin. Due to the high demand for machine tools globally, we had long delivery time from key Japanese suppliers that affected our sales performance in machine tools in the second half of the year.

In the year 2004, we opened new offices in Suzhou, Wuhan, Dalian, Fuzhou and Zhuhai in mainland China. These new offices enabled us to provide better services to our customers in these areas. The headcount of the Group increased by 55. The additional staff were mainly sales and service people.

## **FUTURE PLANS AND PROSPECTS**

In 2005, it is expected that there will be a slight slowdown in the economic growth rate of China and Hong Kong. However, the growth rate is still likely to be significant. In China, the growth rate for GDP in 2005 is forecast to be 8.6% (2004: 9.5%) and the growth rate for industrial production is forecast to be 12% (2004: 16.2%). The export growth rate of China in 2005 is forecast to be 18.5% (2004: 35.4%). The GDP growth rate for Hong Kong in 2005 is forecast to be 4.5% (2004: 8.1%).

There was some slowdown in the automobile market in China in the second half of 2004. However the demand for various types of vehicles are expected to grow steadily in 2005. The total production volume of automobiles in 2004 was about 5 million units. The production volume in 2005 is predicted to be 6 million units, i.e. 20% higher than in year 2004. Therefore, we expect an increase in sales of machine tools and related products to automobile industry in 2005.

The Group will pursue continuous improvement in management quality. More resources will be invested in the upgrading of customer service, staff training, people development and information technology. We have hired a world-leading sales management consulting firm to conduct comprehensive sales and service training programs to our sales and service staff. The training will integrate with our existing computerized CRM (customer relationship management) system. This will enable us to provide a better sales and service support to our customers.



# Chairman's Statement

## **FUTURE PLANS AND PROSPECTS (Continued)**

More offices will be established in mainland China to increase market coverage. A 4,000 sq. m. showroom and technical centre in Shenzhen will be opened in the middle of 2005 to provide better support to our customers, particularly in Southern China.

A new business division will be established in the middle of 2005 to supply more than 40,000 items of engineering tools to the manufacturing industry in China. This will be done in partnership with a leading European supplier. It is expected this division will make a significant contribution to the Group in the years to come.

Our metalforming machine supplier, Finn-Power from Europe, has also granted us as exclusive sales agent in Singapore, Malaysia and Vietnam. The Group will explore more business opportunities by adding more manpower in this region.

Given the strong economy in mainland China, it is expected that Leeport's business will achieve significant growth in 2005. The Group will continue to look for business opportunities in the manufacturing sector.

On behalf of the Board, I would like to express my gratitude to all our shareholders, suppliers and customers for their trust and support, as well as our staff for their dedication and efforts during the year.

**LEE Sou Leung, Joseph**

*Chairman*

Hong Kong, 18th April 2005



# Management's Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to show a very good liquidity position. The current ratio of the Group was 1.49 in the year; compared with 1.52 in year 2003. The cash and cash equivalents on hand at the end of year was HK\$74,496,000, compared with HK\$48,987,000 in year 2003.

As at 31st December 2004, the Group had net tangible assets of approximately HK\$171,930,000, comprising fixed assets of approximately HK\$80,505,000, net current assets of approximately HK\$104,593,000, minority interests of approximately HK\$6,848,000 and non-current liabilities of approximately HK\$6,320,000. On the same date, the total liabilities of the Group including minority interests amounted to approximately HK\$228,097,000. Of these liabilities, the total repayable after one year amounted to approximately HK\$6,320,000. On the other hand, the total assets of the Group were HK\$400,027,000. The gearing ratio, defined as the ratio of total liabilities to total assets of the Group was approximately 0.57 (2003: 0.57).

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2004, the Group had aggregate banking facilities of approximately HK\$465,085,000, of which approximately HK\$192,712,000 has been utilized and bear interest at prevailing market rates. The directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## CONTINGENT LIABILITIES

At 31st December 2004, the Group had contingent liabilities in respect of letters of guarantees given to customers and bills of exchange discounted with recourse of approximately HK\$11,934,000 and HK\$8,657,000 respectively.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's revenue 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 2004, the Group had commitments for foreign currency forward contracts amounting to approximately HK\$38,420,000 (2003: HK\$45,037,000).



# Management's Discussion and Analysis

## DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2004, certain properties in Hong Kong and in Singapore with an aggregate carrying value of approximately HK\$16,000,000 (2003: HK\$55,170,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

## EMPLOYEES

As at 31st December 2004, the Group had 341 employees (2003: 286), of whom 164 were based in Hong Kong, 154 were based in mainland China, and the remaining 23 were based in other offices around Asia. Competitive remuneration packages were structured to commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies, discretionary performance bonuses and share options.

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentive and reward for their continued contributions to the Group.



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

Mr Lee Sou Leung, Joseph, aged 61, the founder and the managing director of the Group, and the chairman of the Board, is responsible for the strategic planning, business development and overall management of the Group. Mr Lee has 38 years' experience in the distribution of machines tools, advanced equipment and industrial products. Mr Lee graduated from Wah Yan College, Hong Kong and Hong Kong Technical College (Certificate in Production Engineering), which was subsequently renamed the Hong Kong Polytechnic University.

Ms Tan, Lisa Marie, aged 43, is responsible for human resources, administration, strategic planning and the formulation of the internal policies of the Group. Prior to joining the Group in June 1995, Ms Tan was a product manager in the retail banking division of an international bank in Hong Kong. Ms Tan graduated from California State Polytechnic University Pomona, US with a Bachelor of Science Degree in Business Administration. Ms Tan is the wife of Mr Lee Sou Leung, Joseph.

Mr Chan Ching Huen, Stanley, aged 47, also the Company Secretary and the chief financial officer of the Group, is responsible for overseeing the Group's financial planning and control, and information management. Prior to joining the Group in October 2000, Mr Chan held various managerial positions in the finance departments of several US based multi-national operations in Hong Kong. Mr Chan has over 20 year's experience in auditing, financial and accounting management. 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. Mr Chan graduated from the Hong Kong Polytechnic (which was subsequently renamed the Hong Kong Polytechnic University) with a Higher Diploma in Accountancy and he also holds a Master's degree in Business Administration from Brunel University in the United Kingdom.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Lui Sun Wing, aged 54, was appointed by the Group in May 2003. Dr Lui was a branch director of the Hong Kong Productivity Council, responsible for overseeing the materials and process branch. He then joined the Hong Kong Polytechnic University as a vice president in 2000, and is now responsible for partnership development. He is also the chief executive officer of the Institute of Enterprise of the Hong Kong Polytechnic University, the PolyU Technology and Consultancy Co. Ltd. and the PolyU Enterprises Limited.

Mr Pike, Mark Terence, aged 48, is an associate member of the Institute of Chartered Accountants of Australia and the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's Degree in Economics from the University of Sydney and a Postgraduate Certificate in Education from the University of Hong Kong. Mr Pike has worked in Hong Kong in the commercial and educational fields in the last 20 years. He is currently the director of East Asian Educational Association, which is engaged in the provision of regional educational programmes. Mr Pike was appointed by the Group in May 2003.





# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr Nimmo, Walter Gilbert Mearns, aged 58, was an executive director of China Northern Enterprises Investment Fund Ltd, securities of which are listed on The Stock Exchange of Hong Kong Limited, during the period from 10th September 2003 to 2nd December 2004. Mr Nimmo has more than 30 years' professional experience in the areas of financial management, fund management and investment. He has obtained a degree in Economics in Cambridge University, UK and is a member of the Institute of Chartered Accountants of Scotland.

## SENIOR MANAGEMENT

Mr Wong Man Shun, Michael, aged 40, the general manager of the metalcutting machinery division of the Group, is responsible for sales and marketing of metalcutting machinery. Mr Wong holds a Bachelor of Science Degree in Engineering from the University of Hong Kong. Mr Wong is currently an executive committee member of the Hong Kong Mould & Die Council. Mr Wong joined the Group in 1986 and was promoted as director of Leeport Precision Machine Tool Company Limited on 1st January 2004. He was also appointed as director of Leeport Technology Limited on 20th December 2004 and responsible for sales and marketing of rapid prototyping and plastic injection machinery.

Mr Ng Man Lung, aged 49, is the general manager of the metrology and small tools division of the Group. Mr Ng has over 26 years' experience in marketing measuring instruments and cutting tools. Mr Ng joined the Group in February 1975 and was promoted as director of Leeport Metrology (Hong Kong) Limited and Leeport Tools Limited on 1st January 2004.

