Leeport

力豐（集團）有限公司
LEEPORT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0387)

ISO 9001:2008
CERTIFICATE NO. FS 84667





ANNUAL Report 2008

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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

MEMBERS OF REMUNERATION COMMITTEE

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

SOLICITORS

Stevenson, Wong & Co
Solicitors and Notaries

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank
Chong Hing Bank Limited
BNP Paribas, Hong Kong Branch
KBC Bank NV
The Bank of Tokyo – Mitsubishi UFJ, Ltd.

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 HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Service Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

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 consolidated annual results of the Company and its subsidiaries (collectively "the Group") for the year ended 31st December 2008.

FINANCIAL PERFORMANCE

The turnover of the Group in 2008 amounted to HK$1,037,212,000 (2007: HK$846,236,000), representing an increase of 22.6% as compared with 2007. The profit attributable to equity holders was HK$7,896,000 (2007: HK$23,406,000), representing a decrease of 66.3% compared with 2007.

The basic earnings per share amounted to HK3.71 cents (2007: HK11.15 cents), representing a decrease of 66.7% compared with 2007.

In 2008, the Chinese economy maintained its previous strength until the last quarter of the year. Most of the business divisions of the Group grew well in 2008. The Japanese government's export ban on most Mitutoyo products was lifted in January 2008, contributing to the growth in the sale of measuring instruments. The machine tool business also recorded significant growth until the last quarter of the year.

The gross profit of the Group was HK$194,152,000 in 2008 as compared with HK$180,185,000 in 2007. The gross profit percentage was 18.7% in 2008 as compared with 21.3% in 2007. The higher Japanese Yen in 2008 as compared with 2007 had a significant impact on the Group's gross profit margin.

The service income of the Group was HK$19,804,000 for the year 2008, an increase of 36.7% compared with 2007.

Selling and distribution costs increased by HK$8,258,000 mainly due to higher service costs of the authorised service agent.

Administrative expenses increased by HK$33,942,000 as compared with 2007. The increase was mainly due to increase in staff costs and travelling expenses. Also, the Group incurred net exchange losses of HK$10,889,000 in the second half of 2008, resulting in a loss in the second half as compared with the first half of 2008, which recorded a profit of HK$15,569,000.

DIVIDENDS

An interim dividend of HK5.0 cents per ordinary share was paid to the shareholders of the Company on 9th October 2008. No final dividend is proposed by the Company for the year ended 31st December 2008 (2007: HK4.5 cents per ordinary share).

BUSINESS REVIEW

The overall turnover in 2008 was outstanding, as the Group's business achieved 22.6% growth compared with 2007. In terms of products, the machine tool business achieved 47.9% growth compared with 2007; the measuring instrument business achieved 38.3% growth compared with 2007, and the cutting tools and engineering tools business achieved 21.3% growth compared with 2007. However, the electronic equipment business recorded a 28.3% decrease compared with 2007. In terms of geographical distribution, the business in Southern China achieved 23.7% growth; the business in Central China achieved 47.5% growth, and the business in Northern China achieved 23.7% growth. The distribution of sales moved more to Central and Northern China. In 2008, the business in Northern and Central China already represented 30.3% of the Group's business, as compared with about 25.5% in 2007. The successful exploration of markets beyond the Guangdong area of China has become more important to the Group. The business in South East Asia fell by 33.4%, because the economy in the region was weak during the year.

The impact on China of the financial tsunami did not surface until the last quarter of 2008, when contract bookings dropped considerably compared with the same period in 2007.

Business in the Guangdong area slowed sharply towards the end of the year, as most of the customers in the region were involved in export sales and their orders from Europe and the United States shrank drastically. The situation in Central and Northern China, however, was somewhat better.

Some of the Group's traditional customer base has been badly affected by the economic recession, e.g. mould-makers, machine manufacturers, automobile parts and electronic products. However, we envisage great opportunities for the industries involved in aerospace, railway transportation, wind energy and infrastructure. The Group has made good progress in working with potential customers in these fields.

