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

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2020

The Board of Directors (the “**Directors**”) of Leeport (Holdings) Limited (the “**Company**”) would like to present the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31st December 2020, together with the comparative figures for the year ended 31st December 2019. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

As we all know, the outbreak of COVID-19 at the beginning of 2020 meant that the economic activities of China and the whole world basically stopped. However, in the second half of 2020, the China market gradually recovered from the negative impact of the pandemic.

The Group’s sales amounted to HK\$617,937,000 in 2020, compared with HK\$690,896,000 in 2019, representing a decrease of 10.6%. The Group’s gross profit amounted to HK\$92,934,000, compared with HK\$114,823,000 in 2019, representing a decrease of 19.1%. The gross profit was 15.0% of sales in 2020, compared with 16.6% in 2019.

The total value of contracts signed in 2020 was HK\$657,013,000, compared with HK\$588,523,000 in 2019, representing an increase of 11.6%. A major factor in this increase in the number of contracts signed was the rebound of the China market in the second half of 2020.

* *For identification purpose only*

Other Income and Gains

The total value of other income and gains was HK\$23,599,000 in 2020, compared with HK\$14,481,000 in 2019, representing an increase of 63.0%.

Service income was HK\$7,089,000 in 2020, compared with HK\$7,551,000 in 2019, representing a decrease of 6.1%. Commission income was HK\$1,506,000 in 2020, compared with HK\$668,000 in 2019.

Other income included the receipt of HK\$5,010,000 from the Employment Support Scheme of the Hong Kong Government and a subsidy from the Chinese Government. The revaluation of investment properties resulted in an increase of HK\$2,490,000.

Operating Expenses

Selling and distribution costs were HK\$17,691,000 in 2020, compared with HK\$27,041,000 in 2019, representing a decrease of 34.6%. This was due mostly to the cancellation of exhibitions, a reduction in tendering expenses and the lower cost of commissions to salespeople.

Administrative expenses amounted to HK\$91,423,000 in 2020, compared with HK\$136,688,000 in 2019, representing a decrease of 33.1%. The main reason for this was the reduction in staff costs and benefits expenses, decrease of travel expenses and lower operating expenses, due to the implementation of our cost reduction programme throughout the year.

Finance Expenses – Net

Finance expenses net of finance income were HK\$4,576,000 in 2020, compared with HK\$7,056,000 in 2019. Finance income in 2020 was HK\$1,115,000, compared with HK\$1,579,000 in 2019, representing a decrease of 29.4%. Interest income derived from the loan to OPS Ingersoll Funkenerosion GmbH was HK\$871,000 in 2020, compared with HK\$1,137,000 in 2019.

Finance expenses were HK\$5,691,000 in 2020, compared with HK\$8,635,000 in 2019, representing a decrease of 34.1%. This decrease was due to the decrease in bank borrowings and the lower interest rate in the market in 2020.

Share of post-tax losses/profits of associates

In 2020 the Group disposed of its shareholding in an associate, Mitutoyo Leepport Metrology Corporation, so no share of post-tax profits/losses was recorded. The business of OPS-Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited was affected by the COVID-19 pandemic, and the companies recorded losses in 2020. The Group's share of the losses of OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited in 2020 was HK\$6,777,000.

Income Tax Expenses

Income tax expenses in 2020 were HK\$4,132,000, compared with HK\$2,357,000 in 2019, representing an increase of 75.3%.

Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK\$4,451,000 in 2020, compared with the losses attributable to owners of the Company of HK\$43,413,000 in 2019. The operating profit for the trading business in 2020 was HK\$9,175,000, compared with an operating loss of HK\$37,016,000 in 2019. The substantial improvement in the profit attributable to owners of the Company was due to the implementation of a cost reduction programme in 2020, which involved reductions in staff costs and operational costs.

The basic earning per share was HK1.93 cents in 2020, compared with the basic loss per share of HK18.87 cents in 2019.