Mr Sa Wai Keung, aged 43, the general manager of metalforming division of the Group, is responsible for overseeing the operation of the division. Mr Sa has over 16 years' experience in sales and marketing in respect of the sheet-metal machinery trading industry. He holds a Higher Diploma in Mechanical Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). Mr Sa joined the Group in 1988.

Mr Chan Lai Ming, aged 46, the general manager of the advanced manufacturing technology division of the Group, is responsible for overseeing the operation of the division. Having been with the Group for more than 20 years, he has extensive experience in marketing CAD/CAM software, industrial machinery and services to various manufacturing sectors. Mr Chan is an associate member of the Hong Kong Rapid Prototyping & Manufacturing Society. Mr Chan holds a Diploma and a Higher Certificate of Production and Industrial Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) and a Master's Degree in Commerce from the University of Strathclyde in the United Kingdom. Mr Chan joined the Group in July 1979.



## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT (Continued)

Mr Lam Chung Keung, aged 44, the general manager of Leeport Electronics Limited, is responsible for overseeing the operation of Leeport Electronics Limited. Mr Lam holds a Degree of Master of Science in Engineering from the University of Hong Kong. Prior to joining the Group in 2001, he was the regional manager, responsible for the PRC market, for a supplier of factory automation headquartered in the US. He has over 20 years' experience in the electronics industry.

Mr Lee Huat Eng, aged 48, the general manager of Leeport (Singapore) Pte. Ltd. and Leeport (Malaysia) Sdn. Bhd., is responsible for the marketing, management and business development in both Singapore and Malaysia. He holds a Bachelor's Degree in Commerce from Murdoch University, Western Australia and he is also an associate of the Australian Society of Certified Practising Accountants. Mr Lee joined the Group in August 1992.

Mr Wong Ming Fai, aged 53, the business manager of the Group's subsidiary in Taiwan, is responsible for overseeing its daily operations. Prior to joining the Group in January 2002, Mr Wong worked for various machine tool trading companies and has more than 25 years of machine trading experience in the Asian markets including the PRC. Mr Wong holds a Bachelor of Science Degree in Mechanical Engineering from the University of Hong Kong.

Mr Chan Wo Yum, aged 52, was promoted as general manager of Leeport Tools Limited on 1st April 2004. Mr Chan has over 25 years' experience in sales and marketing of cutting tools. He holds a Bachelor's Degree in Commerce from Curtin University of Technology in Australia. He joined the Group in 1977.



# Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2004.

## **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 16 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated profit and loss account on page 23.

The details of dividends paid and declared during the year are set out in note 9 to the accounts.

The directors recommend the payment of a final dividend of HK 7 cents per ordinary share, totalling HK\$14,020,000.

## **RESERVES**

Movements in the reserves of the Group and of the Company during the year are set out in note 24 to the accounts.

## **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 14 to the accounts.

## **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in note 23 to the accounts.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31st December 2004, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK\$107,515,000.



# Report of the Directors

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 65.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year under review, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

## BANK LOANS AND OVERDRAFTS

The Group's bank loans, including trust receipt loans and overdrafts as at 31st December 2004 are repayable over the following periods:

	HK\$'000
Within one year	111,556
In the second year	–
In the third to fifth year	–
	111,556

# Report of the Directors

## SHARE OPTIONS

Pursuant to the written resolutions passed by the then shareholders of the Company on 17th June 2003, the Company had adopted a share option scheme (the "Scheme") for the principal purpose of providing incentives and rewards to eligible participants who contribute to the growth and success of the Group. Under the Scheme, the directors of the Company may, at their absolute discretion, invite (i) any employees (whether full time or part time) of any member of the Group or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director; (ii) any non-executive director (including independent non-executive director) of any member of the Group or any Invested Entity; (iii) any consultant, adviser or agent engaged by any member of the Group or any Invested Entity, who, under the terms of relevant engagement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and (iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company. The Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10th July 2003 (the "Listing Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 17th June 2003. There is no change to the terms of the Scheme since adoption.

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme and any other share option scheme of the Group is 20,000,000, representing 10% of the issued shares of the Company as at the date of this annual report, and such limit is subject to renewal with shareholders' approval. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall require the approval of independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue for the time being and with an aggregate value (based on the closing price of the Company's shares as at the date of the grant) in excess of HK\$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

# Report of the Directors

## SHARE OPTIONS (Continued)

As an overall limit, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company shall not, in aggregate, exceed 30% of the Company's shares in issue from time to time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the proposed grantee. The exercise period of the share options granted is determined by the directors, which shall not end on a date more than 10 years from the date on which the share option is granted or deemed to be granted in accordance with the Scheme. Unless otherwise determined by the directors, the Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

The exercise price of the share options is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Details of the share options outstanding as at 31st December 2004 which have been granted under the Scheme are as follows:

Eligible Participants	Date of grant	Exercise Price HK\$	Number of shares issuable under share options			Company's share price		
			At beginning of year	Granted/ (lapsed) during the year	Exercised during the year	At end of year	At date of grant HK\$	At date of exercise HK\$
Director								
Mr CHAN Ching Huen, Stanley	19th December 03	0.87	200,000	–	–	200,000	0.87	–
Employees (excluding directors)	19th December 03	0.87	4,212,000	(68,000)	(284,000)	3,860,000	0.87	1.04
			4,412,000	(68,000)	(284,000)	4,060,000		

# Report of the Directors

## SHARE OPTIONS (Continued)

The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average closing price of the shares immediately before the dates on which share options were exercised. The exercise period of the above share options is from 19th December 2004 to 18th December 2005 (both dates inclusive).

Summary of details of the Company's share option schemes are also set out in note 23 to the accounts.

The directors consider it is inappropriate to disclose the value of share options granted under the Scheme. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. Moreover, the terms of the Scheme stipulate that the options granted should not be assigned, and no holder of the share options shall in any way sell, transfer, charge, mortgage or create any interest in favour of any third party over or in relation to any share option. The directors believe that any calculation of the value of share options as at the date of this report based on a number of speculative assumptions would not be meaningful.

## DIRECTORS

The directors during the year were:

### Executive directors

Mr LEE Sou Leung, Joseph (*Chairman*)

Ms TAN, Lisa Marie (*Deputy Chairman*)

Mr CHAN Ching Huen, Stanley

### Independent non-executive directors

Mr PIKE, Mark Terence

Dr LUI Sun Wing

Mr NIMMO, Walter Gilbert Mearns

(Appointed on 30th September 2004)

# Report of the Directors

## **DIRECTORS (Continued)**

In accordance with Article 87(1) of the Company's Articles of Association, one third of the directors (or if the number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting provided that no director holding office as chairman shall be subject to retirement by rotation, or be taken into account in determining the number of directors to retire.

Mr PIKE, Mark Terence and Dr LUI Sun Wing are independent non-executive directors and were appointed for one-year term expiring on 6th May 2005. Mr NIMMO, Walter Gilbert Mearns is an independent non-executive director and was appointed for a one-year term expiring on 29th September 2005.

Mr CHAN Ching Huen, Stanley and Mr NIMMO, Walter Gilbert Mearns are subject to re-election at the forthcoming annual general meeting.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by each party thereto giving to the other party three months' prior notice in writing, or three months' basic salary in lieu of notice, which notice period shall not expire at any time during the first year.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

A director, Mr LEE Sou Leung, Joseph, has entered into lease agreements for the lease of office premises to two of the subsidiaries of the Group for the period from 1st January 2004 to 31st October 2004 amounted to HK\$120,000 and to one of the subsidiaries of the Group for the period from 1st November 2004 to 31st December 2004 amounted to HK\$24,000. The directors are of the opinion that the transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.