As a result of the impact of the financial tsunami, the Group has had to delay the establishment of its new Beijing showroom, in order to economise on capital investment. Our development of a stronger team in Northern China, however, has continued as planned. On the other hand, the establishment of the new Metrology Solution Centre in Shanghai has effectively supported the sales activity for measuring instruments, especially large-scale measuring systems in Central China.

There was continued improvement in the service income of the Group. The aggregated service income from different divisions was HK$19,804,000 in 2008 as compared with HK$14,491,000 in 2007. The enhancement of service quality and the promotion of service contracts have made a bigger contribution to the business of the Group.

FUTURE PLANS AND PROSPECTS

2009 will be a big challenge for industries of all kinds. It is nevertheless encouraging that the Chinese government has already implemented certain measures to stimulate the country's economic growth. The government will support ten major industries: automotive, steel, textile, equipment manufacturing, ship-building, information technology, light industry, petroleum, colour metal and logistics. It is also the government's policy to promote the economy in rural areas, which will result in a significant increase in the volume of domestic consumption. This policy includes subsidising consumers' acquisition of home appliances and small cars, in addition to investment in community infrastructure. The Chinese government will spend no less than RMB4,000 billion in the coming few years to stimulate an economic recovery. This fund will mean huge business opportunities throughout the country, involving increased demand for manufacturing equipment. The Group will certainly benefit from this government spending over the next few years.

To achieve these benefits, however, the Group must now be pro-active in tackling the immediate difficulties in the market. The invoiced sales and contract bookings in first half of 2009 will probably be weak, but an improvement has been forecast for the second half of the year.

Contract bookings in the first quarter of 2009 were 26% lower than in the same period of last year, affecting the Group's income adversely. Since the beginning of the year, several cost reduction programmes have been implemented. For example, negotiations on office rentals, stricter control of travelling expenses and the scaling back of participation in exhibitions will alleviate the burden of overheads in 2009.

Reducing the inventory level will also be a factor in improving our financial position. We forecast that the delivery of some outstanding contracts and new orders over the rest of the year will improve our inventory level. The Group also has implemented strict controls over purchases, and this is expected to improve our operational cash flow situation for the foreseeable future.

Improving the Group's internal management in areas such as credit control, cash management, purchase procedures and the promotion of cross-selling and upgrading of staff productivity will contribute to the maintenance of a strong financial position and improvements in business performance. The top management team has closely monitored the effect of the new management improvement programme.

We foresee a slowly improving market after the first quarter of 2009. We expect that our expansion into the Central and Northern China market and the exploration of customers from new industries will cover any loss of business from traditional customer base and will make a significant contribution to the Group's business. We are confident that China's economy will improve gradually and that the Group's business will improve in the second half of the year.

On behalf of the Board, I would like to express my gratitude to all our shareholders, suppliers and customers for their support. I would also like to thank all our staff for their efforts and dedication in 2008.

Lee Sou Leung, Joseph
Chairman

Hong Kong, 17th April 2009

LIQUIDITY AND FINANCIAL RESOURCES

The cash net of bank overdrafts at the end of year were HK$18,088,000 compared with 65,700,000 in year 2007.

As at 31st December 2008, the Group had net tangible assets of approximately HK$282,974,000, comprising non-current assets of approximately HK$136,788,000, net current assets of approximately HK$153,613,000, and non-current liabilities of approximately HK$7,427,000. On the same date, the total liabilities of the Group amounted to approximately HK$434,943,000. On the other hand, the total assets of the Group were HK$717,917,000. The net gearing ratio of the Group was approximately 68.4% (2007: 62.3%).

The Group generally finances its operation with internally generated resources and banking facilities provided by banks. As at 31st December 2008, the Group had aggregate banking facilities of approximately HK$713,750,000 of which approximately HK$313,358,000 was utilized, bearing interest at prevailing market rates and secured by certain leasehold land, buildings and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$76,165,000 (2007: HK$151,391,000). The directors are confident that the Group is able to meet its operational and capital expenditure requirements.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

In 2008, the Group spent a total of HK$8,809,000 (2007: HK$16,406,000) in capital expenditure, which primarily consisted of property, plant and equipment and leasehold land. As at 31st December 2008, the Group had no material capital commitments and HK$43,113,000 (2007: HK$37,414,000) 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 aligned the pricing of its products with the movement of foreign currency purchase against the local currency to minimize the risk of gross margin being deteriorated by exchange rate movement. In managing the Group's foreign exchange exposure of receivables, the Group may enter into foreign currency forward contracts with its bankers.