DIVIDEND

The Directors recommend the payment of a final dividend of HK3.5 cents per ordinary share for the year ended 31st December 2020 totaling HK\$8,053,000. Including the special dividend of HK2.5 cents per ordinary share paid on 24 July 2020, the total dividend for the year ended 31 December 2020 will amount to HK6.0 cents per share (in 2019, Nil). This final dividend recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 29th June 2021. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 16th July 2021 to the shareholders of the Company whose names appear on the register of members on 7th July 2021.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2020**

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales	2	617,937	690,896
Cost of goods sold	4	(525,003)	(576,073)
Gross profit		92,934	114,823
Other income and gains – net	3	23,599	14,481
Selling and distribution costs	4	(17,691)	(27,041)
Administrative expenses	4	(91,423)	(136,688)
Net reversal of impairment losses/(impairment losses) on financial assets		1,756	(2,591)
Operating profit/(loss)		9,175	(37,016)
Finance income		1,115	1,579
Finance expenses		(5,691)	(8,635)
Finance expenses – net		(4,576)	(7,056)
Share of post-tax (losses)/profits of associates	9(a)	(6,777)	352
Gain on disposal of an associate		8,479	–
Profit/(Loss) before income tax		6,301	(43,720)
Income tax expense	5	(4,132)	(2,357)
Profit/(Loss) for the year		2,169	(46,077)
Profit/(Loss) attributable to:			
Owners of the Company		4,451	(43,413)
Non-controlling interests		(2,282)	(2,664)
		2,169	(46,077)
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company			
Basic earnings/(losses) per share (Hong Kong cents)	7	HK1.93 cents	(HK18.87 cents)
Diluted earnings/(losses) per share (Hong Kong cents)	7	N/A	N/A

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020**

	<i>Note</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year		<u>2,169</u>	<u>(46,077)</u>
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of land and buildings		14,098	8,667
Movement of deferred tax		(2,363)	(73)
Change in value of financial assets at fair value through other comprehensive income, net of tax		<u>(1,355)</u>	<u>(6,711)</u>
		<u>10,380</u>	<u>1,883</u>
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		9,593	(2,480)
Share of other comprehensive income of associates		–	720
Release of exchange reserve on disposal of an associate		<u>8,147</u>	<u>–</u>
		<u>17,740</u>	<u>(1,760)</u>
Other comprehensive income for the year, net of tax		<u>28,120</u>	<u>123</u>
Total comprehensive income/(loss) for the year		<u>30,289</u>	<u>(45,954)</u>
Total comprehensive income/(loss) attributable to owners of the company		32,248	(43,224)
Total comprehensive loss attributable to non-controlling interest		<u>(1,959)</u>	<u>(2,730)</u>
		<u>30,289</u>	<u>(45,954)</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2020**

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment		5,582	7,942
Right-of-use assets		261,465	294,613
Investment properties	8	70,205	55,674
Investments in associates	9(a)	61,397	63,895
Loan to an associate	9(b)	19,166	17,690
Financial assets at fair value through other comprehensive income		<u>9,289</u>	<u>8,489</u>
		<u>427,104</u>	<u>448,303</u>
Current assets			
Inventories		76,798	88,232
Trade and bills receivables	10	102,429	99,003
Other receivables, prepayments and deposits		22,685	24,812
Financial assets at fair value through other comprehensive income		81,623	64,695
Derivative financial instruments	11	14	253
Amount due from a former associate		–	247
Tax recoverable		910	848
Restricted bank deposits		10,998	26,593
Cash and cash equivalents		<u>92,591</u>	<u>60,768</u>
		<u>388,048</u>	<u>365,451</u>
Assets classified as held for sale		<u>31,377</u>	<u>83,374</u>
Total current assets		<u>419,425</u>	<u>448,825</u>
Total assets		<u>846,529</u>	<u>897,128</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>12</i>	23,007	23,007
Other reserves	<i>12</i>	260,883	236,347
Retained earnings		182,645	180,623
		<u>466,535</u>	<u>439,977</u>
Non-controlling interest		<u>(4,267)</u>	<u>(1,754)</u>
Total equity		<u>462,268</u>	<u>438,223</u>
LIABILITIES			
Non-current liabilities			
Other payables		5,212	–
Lease liabilities		2,301	2,966
Deferred income tax liabilities		35,034	32,399
		<u>42,547</u>	<u>35,365</u>
Current liabilities			
Trade and bills payables	<i>13</i>	103,960	100,661
Other payables, accruals and contract liabilities		71,431	70,793
Derivative financial instruments	<i>11</i>	–	65
Amount due to a former associate		–	668
Amount due to a non-controlling shareholder		–	9,595
Borrowings	<i>14</i>	161,472	239,094
Lease liabilities		1,495	1,418
Tax payable		3,356	1,246
		<u>341,714</u>	<u>423,540</u>
Total liabilities		<u>384,261</u>	<u>458,905</u>
Total equity and liabilities		<u>846,529</u>	<u>897,128</u>