Saved as disclosed herein, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 8.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2004, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company, were as follows:

Director		Number of ordinary shares of HK\$0.10 each held			Total	Percentage
		Personal interests	Family interests	Other interests		
Mr LEE Sou Leung, Joseph ("Mr Lee")	Long position	Nil	528,000 shares (Note (b))	133,700,000 shares (Note (a))	134,228,000 shares	67.02%
	Short position	Nil	Nil	Nil	Nil	–
Ms TAN, Lisa Marie ("Ms Tan")	Long position	528,000 shares	Nil	133,700,000 shares (Note (a))	134,228,000 shares	67.02%
	Short position	Nil	Nil	Nil	Nil	–
Mr NIMMO, Walter Gilbert Mearns ("Mr Nimmo")	Long position	Nil	148,000 shares (Note (c))	Nil	148,000 shares	0.07%
	Short position	Nil	Nil	Nil	Nil	–

(a) The 133,700,000 shares are held by Peak Power Technology Limited in its capacity as the trustee of The Lee Family Unit Trust holding the same for the benefit of holders of units issued by The Lee Family Unit Trust. Of the entire 100,000 units in issue, 99,999 units are held by HSBC International Trustee Limited in the capacity of the trustee of The LMT Trust and the remaining 1 unit is held by Ms Loretta Tong Yuk Yin (an aunt of Ms Tan). HSBC International Trustee Limited is the trustee of the LMT Trust whose discretionary objects are Ms Tan and Mr Lee's family members. The aforesaid shares that Mr Lee and Ms Tan are deemed to be interested refer to the same parcel of shares.

(b) Mr Lee is the husband of Ms Tan. The personal interests of Ms Tan above are also disclosed as the family interests of Mr Lee.

(c) The 148,000 shares are beneficially owned by Mr Nimmo's spouse.

# Report of the Directors

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)**

Other than as disclosed above, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

At 31st December 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors and chief executives as disclosed above.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate percentage of sales for the year attributable to the Group's five largest customers is less than 30% of total sales for the year and therefore no disclosure with regard to major customers are made. The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	24%
– five largest suppliers combined	68%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

# Report of the Directors

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Group is not, or was not, at anytime during the year in compliance with the Code of Best Practice as set out in Appendix 14 (which was then in force for the year under review) to the Listing Rules of the Stock Exchange.

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

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 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Mr PIKE, Mark Terence, Dr LUI, Sun Wing and Mr NIMMO, Walter Gilbert Mearns. Two meetings were held during the financial year under review.

## **PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the ordinary shares in public hands exceed 25% as at 18th April 2005, the latest practicable date to ascertain such information prior to the issue of this annual report.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Pursuant to rule 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive directors. The Company confirms that it has received from each of the independent non-executive directors a confirmation of his independence pursuant to rule 3.13 and the Company still considers all the existing independent non-executive directors to be independent.

# Report of the Directors

## PENSION SCHEME ARRANGEMENTS

The Group operated a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified employees, including executive directors of the Company, in Hong Kong prior to 1st December 2000. The cost charged to the profit and loss account represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a ceiling of HK\$1,000 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the "MPF scheme") has been set up for employees in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance. Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the MPF scheme, and all new employees in Hong Kong are required to join the MPF scheme. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK\$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The MPF contributions charged to the profit and loss account represent the contributions payable to the funds by the Group.

Employees in the Company's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the Company's overseas subsidiaries follow the local statutory requirements of the respective countries. Contributions are made to the schemes based on a certain percentage of the applicable employee payroll.

Details of the pension scheme contributions of the Group for the year ended 31st December 2004 are set out in note 13 to the accounts.

## SUBSEQUENT EVENT

On 4th February 2005, the Group acquired from independent third parties a leasehold property in the PRC at a consideration of approximately HK\$8,841,000.



# Report of the Directors

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LEE Sou Leung, Joseph**

*Chairman*

Hong Kong, 18th April 2005



# Auditors' report

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

## AUDITORS' REPORT TO THE SHAREHOLDERS OF LEEPORT (HOLDINGS) LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 23 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 18th April 2005



# Consolidated Profit and Loss Account

For the year ended 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	2	<b>661,266</b>	519,675
Cost of sales		<b>(510,223)</b>	(389,475)
Gross profit		<b>151,043</b>	130,200
Other revenues	2	<b>13,877</b>	11,956
Gain on disposal of an investment property	4	<b>4,668</b>	–
Selling and distribution costs		<b>(25,120)</b>	(24,723)
Administrative expenses		<b>(94,286)</b>	(80,502)
Operating profit	5	<b>50,182</b>	36,931
Finance costs	6	<b>(2,336)</b>	(2,715)
Profit before taxation		<b>47,846</b>	34,216
Taxation	7	<b>(3,217)</b>	(2,978)
Profit after taxation		<b>44,629</b>	31,238
Minority interests	29(b)	<b>(1,178)</b>	(210)
Profit attributable to shareholders		<b>43,451</b>	31,028
Dividends	9	<b>26,020</b>	26,000
Basic earnings per share	10	<b>HK 21.73 cents</b>	HK 17.42 cents
Diluted earnings per share	10	<b>HK 21.71 cents</b>	HK 17.41 cents

# Consolidated Balance Sheet

As at 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	<b>80,505</b>	75,178
Investment securities	15	–	–
		<b>80,505</b>	75,178
<b>Current assets</b>			
Inventories	17	<b>78,038</b>	65,481
Trade receivables and bills receivable	18	<b>140,457</b>	128,195
Other receivables, prepayments and deposits		<b>21,801</b>	5,532
Pledged bank deposits	28	–	1,000
Cash and bank balances	19	<b>79,226</b>	53,177
		<b>319,522</b>	253,385
<b>Current liabilities</b>			
Trade payables and bills payable	20	<b>59,197</b>	82,753
Trust receipt loans – secured	28	<b>106,826</b>	44,620
Other payables, accruals and deposits received	21	<b>42,930</b>	33,214
Current portion of long-term liabilities	22	–	1,114
Taxation		<b>1,246</b>	1,138
Bank loans and overdrafts – secured	28	<b>4,730</b>	4,190
		<b>214,929</b>	167,029
Net current assets		<b>104,593</b>	86,356
Total assets less current liabilities		<b>185,098</b>	161,534
<b>Share capital</b>			
Share capital	23	<b>20,028</b>	20,000
<b>Other reserves</b>			
Other reserves	24	<b>41,752</b>	25,442
<b>Retained earnings</b>			
Proposed final dividend	24	<b>14,020</b>	18,000
Others	24	<b>96,130</b>	78,661
Shareholders' funds		<b>171,930</b>	142,103
Minority interests	29(b)	<b>6,848</b>	5,670
<b>Non-current liabilities</b>			
Long-term liabilities	22	–	10,718
Deferred taxation	25	<b>6,320</b>	3,043
		<b>185,098</b>	161,534

On behalf of the Board

**LEE Sou Leung, Joseph**  
Director

**TAN, Lisa Marie**  
Director



# Balance Sheet

As at 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	16	<b>133,514</b>	126,852
<b>Current assets</b>			
Other receivables and prepayments		<b>129</b>	152
Bank balances and cash		<b>1,484</b>	9,916
		<b>1,613</b>	10,068
<b>Current liabilities</b>			
Other payables		<b>43</b>	80
Taxation		<b>-</b>	11
		<b>43</b>	91
<b>Net current assets</b>			
		<b>1,570</b>	9,977
<b>Total assets less current liabilities</b>			
		<b>135,084</b>	136,829
<b>Financed by:</b>			
Share capital	23	<b>20,028</b>	20,000
Other reserves	24	<b>98,986</b>	98,767
<b>Retained earnings</b>			
Proposed final dividend	24	<b>14,020</b>	18,000
Others	24	<b>2,050</b>	62
		<b>135,084</b>	136,829

On behalf of the Board

**LEE Sou Leung, Joseph**  
Director

**TAN, Lisa Marie**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Total equity as at 1st January		<b>142,103</b>	93,653
Surplus on revaluation of an investment property	24	–	1,400
Revaluation reserve realised on disposal of an investment property	24	<b>(2,668)</b>	–
Surplus/(deficit) on revaluation of leasehold properties	24	<b>22,097</b>	(983)
Exchange differences arising on translation of the accounts of foreign subsidiaries	24	<b>560</b>	158
Exchange reserve realised on disposal of a foreign subsidiary	24	–	(9)
Movement of deferred taxes	24	<b>(3,860)</b>	23
Net gain not recognised in the consolidated profit and loss account		<b>16,129</b>	589
		<b>158,232</b>	94,242
Profit attributable to shareholders	24	<b>43,451</b>	31,028
Dividends	24	<b>(30,000)</b>	(13,000)
Issue of shares	23(a)	<b>247</b>	35,280
Share issuance costs	24	–	(5,447)
Total equity as at 31st December		<b>171,930</b>	142,103