The Group is committed to the foreign currency forward contracts to buy EUR560,000 for HKD5,759,000 and buy SGD95,700 for HKD523,000 (2007: buy JPY303,600,000 for HKD21,114,000, buy SGD81,200 for HKD425,000, buy GBP430,000 for HKD6,683,000 and buy AUD300,000 for HKD1,956,000).

DETAILS OF THE CHARGE ON THE GROUP'S ASSETS

As at 31st December 2008, certain leasehold land, buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$76,165,000 (2007: HK$151,391,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

EMPLOYEES

As at 31st December 2008, the Group had 679 employees (2007: 605). Of these, 190 were based in Hong Kong, 459 were based in mainland China, and 30 were based in other offices around Asia. 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, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies, discretionary performance bonuses.

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 incentives and rewards for their continued contributions to the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr Lee Sou Leung, Joseph, aged 65, 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 40 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 as the Hong Kong Polytechnic University.

Ms Tan, Lisa Marie, aged 47, is responsible for human resources, administration, strategic planning and formulation of 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 51, 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 corporations in Hong Kong. Mr Chan has many 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 as 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 58, 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 52, 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 for many 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.

Mr Nimmo, Walter Gilbert Mearns, aged 62, 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 Leung Wai Lun, Alan, aged 49, Operations Director of the Group, is responsible for the enhancement of service operations and general support for the business development. Prior to joining the Group in December 2006, Mr. Leung had been Deputy Managing Director of a large technical service company, and has more than 20 years of solid experience in managing service operations including area in after sales service and quality assurance. Mr. Leung holds a Bachelor of Science degree in Mechanical Engineering from the University of Hong Kong, a Master degree of Business Administration from the Chinese University of Hong Kong, and membership of the Hong Kong Institution of Engineers, The Institute of Marine Engineering, Science & Technology (UK), The Institution of Engineering and Technology (UK), The Institute of Industrial Engineers (USA) and The Association of Chartered Certified Accountants (UK).

Mr Wong Man Shun, Michael, aged 44, the general manager of the metalcutting machinery division of the Group. Mr Wong holds a Bachelor of Science Degree in Engineering from the University of Hong Kong. Mr Wong joined the Group in 1986 and was promoted as director of Leeport Precision Machine Tool Company Limited on 1st January 2004.

Mr Ng Man Lung, aged 53, is the general manager of the metrology and small tools division of the Group. Mr Ng has over 30 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 47, the general manager of metalforming division of the Group. Mr Sa has many 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 50, the general manager of the advanced manufacturing technology division of the Group. 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.

Mr Lam Chung Keung, aged 48, the general manager 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 many year's experience in the electronics industry.

Mr Lee Huat Eng, aged 52, 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 57, the business manager of the Group's subsidiary in Taiwan, is responsible for the business development in Taiwan. Prior to joining the Group in January 2002, Mr Wong worked for various machine tool trading companies and has many 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 56, the general manager of Leeport Tools Limited. Mr Chan has many year's 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.

Mr Lau Yiu Man, Simon, aged 48, the general manager of Hoffmann division of the Group. Mr. Lau graduated from The Chinese University of Hong Kong and holds a Bachelor of Science degree followed by a Master of Business Administration degree from Hong Kong Polytechnic University. He has many years of sales and marketing experience substantially in industrial consumables of global brands along with consumer products.

The Directors submit their report together with the audited financial statements for the year ended 31st December 2008.

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 8 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2008 are set out in the consolidated income statement on page 29.

The details of interim dividends paid and declared during the year are set out in Note 29 to the financial statements. No final dividend is proposed by the Company for the year ended 31st December 2008 (2007: HK4.5 cents per ordinary share).

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in Note 16 to the financial statements.

DONATIONS

No charitable and other donations were made by the Group during the year (2007: HK$10,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the financial statements.