Notes:

1. BASIS OF PREPARATION

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

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

(i) Amended standards adopted by the Group

The following amendments to standards are adopted by the Group for the financial year beginning on 1st January 2020.

HKAS 1 and 8 (Amendment)	Definition of material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge accounting
HKFRS 3 (Amendment)	Definition of a business
HKFRS 16 (Amendment)	Covid-19 – Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

These amendments to standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

- (ii) The following standards, amendments and interpretations have been published but are not mandatory for 31st December 2020 reporting period and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1st January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1st January 2022
HKAS 39, HKFRS 4, HKFRS7, HKFRS 9 and HKFRS 16 (Amendment)	Interest Rate Benchmark Reform – Phase 2	1st January 2021
HKFRS 17	Insurance Contracts	1st January 2023
HKFRS 17 (Amendment)	Amendments to HKFRS 17	1st January 2023
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1st January 2023
HKAS 16 (Amendment)	Proceeds before Intended Use	1st January 2022
HKAS 37 (Amendment)	Onerous Contracts – Costs of Fulfilling a Contract	1st January 2022
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1st January 2022
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2. SEGMENT INFORMATION

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

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

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

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

	For the year ended 31st December 2020			
	The PRC	HK	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales	<u>552,115</u>	<u>33,179</u>	<u>32,643</u>	<u>617,937</u>
Segment results	<u>31,723</u>	<u>(5,090)</u>	<u>(17,458)</u>	9,175
Finance income				1,115
Finance expenses				(5,691)
Share of loss of associates				(6,777)
Gain on disposal of an associate				<u>8,479</u>
Profit before income tax				6,301
Income tax expenses				<u>(4,132)</u>
Profit for the year				<u>2,169</u>

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

During the year ended 31st December 2020, there is no single customer whose revenue amounted to 10% or more of the Group's revenue (2019: there is no single customer whose revenue amounted to 10% or more of the Group's revenue).

Contract liabilities of HK\$43,093,000 (2019: HK\$36,347,000) were classified within "other payables, accruals and contract liabilities". It represents advanced payments received from customers for goods that have not been transferred to the customers. During the year ended 31st December 2020, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue. Decrease in contract liabilities is mainly due to the decrease in sales orders with advanced payments.

The provision for slow moving inventories for the year ended 31st December 2020 are HK\$2,722,000 (2019: HK\$1,926,000).

The net reversal of impairment losses on financial assets for the year ended 31st December 2020 are HK\$1,756,000 (2019: net impairment losses of HK\$2,591,000).

The total depreciation of plant and equipment and right-of-use assets for the year ended 31st December 2020 are HK\$10,565,000 (2019: HK\$12,167,000).

Assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total assets:		
The PRC	361,867	331,977
Hong Kong	304,483	401,595
Other countries (<i>Note (a)</i>)	<u>180,179</u>	<u>163,556</u>
	<u>846,529</u>	<u>897,128</u>

Segment assets are allocated by reference to the principal markets which the Group operates.

Segment assets consist primarily of plant and equipment, investment properties, right-of-use assets, receivables, investment in associates, financial assets at fair value through other comprehensive income, derivative financial instruments, tax recoverable, operating cash and deposits and assets classified as held for sale.

Liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total liabilities:		
The PRC	231,082	304,448
Hong Kong	97,864	116,043
Other countries (<i>Note (a)</i>)	55,315	38,414
	<u>384,261</u>	<u>458,905</u>

Segment liabilities are allocated by reference to the principal markets in which the Group operates.