# Consolidated Cash Flow Statement

For the year ended 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Net cash inflow from operating activities	29(a)	<b>23,653</b>	6,410
Investing activities			
Purchase of fixed assets		<b>(5,602)</b>	(5,297)
Disposal of a subsidiary		–	953
Sale of investment property		<b>18,000</b>	–
Sale of fixed assets		<b>33</b>	14
Decrease in pledged bank deposits		<b>1,000</b>	2,201
Net cash inflow/(outflow) from investing activities		<b>13,431</b>	(2,129)
Net cash inflow before financing		<b>37,084</b>	4,281
Financing activities	29(b)		
Issue of ordinary shares		<b>247</b>	35,280
Share issuance costs		–	(5,447)
Repayment of capital element of finance leases		–	(77)
Repayment of bank loans		<b>(11,832)</b>	(1,079)
Capital contributions from a minority shareholder		–	5,460
Net cash (outflow)/ inflow from financing activities		<b>(11,585)</b>	34,137
Increase in cash and cash equivalents		<b>25,499</b>	38,418
Cash and cash equivalents at 1st January		<b>48,987</b>	10,629
Effect of foreign exchange rate changes		<b>10</b>	(60)
Cash and cash equivalents at 31st December		<b>74,496</b>	48,987
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		<b>79,226</b>	53,177
Bank loans and overdrafts – secured		<b>(4,730)</b>	(4,190)
		<b>74,496</b>	48,987

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention as modified by the revaluation of leasehold properties and investment properties.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power, has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

In accordance with Statements of Standard Accounting Practice ("SSAP") 30, "Business Combinations", goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

### (d) Fixed assets

#### (i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.



# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Fixed assets (Continued)

#### (ii) Leasehold properties

Leasehold properties are interests in land and buildings other than investment properties and are stated at valuation, being open market value for existing use at the date of revaluation, less accumulated amortisation or depreciation. Independent valuations are performed periodically. In the intervening years, the directors review the carrying value of the leasehold properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Amortisation of leasehold land is calculated to write off its carrying cost over the unexpired periods of the leases on a straight-line basis.

Depreciation of leasehold buildings is calculated to write off on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 4% per annum.

#### (iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	10%
Plant, machinery, furniture and equipment	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.



# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Fixed assets (Continued)

#### (iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

### (e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

### (f) Investments securities

Investment securities held for long-term purpose are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all direct costs of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.



# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank loans which are within three months of maturity when acquired and bank overdrafts which are repayable on demand.

### (j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a warranty provision for repairs or replacement of products still under warranty at the balance sheet date. The provision is calculated based on past history of the level of repairs and replacements.

### (k) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.





# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### (m) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Bonus

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

#### (iii) Pension obligations

The Group participates in a number of defined contribution plans which are available to all qualified employees, the assets of which are generally held in separate trustee administered funds. The pension plans are funded by payments from employees and by relevant Group companies. Contributions to the schemes by the Group are charged to the profit and loss account as incurred.

### (n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

### (p) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income under service agreements is recognised on a straight-line basis over the life of the agreement. Other service income is recognised when the services are rendered.

Commission income is recognised when the services are rendered.

Operating lease rental income is recognised on a straight-line basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

### (q) Dividends

Dividends proposed or declared after the balance sheet date are disclosed as a post balance sheet event and are not recognised as a liability at the balance sheet date.

### (r) Segmental reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Segment assets consist primarily of fixed assets, inventories, trade receivables and bills receivables, other receivables, prepayments and deposits, pledged bank deposits and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as taxation, deferred taxation, current portion of long-term liabilities, minority interests and long-term liabilities. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

# Notes to the Accounts

## 2 TURNOVER AND REVENUES

The Group is principally engaged in the trading, installation and after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment. Revenues recognised during the year are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Turnover		
Sale of goods, net of returns and discounts	<b>661,266</b>	519,675
Other revenues		
Service income	<b>5,258</b>	4,247
Commission income	<b>7,929</b>	6,620
Rental income	<b>114</b>	732
Interest income	<b>471</b>	262
Other income	<b>105</b>	95
	<b>13,877</b>	11,956
Total revenues	<b>675,143</b>	531,631

# Notes to the Accounts

## 3 SEGMENT INFORMATION

### (a) Primary reporting format – geographical segments

The Group is principally engaged in the trading, installation and after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the People's Republic of China (the "PRC"), Hong Kong and Southeast Asia and other countries (principally Singapore). The PRC, for the purpose of these accounts, excludes Hong Kong, the Republic of China ("Taiwan") and Macau.

	2004			Total HK\$'000
	The PRC HK\$'000	Hong Kong HK\$'000	Southeast Asia and other countries HK\$'000	
Turnover	341,514	276,597	43,155	661,266
Segment results	27,572	20,983	1,627	50,182
Finance costs				(2,336)
Profit before taxation				47,846
Taxation				(3,217)
Profit after taxation				44,629
Minority interests				(1,178)
Profit attributable to shareholders				43,451
Segment assets	139,790	221,838	38,399	400,027
Segment liabilities	108,236	91,324	14,123	213,683
Unallocated liabilities				7,566
Minority interests				6,848
				228,097
Capital expenditure	2,654	2,629	319	5,602
Depreciation	2,107	4,031	484	6,622

# Notes to the Accounts

## 3 SEGMENT INFORMATION (Continued)

### (a) Primary reporting format – geographical segments (Continued)

	2003			Total HK\$'000
	The PRC HK\$'000	Hong Kong HK\$'000	Southeast Asia and other countries HK\$'000	
Turnover	236,762	228,606	54,307	519,675
Segment results	11,510	23,990	1,431	36,931
Finance costs				(2,715)
Profit before taxation				34,216
Taxation				(2,978)
Profit after taxation				31,238
Minority interests				(210)
Profit attributable to shareholders				31,028
Segment assets	95,946	189,211	43,406	328,563
Segment liabilities	75,847	69,524	19,406	164,777
Unallocated liabilities				16,013
Minority interests				5,670
				186,460
Capital expenditure	2,224	2,412	661	5,297
Depreciation	1,837	4,114	518	6,469

### (b) Secondary reporting format – business segments

No business segment analysis is presented as the Group has been operating in a single business segment, which is the trading of machines, tools, accessories and measuring instruments, throughout the year.

# Notes to the Accounts

## 4 GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

On 10th February 2004, the Group disposed of its investment property with carrying amount of HK\$16,000,000 as at the date of disposal to a third party company at a consideration of HK\$18,000,000. The total gain on disposal recognised in the profit and loss account for the year is HK\$4,668,000 comprising of HK\$2,668,000 which is released from the investment property revaluation reserve and HK\$2,000,000 which is the difference between the net sales proceeds and the carrying amount of the investment property as at the date of disposal.

## 5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
<b>Crediting</b>		
Gain on disposal of a subsidiary	–	186
Gain on disposal of fixed assets	<b>33</b>	–
<b>Charging</b>		
Auditors' remuneration	<b>1,094</b>	964
Cost of inventories sold	<b>503,785</b>	386,001
Deficit on revaluation of leasehold properties	–	802
Depreciation:		
Owned fixed assets	<b>6,622</b>	6,425
Leased fixed assets	–	44
Net exchange loss	<b>437</b>	78
Operating lease rentals in respect of land and buildings	<b>2,460</b>	2,445
Provision for slow moving inventories	<b>1,327</b>	43
Provision for bad and doubtful debts	<b>403</b>	829
Staff costs (including directors' remuneration) (note 11)	<b>56,457</b>	49,344

## 6 FINANCE COSTS

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Interest on bank borrowings:		
Wholly repayable within five years	<b>2,336</b>	2,297
Not wholly repayable within five years	–	405
Interest element of finance leases	–	13
	<b>2,336</b>	2,715

# Notes to the Accounts

## 7 TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
– Current	<b>3,399</b>	2,819
– Under/(over)provision in previous years	<b>211</b>	(314)
	<b>3,610</b>	2,505
Overseas taxation		
– Current	<b>193</b>	120
– Overprovision in previous years	<b>–</b>	(23)
	<b>193</b>	97
Deferred taxation relating to the origination and reversal of temporary differences (note 25)	<b>(575)</b>	197
Deferred taxation resulting from a (decrease)/increase in tax rate (note 25)	<b>(11)</b>	179
	<b>(586)</b>	376
	<b>3,217</b>	2,978

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

Overseas taxation is mainly attributable to the subsidiary operating in Singapore. Singapore profits tax has been provided at the rate of 20% (2003: 22%) respectively on the estimated 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.

# Notes to the Accounts

## 7 TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Profit before taxation	<b>47,846</b>	34,216
Calculated at a taxation rate of 17.5% (2003: 17.5%)	<b>8,373</b>	5,988
Effect of different taxation rates in other countries	<b>(1,283)</b>	(508)
Income not subject to taxation	<b>(4,644)</b>	(8,233)
Expenses not deductible for taxation purposes	<b>2,935</b>	6,639
Tax losses not recognised	<b>311</b>	10
Utilisation of previously unrecognised tax losses	<b>(2,675)</b>	(760)
Under/(over)provision of profits tax in prior years	<b>211</b>	(337)
(Decrease)/ increase in opening net deferred tax liabilities resulting from a (decrease)/ increase in tax rate	<b>(11)</b>	179
Taxation charge	<b>3,217</b>	2,978

## 8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$28,008,000.

## 9 DIVIDENDS

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Special, paid, of HK \$8 per ordinary share (note (a))	–	8,000
Interim, paid, of HK 6 cents (2003: Nil) per ordinary share	<b>12,000</b>	–
Final, proposed, of HK 7 cents (2003: HK 9 cents) per ordinary share (note (b))	<b>14,020</b>	18,000
	<b>26,020</b>	26,000

Notes:

- (a) At a meeting on 12th June 2003, the directors of a subsidiary declared a special dividend of HK\$8 per ordinary share for the year ended 31st December 2003, which was paid on 19th June 2003. The dividend represented dividend declared by the Company's wholly owned subsidiary, Leeport Machine Tool Company Limited to its then shareholders prior to the Group's reorganisation.
- (b) At a board meeting held on 18th April 2005, the directors proposed a final dividend of HK 7 cents per ordinary share for the year ended 31st December 2004. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2004.



# Notes to the Accounts

## 10 EARNINGS PER SHARE

The calculations of basic earnings and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$43,451,000 (2003: HK\$31,028,000).

The basic earnings per share is based on the weighted average number of 200,001,000 (2003: 178,137,000) ordinary shares in issue during the year. The diluted earnings per share is based on 200,132,000 (2003: 178,172,000) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 131,000 (2003: 35,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 11 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Wages and salaries	<b>53,527</b>	46,758
Unutilised annual leave	–	148
Retirement benefit costs (note 13)	<b>2,930</b>	2,438
	<b>56,457</b>	49,344

## 12 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Executive		
Fee	–	–
Other emoluments	<b>3,128</b>	2,897
Discretionary bonuses	<b>240</b>	200
Retirement benefit scheme contributions	<b>96</b>	96
Independent non-executive		
Fee	<b>225</b>	130
	<b>3,689</b>	3,323

Apart from the emoluments paid by the Group as above, two of the leasehold properties of the Group in Hong Kong have been provided to two of the executive directors as their residency forming part of their emoluments.

None of the directors of the Company waived any emoluments paid by the Group during the year (2003: Nil).



# Notes to the Accounts

## 12 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' emoluments (Continued)

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	2	2
	<b>6</b>	<b>5</b>

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two directors (2003: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: three) individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and allowances	2,424	1,880
Discretionary bonuses	2,268	2,278
Retirement benefit scheme contributions	81	76
	<b>4,773</b>	<b>4,234</b>

The emoluments of the remaining three individuals fell within the following bands:

	Number of individuals	
	2004	2003
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–
	<b>3</b>	<b>3</b>

- (c) During the year, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



# Notes to the Accounts

## 13 RETIREMENT BENEFIT COSTS

The Group operated a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified employees, including executive directors of the Company, in Hong Kong prior to 1st December 2000. The cost charged to the profit and loss account represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a ceiling of HK\$1,000 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the "MPF scheme") has been set up for employees in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance. Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the MPF scheme, and all new employees in Hong Kong are required to join the MPF scheme. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK\$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The MPF contributions charged to the profit and loss account represent the contributions payable to the funds by the Group.

Employees in the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the Company's overseas subsidiaries follow the local statutory requirements of the respective countries. Contributions are made to the schemes based on a certain percentage of the applicable employee payroll.

The details of pension scheme contributions for the directors and employees, net of forfeited contributions, which have been dealt with in the consolidated profit and loss account of the Group for the year, are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Gross scheme contributions	<b>2,930</b>	2,438
Less: Forfeited contributions utilised to offset contributions for the year	-	-
Net scheme contributions	<b>2,930</b>	2,438

# Notes to the Accounts

## 14 FIXED ASSETS

	Group					Total HK\$'000
	Investment properties HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Plant, machinery furniture and equipment HK\$'000	Motor vehicles HK\$'000	
Cost or valuation						
At 1st January 2004	16,000	40,870	10,015	22,833	1,376	91,094
Exchange adjustments	–	216	11	59	–	286
Additions	–	–	62	4,692	848	5,602
Revaluation	–	20,215	–	–	–	20,215
Disposals	(16,000)	–	–	(121)	(493)	(16,614)
At 31st December 2004	–	61,301	10,088	27,463	1,731	100,583
Accumulated depreciation						
At 1st January 2004	–	801	4,269	9,941	905	15,916
Exchange adjustments	–	5	5	26	–	36
Charge for the year	–	1,076	894	4,387	265	6,622
Revaluation	–	(1,882)	–	–	–	(1,882)
Disposals	–	–	–	(121)	(493)	(614)
At 31st December 2004	–	–	5,168	14,233	677	20,078
Net book value						
At 31st December 2004	–	61,301	4,920	13,230	1,054	80,505
At 31st December 2003	16,000	40,069	5,746	12,892	471	75,178

# Notes to the Accounts

## 14 FIXED ASSETS (Continued)

The analysis of cost or valuation at 31st December 2004 of the above assets is as follows:

	Group					
	Investment properties HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Plant, machinery furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	–	–	10,088	27,463	1,731	39,282
At 31st December 2004 professional valuation	–	61,301	–	–	–	61,301
	–	61,301	10,088	27,463	1,731	100,583

The analysis of cost or valuation at 31st December 2003 of the above assets is as follows:

At cost	–	–	10,015	22,833	1,376	34,224
At 31st March 2003 professional valuation	–	40,870	–	–	–	40,870
At 31st December 2003 professional valuation	16,000	–	–	–	–	16,000
	16,000	40,870	10,015	22,833	1,376	91,094

The Group's interests in leasehold land and buildings at their net book value are analysed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	<b>43,900</b>	43,303
Leases of between 10 to 50 years	<b>12,401</b>	7,813
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	<b>5,000</b>	4,953
	<b>61,301</b>	56,069

# Notes to the Accounts

## 14 FIXED ASSETS (Continued)

- (a) Leasehold properties of the Group in Hong Kong were revalued as at 31st December 2004 on the basis of their open market values by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The leasehold properties of the Group outside Hong Kong were revalued as at 31st December 2004 on the basis of their open market values by Dickson Property Consultants Pte Ltd., an independent firm of professional valuers. The total revaluation surplus of the above leasehold properties for the year ended 31st December 2004 amounted to HK\$22,097,000 has been credited to other properties revaluation reserve (note 24). The effect of applicable deferred income taxes arising from the revaluation surplus has resulted in a decrease in other properties revaluation reserve at 31st December 2004 by HK\$3,867,000.
- (b) The carrying amount of leasehold properties of the Group would have been HK\$37,751,000 at 31st December 2004 (2003: HK\$38,792,000) had they been stated at cost less accumulated depreciation.
- (c) Certain properties of the Group with an aggregate net book value of approximately HK\$16,000,000 at 31st December 2004 (2003: HK\$55,170,000) have been pledged to banks to secure banking facilities granted to the Group (note 28).