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

Capital expenditure

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure:		
The PRC	49	60
Hong Kong	19	62
Other countries (<i>Note (a)</i>)	54	–
	<u>122</u>	<u>122</u>

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

Capital expenditure comprises mainly additions to plant and equipment.

Note:

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

3. OTHER INCOME AND GAINS – NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value gain/(loss)	229	(348)
Rental income	2,087	2,609
Service income	7,089	7,551
Commission income	1,506	668
Net fair value gain on an investment properties	2,490	–
Other income	914	455
Derecognition of other financial liabilities	3,159	–
Government grants	5,010	–
Dividend income from financial asset at fair value through other comprehensive income	–	2,030
Management fee income from a former associate	1,115	1,516
	<u>23,599</u>	<u>14,481</u>

4. EXPENSES BY NATURE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditors' remuneration		
– Audit services	1,986	2,756
– Non-audit services	353	821
Cost of inventories sold	521,930	570,423
Depreciation on plant and equipment	2,274	1,576
Depreciation on right-of-use assets	8,291	10,591
Short-term leases	1,060	1,256
Provision for slow moving inventories	2,722	1,926
Foreign exchange loss	(3,529)	4,367
Employee benefits expenses (including directors' remuneration)	60,787	81,340
Other expenses	38,243	64,746
	<u>634,117</u>	<u>739,802</u>

5. INCOME TAX EXPENSE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	–	50
– PRC and overseas taxation	3,698	2,105
– Under provision in prior year	162	202
Deferred income tax	<u>272</u>	<u>–</u>
	<u>4,132</u>	<u>2,357</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax (“EIT”) in the PRC has been provided at the rate of 25% (2019: 25%) on the estimated assessable profit for the year with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2019: 17%) on the estimated assessable profit for the year.

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

6. DIVIDENDS

The dividends paid in 2020 and 2019 were HK\$5,752,000 (HK2.5 cents per share) respectively.

Final dividend was proposed HK3.5 cents per ordinary share for the shareholders of the Company during the year ended 31st December 2020.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Special dividend, paid, of HK2.5 cents (2019: nil) per ordinary share	5,752	–
Final dividend, proposed, of HK3.5 cents	<u>8,053</u>	<u>–</u>
	<u>13,805</u>	<u>–</u>

7. EARNINGS PER SHARE

(a) Basic

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

	2020	2019
Profit/(Loss) attributable to owners of the Company (HK\$'000)	<u>4,451</u>	<u>(43,413)</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>230,076</u>	<u>230,076</u>
Basic earnings/(losses) per share attributable to equity owners of the Company (HK cents per share)	<u>1.93</u>	<u>(18.87)</u>

(b) Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings/(losses) per share. There are no share options issued/outstanding during the year ended 31st December 2019 and 2020, hence no diluted earnings/(losses) per share was presented.

8. INVESTMENT PROPERTY

	2020	2019
At fair value	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance at 1st January	55,674	55,611
Transfer from right-of-use assets	11,936	–
Net gain from fair value adjustment	2,490	–
Exchange difference	<u>105</u>	<u>63</u>
Closing balance at 31st December	<u>70,205</u>	<u>55,674</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental income	<u>2,087</u>	<u>2,609</u>

The direct operating expenses from investment properties was not significant for the years ended 31st December 2020 and 2019.

As at 31st December 2020, the Group had no unprovided contractual obligations for further repairs and maintenance (2019: nil).

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

The investment property located in Hong Kong was revalued as at 31st December 2020 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The investment property of the Group located in Singapore was revalued as at 31st December 2020 by Dickson Property Consultants Pte Ltd. (2019: Dickson Property Consultants Pte Ltd.), an independent firm of professional valuers.

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

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

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

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

	Significant unobservable inputs	Price per unobservable	Relationship of square foot inputs to fair value
As at 31st December 2020			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK\$3,652 – HK\$9,192 (HK\$8,060)	The higher the price per square foot, the higher the fair value
Land and buildings in Singapore	Market unit sale price (per square foot)	HK\$946	The higher the price per square foot, the higher the fair value
As at 31st December 2019			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK\$8,820	The higher the price per square foot, the higher the fair value
Land and buildings in Singapore	Market unit sale price (per square foot)	HK\$969	The higher the price per square foot, the higher the fair value

Bank borrowings are secured on investment properties with a carrying amount of HK\$70,205,000 (2019: HK\$55,674,000).

9(a). INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1st January	63,895	155,300
Share of post-tax profits of associates	(6,777)	352
Share of other comprehensive income of associates	–	720
Currency translation difference	4,279	(1,103)
Dividend received from an associate	–	(8,000)
Transferred to asset classified as held for sale	–	(83,374)
	<hr/>	<hr/>
At 31st December	61,397	63,895

Set out below are the associates of the Group as at 31st December 2020 and 2019. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Details of investment in associates as at 31st December 2020 and 2019 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest		Principal activities and place of operation
		2020	2019	
Mitutoyo Leeport Metrology Corporation ("MLMC")	Hong Kong/ British Virgin Islands	–	49	Trading of measuring tools
OPS-Ingersoll Holding GmbH ("OPS")	Germany/Germany	33.84	33.84	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd. ("Prima")	The PRC/The PRC	30	30	Manufacturing of metal forming machinery

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

9(b). LOAN TO AN ASSOCIATE

The balance represents a loan made to an associate – OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months but within two years from the reporting date. During the year, interest received from OPS amounted to HK\$871,000 (2019: HK\$1,137,000).

As at 31st December 2020, the carrying value of the loan to an associate was HK\$19,166,000 (2019: HK\$17,690,000). Based on assessment on the recoverability of the balance, loss allowance of HK\$117,000 was provided.

10. TRADE AND BILLS RECEIVABLES

As at 31st December 2020 and 2019, the ageing analysis of trade and bills receivables by invoice date are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	77,752	78,851
4-6 months	8,285	6,257
7-12 months	9,121	7,959
Over 12 months	9,791	11,504
	<u>104,949</u>	<u>104,571</u>
Less: provision for impairment of receivables	<u>(2,520)</u>	<u>(5,568)</u>
	<u>102,429</u>	<u>99,003</u>

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Forward foreign exchange contracts				
– non-hedge instruments	<u>14</u>	<u>–</u>	<u>253</u>	<u>65</u>

Derivatives held for trading purpose are classified as a current asset or liability. As at 31st December 2020, the Group had outstanding gross-settled foreign currency forward contracts to buy GBP200,000 for HKD2,105,000 and JPY52,015,000 for HKD3,904,000 (2019: buy EUR3,112,000 for HKD26,977,000; GBP277,000 for HKD2,898,000; JPY193,500,000 for HKD13,797,000; and USD300,000 for HKD2,338,000).

**12. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Attributable to owners of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1st January 2020	<u>23,007</u>	<u>236,347</u>	<u>180,623</u>	<u>439,977</u>	<u>(1,754)</u>	<u>438,223</u>
Comprehensive income						
Profit for the year	-	-	4,451	4,451	(2,282)	2,169
Other comprehensive income/(loss)						
Gain on revaluation of land and buildings	-	14,098	-	14,098	-	14,098
Movement of deferred tax	-	(2,363)	-	(2,363)	-	(2,363)
Change of value of financial assets at fair value through other comprehensive income	-	(1,355)	-	(1,355)	-	(1,355)
Currency translation differences	-	9,270	-	9,270	323	9,593
Release of exchange reserve on disposal of an associate	-	8,147	-	8,147	-	8,147
Total other comprehensive income/(loss), net of tax	<u>-</u>	<u>27,797</u>	<u>-</u>	<u>27,797</u>	<u>323</u>	<u>28,120</u>
Total comprehensive income/(loss)	<u>-</u>	<u>27,797</u>	<u>4,451</u>	<u>32,248</u>	<u>(1,959)</u>	<u>30,289</u>
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	-	(3,359)	3,359	-	-	-
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	36	(36)	-	-	-
Transactions with owners of the Company recognised directly in equity						
Transaction with non-controlling interests	-	62	-	62	(554)	(492)
Special dividend paid	-	-	(5,752)	(5,752)	-	(5,752)
Total transactions with owners, recognised directly in equity	<u>-</u>	<u>62</u>	<u>(5,752)</u>	<u>(5,690)</u>	<u>(554)</u>	<u>(6,244)</u>
Balance at 31st December 2020	<u>23,007</u>	<u>260,883</u>	<u>182,645</u>	<u>466,535</u>	<u>(4,267)</u>	<u>462,268</u>