## 15 INVESTMENT SECURITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Unlisted investment, at cost	1,172	1,172
Less: Provision for impairment losses	(1,172)	(1,172)
	-	-

## 16 INVESTMENTS IN SUBSIDIARIES

### (a) Investments in subsidiaries

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	91,645	91,645
Amounts due from subsidiaries (note (b))	41,869	35,207
	133,514	126,852

# Notes to the Accounts

## 16 INVESTMENTS IN SUBSIDIARIES (Continued)

### (a) Investments in subsidiaries (Continued)

The following is a list of the subsidiaries at 31st December 2004:

Name	Principal activities and place of operation	Place of incorporation/ establishment	Issued/ registered and fully paid capital	Interest held
Leeport Group Limited (note(i))	Investment holding in Hong Kong	British Virgin Islands	50,000 ordinary shares of US\$1 each	<sup>1</sup> 100%
Formtek Machinery Company Limited (note (i))	Trading of metalforming machines and tools in Taiwan	Taiwan	800,000 ordinary shares of NT\$10 each	100%
Leeda Machinery Limited	Trading of machines in Hong Kong	Hong Kong	10,000 ordinary shares of HK\$1 each	100%
Leeport Electronics Limited	Trading of electronic equipment in Hong Kong	Hong Kong	200,000 ordinary shares of HK\$10 each	100%
Leeport Machine Tool Company Limited	Investment holding in Hong Kong	Hong Kong	1,000,000 ordinary shares of HK\$10 each	100%
Leeport Macao Commercial Offshore Limited (note (i))	Trading of machines, tools, accessories and measuring instruments in Macau	Macau	1 ordinary share of MOP100,000 each	100%
Leeport (Malaysia) Sdn. Bhd. (note (i))	Distribution and repair of machines and accessories in Malaysia	Malaysia	350,000 ordinary shares of RM1 each	100%
Leeport Machine Tool (Shenzhen) Company Limited (note (i))	Trading of machines, tools and measuring instruments in the PRC	The PRC, wholly owned foreign enterprise	Registered capital of HK\$3,200,000 and paid capital HK\$2,000,000	100%
Leeport (Singapore) Pte Ltd (note (i))	Trading of machines and related products in Singapore	Singapore	1,000,000 ordinary shares of S\$1 each	100%
Leeport Machinery (Shanghai) Company Limited (note (i))	Trading of machines, tools and measuring instruments in the PRC	The PRC	Registered and fully paid capital of US\$250,000	98%
Leeport Metalforming Machinery Limited	Trading of metalforming machines in Hong Kong	Hong Kong	50,000 ordinary shares of HK\$10 each	100%
Leeport Metrology Corporation	Investment holding in Hong Kong	British Virgin Islands	7,000,000 ordinary shares of US\$1 each	90%

# Notes to the Accounts

## 16 INVESTMENTS IN SUBSIDIARIES (Continued)

### (a) Investments in subsidiaries (Continued)

Name	Principal activities and place of operation	Place of incorporation/ establishment	Issued/ registered and fully paid capital	Interest held
Leeport Metrology (Hong Kong) Limited	Trading of measuring instruments in Hong Kong	Hong Kong	1,000,000 ordinary shares of HK\$10 each	90%
Leeport Precision Machine Tool Company Limited	Trading of metalcutting machines in Hong Kong	Hong Kong	5,000,000 ordinary shares of HK\$1 each	100%
Leeport Technology Limited	Trading of rapid prototyping equipment and plastic injection machines in Hong Kong	Hong Kong	100,000 ordinary shares of HK\$10 each	100%
Leeport Tools Limited	Trading of cutting tools in Hong Kong	Hong Kong	10,000 ordinary shares of HK\$100 each	100%
Rapman Limited	Manufacturing of rapid prototypes	Hong Kong	100,000 ordinary shares of HK\$10 each	100%
Rapman (Dongguan) Limited (note (i))	Inactive	The PRC, wholly owned foreign enterprise	Registered capital of HK\$3,500,000 and paid capital HK\$1,330,000	100%
World Leader Limited	Inactive	Hong Kong	1 ordinary share of HK\$1 each	100%

<sup>1</sup> Shares held directly by the Company

Note:

- (i) PricewaterhouseCoopers Hong Kong is not the statutory auditors of these companies. The aggregate net assets of these subsidiaries amounted to approximately 14% of the Group's net assets.

### (b) Amounts due from subsidiaries

The amounts are unsecured, interest-free and have no fixed terms of repayment.



# Notes to the Accounts

## 17 INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Merchandise	<b>78,038</b>	65,481

At 31st December 2004, the carrying amount of inventories held by the Group carried at net realisable value amounted to HK\$2,360,000 (2003: HK\$1,861,000).

## 18 TRADE RECEIVABLES AND BILLS RECEIVABLE

At 31st December 2004, the ageing analysis of trade receivables and bills receivable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current	<b>70,588</b>	80,365
1 – 3 months	<b>49,970</b>	36,649
4 – 6 months	<b>7,380</b>	8,791
7 – 12 months	<b>4,806</b>	2,387
Over 12 months	<b>18,504</b>	13,638
	<b>151,248</b>	141,830
Less: provision	<b>(10,791)</b>	(13,635)
	<b>140,457</b>	128,195

The Group generally grants credit terms of 30 to 120 days to its customers. Longer payment terms of approximately 180 days might be granted to those customers who have good payment history and long-term business relationship with the Group.

# Notes to the Accounts

## 19 CASH AND BANK BALANCES

	Group	
	2004 HK\$'000	2003 HK\$'000
Restricted balances (note (a))	5,811	4,524
Unrestricted balances	73,415	48,653
Bank balances and cash	<b>79,226</b>	53,177

(a) These bank balances are denominated in Renminbi and placed with certain banks in the PRC. The remittance of these is subject to the foreign exchange control restrictions imposed by the PRC government.

## 20 TRADE PAYABLES AND BILLS PAYABLE

At 31st December 2004, the ageing analysis of trade payables and bills payable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current	50,920	72,552
1 – 3 months	5,961	9,097
4 – 6 months	787	809
7 – 12 months	1,187	103
Over 12 months	342	192
	<b>59,197</b>	82,753

# Notes to the Accounts

## 21 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

Included in other payables, accruals and deposits received is a warranty provision for repairs or replacement of products still under warranty at the balance sheet date. The Group normally provides one-year warranties on certain products and undertakes to repair items that fail to perform satisfactorily.

Movements in warranty provision are set out below:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
At 1st January	<b>4,161</b>	3,486
Additional provision	<b>9,798</b>	6,315
Less: Amounts utilised	<b>(9,305)</b>	(5,640)
At 31st December	<b>4,654</b>	4,161

## 22 LONG-TERM LIABILITIES

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Bank loans – secured		
Not wholly repayable within five years (note (a))	–	11,832
Current portion of long-term liabilities		
Bank loans – secured	–	(1,114)
Long-term liabilities	–	10,718

(a) The Group's bank loans are repayable as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	–	1,114
In the second year	–	1,148
In the third to fifth year	–	3,672
After the fifth year	–	5,898
	–	11,832

# Notes to the Accounts

## 23 SHARE CAPITAL

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
200,284,000 (2003: 200,000,000) ordinary shares of HK\$0.10 each	<b>20,028</b>	20,000
	<b>Number</b>	<b>Share capital</b>
	<b>of shares</b>	<b>HK\$'000</b>
Issued and fully paid:		
At the date of incorporation on 21st March 2003	–	–
Issue of shares arising from the Group's reorganisation	2,000,000	200
Issue of shares by placing and public offer	42,000,000	4,200
Capitalisation issue	156,000,000	15,600
At 31st December 2003 and at 1st January 2004	200,000,000	20,000
Exercise of share options (note (a))	284,000	28
At 31st December 2004	200,284,000	20,028

# Notes to the Accounts

## 23 SHARE CAPITAL (Continued)

- (a) During the year, 284,000 ordinary shares of HK\$0.10 each of the Company were issued under the share option scheme to the share option holders on the exercise of their share options at a total cash consideration of approximately HK\$247,000. A summary of the Company's share option scheme is set out in note (b).
- (b) Pursuant to the written resolution passed by all the then shareholders of the Company on 17th June 2003, the Company had adopted a share option scheme. The movements in the number of share options outstanding during the year are as follows:

Date of grant	Exercise Price HK\$	Number of share options				At end of year	Exercise period
		At beginning of year	Granted/ (lapsed) during the year	Exercised during the year			
19th December 2003	0.87	4,412,000	(68,000)	(284,000)	4,060,000	19th December 2004 to 18th December 2005	

Each option entitles the holder to subscribe for one share of HK\$0.1 each in the Company at the predetermined exercise price.

During the year, 68,000 options were lapsed upon resignation of employees who were share option holders.