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1st January 2019	23,007	196,979	224,456	444,442	976	445,418
Change in accounting policy	–	44,511	–	44,511	–	44,511
Balance at 1st January 2019, as restated	<u>23,007</u>	<u>241,490</u>	<u>224,456</u>	<u>488,953</u>	<u>976</u>	<u>489,929</u>
Comprehensive loss						
Loss for the year	–	–	(43,413)	(43,413)	(2,664)	(46,077)
Other comprehensive income/(loss)						
Gain on revaluation of land and buildings	–	8,667	–	8,667	–	8,667
Movement of deferred tax	–	(73)	–	(73)	–	(73)
Change of value of financial assets at fair value through other comprehensive income	–	(6,711)	–	(6,711)	–	(6,711)
Currency translation differences	–	(2,414)	–	(2,414)	(66)	(2,480)
Share of other comprehensive income of associates	–	720	–	720	–	720
Total other comprehensive income/(loss), net of tax	<u>–</u>	<u>189</u>	<u>–</u>	<u>189</u>	<u>(66)</u>	<u>123</u>
Total comprehensive income/(loss)	<u>–</u>	<u>189</u>	<u>(43,413)</u>	<u>(43,224)</u>	<u>(2,730)</u>	<u>(45,954)</u>
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(7,133)	7,133	–	–	–
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	1,801	(1,801)	–	–	–
Transactions with owners of the Company recognised directly in equity						
Dividend paid relating to 2018	–	–	(5,752)	(5,752)	–	(5,752)
Total transactions with owners, recognised directly in equity	<u>–</u>	<u>–</u>	<u>(5,752)</u>	<u>(5,752)</u>	<u>–</u>	<u>(5,752)</u>
Balance at 31st December 2019	<u>23,007</u>	<u>236,347</u>	<u>180,623</u>	<u>439,977</u>	<u>(1,754)</u>	<u>438,223</u>

13. TRADE AND BILLS PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	85,367	93,937
1-3 months	10,608	4,570
4-6 months	1,448	4
7-12 months	1,181	637
Over 12 months	5,356	1,513
	<u>103,960</u>	<u>100,661</u>

14. BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current		
Trust receipt loans	70,072	113,793
Term loans from banks due for repayment within one year	91,400	125,301
	<u>161,472</u>	<u>239,094</u>

As at 31st December 2020, certain land and buildings, investment properties and restricted bank deposits in Hong Kong, PRC and Singapore with an aggregate carrying value of approximately HK\$274,183,000 (2019: HK\$285,067,000) were pledged to secure the banking facilities of the Group.

The facilities expiring within one year are annual facilities subject to review at various dates during 2021.

15. SUBSEQUENT EVENTS

Disposal of a right-of-use asset

In January 2021, a subsidiary of the Group, Leeport Machine Tool Company Limited, signed the formal sales and purchase agreement for disposal of a warehouse in Hong Kong, at a consideration of HK\$29,500,000.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from 24th June 2021 (Thursday) to 29th June 2021 (Tuesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 Annual General Meeting. In order to be eligible to attend and vote at the 2021 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 23rd June 2021 (Wednesday); and
- (ii) from 6th July 2021 (Tuesday) to 7th July 2021 (Wednesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5th July 2021 (Monday).

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

BUSINESS REVIEW

Trading

The outbreak of COVID-19 at the beginning of 2020 was a sudden and unexpected blow to social and economic activities globally. China's GDP recorded a drop of 6.8% in the first quarter of 2020, however it quickly changed to positive growth of 3.2% in the second quarter of the year due to the successful containment of the coronavirus. Following the easing of the epidemic, China's economic situation improved for the rest of the year, and by the end of 2020 the country achieved GDP growth of 2.3%. The value of industrial production grew by 2.4%, and the value of exports grew by 4%.