# Notes to the Accounts

## 24 RESERVES

	Group							
	Share premium	Share issuance costs	Investment properties revaluation reserve	Other properties revaluation reserve	Exchange reserve	Merger reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003	–	(2,711)	1,268	5,352	(358)	11,310	78,592	93,453
Issue of shares	31,080	–	–	–	–	–	–	31,080
Capitalisation issue	(15,600)	–	–	–	–	–	–	(15,600)
Share issuance costs	–	(5,447)	–	–	–	–	–	(5,447)
Transfer	(8,158)	8,158	–	–	–	–	–	–
Exchange differences on translation of properties revaluation reserve of a foreign subsidiary	–	–	–	32	(32)	–	–	–
Exchange differences on translation of accounts of foreign subsidiaries	–	–	–	–	158	–	–	158
Disposal of a subsidiary	–	–	–	–	(9)	–	–	(9)
Revaluation surplus of an investment property	–	–	1,400	–	–	–	–	1,400
Revaluation deficit of leasehold properties	–	–	–	(983)	–	–	–	(983)
Transfer of revaluation reserve realised through depreciation to retained earnings	–	–	–	(41)	–	–	41	–
Movement of deferred taxes	–	–	–	23	–	–	–	23
Profit attributable to shareholders	–	–	–	–	–	–	31,028	31,028
Dividends paid	–	–	–	–	–	–	(13,000)	(13,000)
At 31st December 2003	7,322	–	2,668	4,383	(241)	11,310	96,661	122,103

Representing:

2003 final dividend proposed  
Others

18,000  
78,661

Retained earnings as at 31st December 2003

96,661

# Notes to the Accounts

## 24 RESERVES (Continued)

	Group						
	Share premium	Investment properties revaluation reserve	Other properties revaluation reserve	Exchange reserve	Merger reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004	7,322	2,668	4,383	(241)	11,310	96,661	122,103
Issue of shares (note 23)	219	–	–	–	–	–	219
Exchange differences on translation of properties revaluation reserve of a foreign subsidiary	–	–	5	(5)	–	–	–
Exchange differences on translation of accounts of foreign subsidiaries	–	–	–	560	–	–	560
Disposal of an investment property	–	(2,668)	–	–	–	–	(2,668)
Revaluation surplus of leasehold properties	–	–	22,097	–	–	–	22,097
Transfer of revaluation reserve realised through depreciation to retained earnings	–	–	(38)	–	–	38	–
Movement of deferred taxes	–	–	(3,860)	–	–	–	(3,860)
Profit attributable to shareholders	–	–	–	–	–	43,451	43,451
2003 final dividend paid	–	–	–	–	–	(18,000)	(18,000)
2004 interim dividend paid	–	–	–	–	–	(12,000)	(12,000)
At 31st December 2004	7,541	–	22,587	314	11,310	110,150	151,902
Representing:							
2004 final dividend proposed						14,020	
Others						96,130	
Retained earnings as at 31st December 2004						110,150	

# Notes to the Accounts

## 24 RESERVES (Continued)

	Company			
	Share premium HK\$'000	Contributed surplus HK\$'000 (note (a))	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2003	–	–	–	–
Issue of shares	31,080	–	–	31,080
Capitalisation issue	(15,600)	–	–	(15,600)
Contributed surplus arising on the Group's reorganisation	–	91,445	–	91,445
Share issuance costs	(8,158)	–	–	(8,158)
Profit attributable to shareholders	–	–	18,062	18,062
At 31st December 2003	7,322	91,445	18,062	116,829
Representing:				
2003 final dividend proposed			18,000	
Others			62	
Retained earnings as at 31st December 2003			18,062	
At 1st January 2004	7,322	91,445	18,062	116,829
Issue of shares	219	–	–	219
Profit attributable to shareholders (note 8)	–	–	28,008	28,008
2003 final dividend paid	–	–	(18,000)	(18,000)
2004 interim dividend paid	–	–	(12,000)	(12,000)
At 31st December 2004	7,541	91,445	16,070	115,056
Representing:				
2004 final dividend proposed			14,020	
Others			2,050	
Retained earnings as at 31st December 2004			16,070	



# Notes to the Accounts

## 24 RESERVES (Continued)

Notes:

- (a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the Group's reorganisation. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (b) Distributable reserves of the Company at 31st December 2004 amounted to HK\$107,515,000 (2003: HK\$109,507,000).

## 25 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

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

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1st January	3,043	2,686
Exchange differences	3	4
Deferred taxation (credited from)/charged to consolidated profit and loss account (note 7)	(586)	376
Taxation charged to/(credited from) equity	3,860	(23)
At 31st December	<b>6,320</b>	3,043

The deferred taxation charged to/(credited from) equity during the year is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Fair value reserves in shareholders' equity – properties (note 24)	<b>3,860</b>	(23)

# Notes to the Accounts

## 25 DEFERRED TAXATION (Continued)

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$18,414,000(2003: HK\$31,923,000) to carry forward against future taxable income.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

<b>Deferred tax liabilities</b>	<b>Accelerated tax depreciation and total</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
At 1st January	<b>3,043</b>	2,686
(Credited from)/charged to consolidated profit and loss account	<b>(586)</b>	376
Charged to/(credited from) equity	<b>3,860</b>	(23)
Exchange differences	<b>3</b>	4
As at 31 December	<b>6,320</b>	3,043

  

<b>Deferred tax assets</b>	<b>Tax losses and total</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
At 1st January	–	–
Charged to consolidated profit and loss account	–	–
Credited from equity	–	–
Exchange differences	–	–
As at 31 December	–	–

# Notes to the Accounts

## 25 DEFERRED TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Deferred tax assets	–	–
Deferred tax liabilities	<b>6,320</b>	3,043
	<b>6,320</b>	3,043
The amounts shown in the consolidated balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	–	–
Deferred tax liabilities to be settled after more than 12 months	<b>6,320</b>	3,043

## 26 COMMITMENTS

### (a) Capital commitments

- (i) Commitments for investment securities:

	<b>Group</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Contracted obligations for investment securities	<b>775</b>	775

- (ii) Commitments for investment in subsidiaries:

	<b>Group</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Contracted obligations for investment in subsidiaries in the PRC	<b>3,370</b>	–

# Notes to the Accounts

## 26 COMMITMENTS (Continued)

### (b) Commitments under operating leases

#### (i) As lessor

At 31st December 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Not later than one year	–	712
Later than one year but not later than five years	–	–
	<b>–</b>	<b>712</b>

#### (ii) As lessee

At 31st December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Not later than one year	<b>2,603</b>	1,220
Later than one year but not later than five years	<b>3,034</b>	108
	<b>5,637</b>	<b>1,328</b>

### (c) Commitments for foreign currency forward contracts

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Commitments for foreign currency forward contracts	<b>38,420</b>	45,037

# Notes to the Accounts

## 27 CONTINGENT LIABILITIES

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Letters of guarantee given to customers	<b>11,934</b>	13,270
Bills of exchange discounted with recourse	<b>8,657</b>	10,257
	<b>20,591</b>	23,527

## 28 BANKING FACILITIES

As at 31st December 2004, the Group's banking facilities totalling approximately HK\$465 million (2003: HK\$418 million) were secured by the following:

- (a) fixed deposits of the Group amounting to nil (2003: HK\$1,000,000);
- (b) certain properties held by the Group with net book value of approximately HK\$16,000,000 (2003: HK\$55,170,000) (note 14(c)); and
- (c) corporate guarantees given by the Company.

# Notes to the Accounts

## 29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

### (a) Reconciliation of profit before taxation to net cash inflow from operating activities

	Group	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	47,846	34,216
Depreciation of fixed assets	6,622	6,469
Deficit on revaluation of leasehold properties	–	802
Gain on disposal of fixed assets	(33)	–
Gain on disposal of a subsidiary	–	(186)
Gain on disposal of investment property	(4,668)	–
Interest income	(471)	(262)
Interest expense	2,336	2,715
Effect of foreign exchange rates	300	149
Operating profit before working capital changes	51,932	43,903
Increase in inventories	(12,557)	(10,258)
Increase in trade receivables and bills receivable, other receivables, prepayments and deposits	(28,531)	(25,612)
Increase in trade payables and bills payable, trust receipt loans, other payables, accruals and deposits received	48,366	15,486
Movement in amount due from a director	–	149
Cash generated from operations	59,210	23,668
Interest received	471	262
Interest paid	(2,336)	(2,702)
Interest element of finance leases	–	(13)
Dividends paid	(30,000)	(13,000)
Hong Kong profits tax paid	(2,911)	(1,359)
Overseas taxation paid	(781)	(446)
Net cash inflow from operating activities	23,653	6,410

# Notes to the Accounts

## 29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

### (b) Analysis of changes in financing during the year

	<b>Share capital including share premium</b> HK\$'000	<b>Share issuance costs</b> HK\$'000	<b>Minority interests</b> HK\$'000	<b>Bank loans</b> HK\$'000	<b>Obligation under finance leases</b> HK\$'000
At 1st January 2003	200	(2,711)	–	12,911	77
Minority interests' share of profit	–	–	210	–	–
Cash inflows/(outflows) from financing, net	35,280	(5,447)	5,460	(1,079)	(77)
Transfers	(8,158)	8,158	–	–	–
At 31st December 2003	27,322	–	5,670	11,832	–
At 1st January 2004	27,322	–	5,670	11,832	–
Minority interests' share of profit	–	–	1,178	–	–
Cash inflows/(outflows) from financing, net	247	–	–	(11,832)	–
At 31st December 2004	27,569	–	6,848	–	–