Manufacturing activities in China rebounded quickly after first quarter of the 2020, and most of our customer segments showed strong demand for our products. Most of our business divisions recorded satisfactory order-taking in the year. Some divisions, such as Electronics Equipment and Sheetmetal Machinery, achieved significant growth in order-taking compared with 2019. The semi-conductor, 5G equipment and medical equipment industries showed strong demand for manufacturing equipment. Our Measuring Instruments and Cutting Tools divisions also recorded double-digit growth in order-taking in 2020, compared with 2019. This was an indication that general manufacturing activities in the market were continuing.

The order intake of the Group was valued at HK\$657.0 million in 2020, compared with HK\$588.5 million in 2019, representing an increase of 11.6%. Our sales volume was only HK\$618 million in 2020, compared with HK\$691 million in 2019. This was not enough to make a significant contribution to the bottom-line of the financial result, however the Group was able to achieve some profit in 2020, due to the implementation of significant cost-reduction measures.

The value of outstanding orders at the end of February 2021 was HK\$225,334,000, compared with HK\$128,903,000 at the end of February 2020.

Investment

The Group disposed of its 49% shareholding in Mitutoyo Leepport Metrology Corporation at the beginning of 2020, so there was no further sharing of the profit of this associated company. The business for OPS Ingersoll Funkenerosion GmbH was poor in Europe and the USA, recording a significant loss in 2020. Prima Power Suzhou Company Limited also suffered from the effects of the pandemic early in the year, although the company's results rebounded slightly in the last quarter of the year. The sharing of the result for OPS Ingersoll and Prima Power Suzhou recorded a loss of HK\$6,777,000 in 2020. However, we expect that later in 2021, the worst of the situation will be over.

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash of the Group as at 31st December 2020 was HK\$92,591,000 (31st December 2019: HK\$60,768,000). The increase of bank balance comes from the improved Group cash position and the customer deposit received for large order at the end of year 2020. The Group's inventory balance as at 31st December 2020 was HK\$76,798,000 (31st December 2019: HK\$88,232,000). The turnover days of inventory were 53 at the end of December 2020, compared with 56 at the end of December 2019. The balance of trade receivable and bills receivable was HK\$102,429,000 as at 31st December 2020 (31st December 2019: HK\$99,003,000). The turnover days of trade receivable were 61 (31st December 2019: 52).

The increase of turnover days of trade receivable is due to a higher portion of Small tools and Measuring Instruments business in 2020, which traditionally Small Tools and Measuring Instruments business have a longer credit period than Machinery business. The balance of trade payable and bills payable was HK\$103,960,000 as at 31st December 2020 (31st December 2019: HK\$100,661,000). The higher balances trade payables as at 31st December 2020 were due to increase in shipment at the end of year 2020. The balance of short-term borrowings was HK\$161,472,000 as at 31st December 2020 (31st December 2019: HK\$239,094,000). The lower balance of short-term borrowings is able to satisfy our financial requirements, and the decrease of short term loan will help to reduce finance expenses of this year.

The Group's net gearing ratio was approximately 12.5% as at 31st December 2020 (31st December 2019: 34.6%). The net gearing ratio was lower than in 2019. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent and restricted bank deposits. The reduction in the net gearing ratio is due to the decrease in borrowing level and improvement of cash and cash equivalent level.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2020, the Group had aggregate banking facilities of approximately HK\$496,564,000, of which approximately HK\$170,874,000 was utilized, bearing interest at prevailing market rates and secured by certain land and buildings, investment property and restricted bank deposits of the Group in Hong Kong, PRC and Singapore, with an aggregate carrying amount of HK\$274,183,000 (31st December 2019: HK\$285,067,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FUTURE PLANS AND PROSPECTS

We expect that the worst effects of the COVID-19 pandemic will have ended by the end of 2021. Many international institutions, including the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development (OECD), predict that China's GDP growth in 2021 will exceed 6%. In 2020, due to the pandemic, most manufacturing activities in many countries were interrupted, and China became the world's biggest exporter. Analysts predict that the global pandemic will be contained in 2021 and that the global economy will recover. In that case, China will benefit significantly and its level of exports to the global market will be even higher than in 2020. China is also implementing strategies to increase domestic demand and improve the country's self-sufficiency in the development of high technology. So it is likely that the entire manufacturing industry in China will further improve in 2021.

Thanks to the Group's substantial cost-reduction programs that were implemented in 2020, we are confident that business will increase and be profitable in 2021. In order to match the rapid rebound of business in China, the Group is taking aggressive steps to generate income.

We have seen that the semi-conductor industry in China is booming. There is also greater demand for measurement equipment for precision components in mobile phones, and the market for automated equipment is also growing. Given this opportunity, we will introduce more new products onto the market. Also, the new technical centre for our Measuring Instruments Division has been completed. A separate showroom for our Sheetmetal Machinery Division will be established in Shenzhen before the middle of the year. With our strong technical team, the Group will be able to provide a high level of technical solutions to customers.

The Group will also enhance its sales and marketing activities in 2021. We will participate in a number of major exhibitions in 2021. New catalogues for Leeport's products have been launched and we aim to distribute them widely during 2021.

The order situation for the Group's associated company, OPS Ingersoll Funkenerosion GmbH, has improved in the past two months as manufacturing activities in Germany have started to pick up, so we project that business in 2021 will be better than in 2020. The business situation for Prima Power Suzhou Company Limited has also been satisfactory since the beginning of the year. We are confident that the financial performance of these two associated companies will improve in 2021.

Our headcount was reduced in 2020 after the restructuring of our operations. However, the Group will hire more sales and technical people in 2021 to support the growing business in China. We are confident that business in 2021 will be better than in 2020, and that our financial performance will improve further due to our restructuring of operating expenses.

EMPLOYEES

As at 31st December 2020, the Group had 262 employees (31st December 2019: 310). Of these, 66 were based in Hong Kong, 177 were based in mainland China, and 19 were based in other offices around Asia and Germany. Competitive remuneration packages were structured to be commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, pension scheme contribution in different countries, the Group offered staff benefits including medical schemes, education subsidies and discretionary performance bonuses.

SHARE CAPITAL

Share capital

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
	Number of shares (in thousand)	Number of shares (in thousand)
Issued and fully paid:		
At 1st January 2020 and 31st December 2020		
230,076,062 ordinary shares of HK\$0.10 each	<u>230,076</u>	<u>230,076</u>

Share options

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

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

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

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

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

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

No share options were granted, exercised or lapsed during the year ended 31st December 2020 and 2019.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2020, certain land and buildings, investment properties and restricted bank deposits in Hong Kong, PRC and Singapore, with an aggregate carrying value of approximately HK\$274,183,000 (31st December 2019: HK\$285,067,000), were pledged to secure the banking facilities of the Group.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

During the year 2020, the Group spent a total of HK\$122,000 (31st December 2019: HK\$122,000) in capital expenditure, primarily consisting of plant and equipment. As at 31st December 2020 and 31st December 2019, the Group had no capital commitment. In the meantime, a total of HK\$6,964,000 (31st December 2019: HK\$10,281,000) in contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

As at 31st December 2020, the Group had outstanding gross-settled foreign currency forward contracts to buy GBP200,000 for HKD2,105,000 and JPY52,015,000 for HKD3,904,000 (2019: buy EUR3,112,000 for HKD26,977,000; GBP277,000 for HKD2,898,000; JPY193,500,000 for HKD13,797,000; and USD300,000 for HKD2,338,000).

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

During the year ended 31st December 2020, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

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

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

For the year ended 31st December 2020, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31st December 2020 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. WONG Tat Cheong, Frederick, Mr. ZAVATTI Samuel and Mr. FUNG Wai Hing has reviewed the accounting principles and practices adopted by the Group with the management and has discussed risk management and internal control systems and financial reporting matters, including a review of the consolidated financial statements for the year ended 31st December 2020 with the directors.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31st December 2020. The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2021 ANNUAL GENERAL MEETING

It is proposed that the 2021 Annual General Meeting of the Company will be held on 29th June 2021 (Tuesday). A notice convening the 2021 Annual General Meeting will be published on the websites of the Stock Exchange and the Company in due course and will be dispatched to the shareholders of the Company accordingly.

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

Hong Kong, 15th March 2021

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

* *For identification purpose only*