# Notes to the Accounts

## 30 RELATED PARTY TRANSACTIONS

Other than those as disclosed in other notes to the accounts, the Group has entered into the following significant transactions with related parties during the year:

	Note	Group	
		2004 HK\$'000	2003 HK\$'000
Rental paid to a director, Mr LEE Sou Leung, Joseph	(a)	144	168

- (a) Two of the subsidiaries of the Group have entered into lease agreements with a director, Mr LEE Sou Leung, Joseph to lease office spaces for the period from 1st January 2004 to 31st October 2004 amounted to HK\$120,000; and one of the subsidiaries of the Group has entered into lease agreement with the director to lease office spaces for the period from 1st November 2004 to 31st December 2004 amounted to HK\$24,000. In the opinion of the directors, the Group transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.
- (b) On 17th June 2004, the Company has entered into a deed of guarantee with UFJ Bank Limited whereby the Company guarantees in favour of UFJ Bank Limited to secure the repayment of various banking facilities granted to the Company's wholly-owned subsidiary, Leeport Machine Tool Company Limited ("LMTCL") and the Company's non-wholly-owned subsidiary, Leeport Metrology (Hong Kong) Limited ("LMHK") in the total amount of HK\$30 million. The Company holds 90% equity interests indirectly in LMHK while the remaining 10% equity interests are held by a third party minority shareholder. These guarantees provided by the Company have the effect of granting financial assistance to LMHK as a non-wholly owned subsidiary and the minority shareholder of LMHK has not provided guarantees in proportion to its equity interests in LMHK. The aforesaid banking facilities guaranteed by the Company will be used for general corporate purpose and as general working capital of LMTCL and LMHK (as the case may be). The directors consider that the aforesaid guarantees are provided upon normal commercial terms and are in the interest of the Company and of its shareholders as a whole.

## 31 SUBSEQUENT EVENT

On 4th February 2005, the Group acquired from independent third parties a leasehold property in the PRC at a consideration of approximately HK\$8,841,000.

## 32 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18th April 2005.



## Five Year Financial Summary

The following table summarises the consolidated results, assets and liabilities of the Group for the five years ended 31st December:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>Results</b>					
Turnover	<b>661,266</b>	519,675	451,967	424,729	443,525
Profit before taxation	<b>47,846</b>	34,216	31,366	29,342	26,945
Taxation	<b>(3,217)</b>	(2,978)	(3,162)	(4,194)	(5,089)
Minority interests	<b>(1,178)</b>	(210)	–	–	–
Profit attributable to shareholders	<b>43,451</b>	31,028	28,204	25,148	21,856
<b>Assets</b>					
Fixed assets	<b>80,505</b>	75,178	76,740	57,912	42,225
Investment securities	–	–	–	–	–
Current assets	<b>319,522</b>	253,385	187,234	160,186	207,405
Total assets	<b>400,027</b>	328,563	263,974	218,098	249,630
<b>Liabilities</b>					
Current liabilities	<b>214,929</b>	167,029	155,803	133,969	155,384
Non-current liabilities	<b>6,320</b>	13,761	14,518	8,434	8,676
Total liabilities	<b>221,249</b>	180,790	170,321	142,403	164,060
Minority interests	<b>6,848</b>	5,670	–	–	–
Net assets	<b>171,930</b>	142,103	93,653	75,695	85,570

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of members of Leeport (Holdings) Limited (the "Company") will be held at Chater Room I, Function Room Level, The Ritz Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on 25th May 2005 (Wednesday) at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31st December, 2004;
2. To declare a final dividend for the year ended 31st December, 2004;
3. To elect directors and to authorise the board of directors to fix directors' remuneration;
4. To appoint auditors and to authorise the board of directors to fix their remuneration;
5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**"THAT**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with additional shares ("Shares") in the capital of the Company or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities, and to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such powers after the end of the Relevant Period;

## Notice of Annual General Meeting

- (c) the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in this resolution, otherwise than pursuant to:
- (i) a Rights Issue (as defined below); or
  - (ii) the exercise of rights of subscription or conversion attaching to any warrants of the Company or any securities which are convertible into Shares; or
  - (iii) the exercise of any option under the share option scheme or any other share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares of the Company; or
  - (iv) scrip dividends or under similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; and
  - (v) a specific authority granted by the shareholders of the Company,

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly;

- (d) for the purpose of this resolution:

“Relevant Period” means the period from (and including) the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or by any applicable laws to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied or renewed by an ordinary resolution of the shareholders of the Company in general meeting; and

# Notice of Annual General Meeting

“Rights Issue” means an offer of Shares of the Company or issue of options, warrants or other securities giving the right to subscribe for Shares of the Company open for a period fixed by the Directors to the holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer on the relevant register) on a fixed record date in proportion to their then holdings of such Shares or, where appropriate, such other securities as at that date (subject in all cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company).”;

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT**

- (a) subject to paragraphs (b) of this resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as defined below) of all the powers of the Company to purchase shares (“Shares”) in the capital of the Company or securities convertible into Shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose (“Recognised Stock Exchange”), subject to and in accordance with the Companies Act 1981 of Bermuda, all other applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or those of any other Recognised Stock Exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares and securities convertible into Shares which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the approval pursuant to paragraph (a) of this resolution shall be limited accordingly;
- (c) for the purpose of this resolution, “Relevant Period” means the period from (and including) the date of the passing of this resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting of the Company;

# Notice of Annual General Meeting

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; or
  - (iii) the date on which the authority set out in this Resolution is revoked or varied or renewed by an ordinary resolution of the shareholders of the Company in general meeting.”; and
7. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** subject to the passing of the resolutions numbered 5 and 6 as set out in the notice (the “Notice”) convening this meeting, the general mandate granted to the directors of the Company (“Directors”) to exercise the powers of the Company to allot, issue and otherwise deal with shares (“Shares”) in the capital of the Company pursuant to the resolution numbered 5 as set out in the Notice be and the same is hereby extended (as regards the amount of share capital thereby limited) by adding thereto of the aggregate nominal amount of the share capital of the Company as purchased by the Company under the authority granted pursuant to the resolution numbered 6 as set out in the Notice provided that such additional amount shall not exceed the 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”.

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

Hong Kong, 18th April 2005

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



# Notice of Annual General Meeting

Notes:

- (1) A member of the Company entitled to attend and vote at the aforesaid meeting is entitled to appoint one proxy or (if holding two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong branch share registrars of the Company, Tricor Investor Services Limited, at Ground Floor, 56 Gloucester Road, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting at the aforesaid meeting, and in such event, the form of proxy shall be deemed to be revoked.
- (4) The register of members will be closed from 23rd May 2005 (Monday) to 25th May 2005 (Wednesday) (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and for attending and voting at the aforesaid meeting, all transfer forms of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Investor Services Limited, at Ground Floor, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20th May 2005 (Friday).
- (5) An explanatory statement containing further details regarding the proposed resolution nos. 5 to 7 above will be sent to members together with the 2004 annual report containing this notice of meeting.
- (6) The period during which members may serve notice and other relevant documents to the Company of his intention to propose any person other than a director of the Company for election at the aforesaid meeting in accordance with the Company's bye-laws shall commence from 26th April 2005 and end on 5th May 2005 (both dates inclusive). The aforesaid notice should be sent to the Company's head office or its Hong Kong branch share registrars, and be accompanied with the requisite information on the nominated person including those information required under rule 13.51(2) of the Listing Rules to be set out in the announcement to be made by the Company for the purpose.
- (7) The Chinese translation of this notice (including the contents of the proposed resolutions set out herein) is for reference only. In case of inconsistency, the English version shall prevail.

As at the date of this announcement, the board of directors comprises, 3 executive directors, namely Mr. Lee Sou Leung, Joseph, Ms. Tan, Lisa Marie and Mr. Chan Ching Huen, Stanley and 3 independent non-executive directors, namely Dr. Lui Sun Wing, Mr. Pike, Mark Terence and Mr. Nimmo, Walter Gilbert Mearns.