LEASEHOLD LAND

Details of the movements in leasehold land of the Group are set out in Note 6 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 15 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2008, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$101,309,000 (2007: HK$103,440,000).

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 89.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed 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.

BORROWINGS

The Group's borrowings, including secured bank loans, collateralised borrowings, trust receipt loans and overdrafts as at 31st December 2008 of HK$220,880,000 are repayable within one year.

SHARE OPTIONS

Pursuant to the written resolutions passed by the 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 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.

Movement of share options during the year are set out in Note 15 of the financial statements.

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

In accordance with Article 87(1) of the Company's Bye-Laws, one third of the directors (or if the number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation at each annual general meeting.

Ms TAN, Lisa Marie 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 one of the subsidiaries of the Group for the year amounted to HK$84,000. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 8 to 10.

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 2008, 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:

		Number of ordinary shares of HK$0.10 each held				
Director		**Personal interests**	**Family interests**	**Other Interests**	**Total**	**Percentage**
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	2,868,000 shares	816,000 shares (Note (b))	144,529,982 shares (Note (a))	148,213,982 shares	68.79%
	Short position	Nil	Nil	Nil	Nil	–
Ms. TAN, Lisa Marie ("Ms. Tan")	Long position	816,000 shares	2,868,000 shares (Note (c))	144,529,982 shares (Note (a))	148,213,982 shares	68.79%
	Short position	Nil	Nil	Nil	Nil	–
Mr. CHAN Ching Huen, Stanley	Long position	200,000 shares	Nil	Nil	200,000 shares	0.09%
("Mr. Chan")	Short position	Nil	Nil	Nil	Nil	–
Mr. NIMMO, Walter Gilbert Mearns	Long position	Nil	402,445 shares (Note (d))	Nil	402,445 shares	0.19%
("Mr. Nimmo")	Short position	Nil	Nil	Nil	Nil	–

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

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

(c) The personal interests of Mr. Lee above are disclosed as the family interest of Ms. Tan.

(d) The 402,445 shares are beneficially owned by Mr. Nimmo's spouse.

SHARE OPTIONS

Director	Date of Grant	Exercise Price HK$	As at 31st January 2008	Granted during the year	Forfeit during the year	As at 31st December 2008
Mr. Lee Sou Leung, Joseph (Mr. Lee)	22nd April 2008	1.25	–	500,000	–	500,000
Ms. TAN, Lisa Marie (Ms. Tan)	22nd April 2008	1.25	–	500,000	–	500,000
Mr. CHAN Ching Huen, Stanley (Mr. Chan)	22nd April 2008	1.25	–	500,000	–	500,000
Dr. LUI Sun Wing (Dr. Lui)	22nd April 2008	1.25	–	100,000	–	100,000
Mr. PIKE, Mark Terence (Mr. Pike)	22nd April 2008	1.25	–	100,000	–	100,000
Mr. NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	22nd April 2008	1.25	–	100,000	–	100,000

Other than as disclosed above and other than those as disclosed in the share options section in the notes 15 to the Consolidated Financial Statements, 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 2008, 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 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	23%
– 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.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31st December 2008 except for Code Provision A.2.1 as Mr. Lee Sou Leung, Joseph is the Chairman and the Managing Director of the Company but the daily operation and management of the Company is monitored by the executive directors as well as the senior management to ensure the balance of power and authority.

Further information is set out in the Corporate Governance Report contained in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31st December 2008.

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 17th April 2009.

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.

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 income statement 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 income statement represent the contributions payable to the funds by the Group.

Employees of 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 2008 are set out in Note 23(a) to the financial statements.

AUDITOR

The financial statements 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, 17th April 2009

The board of directors of the Company (the "Board") is committed to implementing effective corporate governance policies to ensure that all decisions are made in good faith and in accordance with the principles of transparency, fairness and integrity. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited save and except certain deviations as more specifically described below.

DIRECTORS

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, they all have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	Mr. LEE Sou Leung, Joseph Ms. TAN, Lisa Marie Mr. CHAN Ching Huen, Stanley
Independent Non-executive Director	Dr. LUI Sun Wing Mr. PIKE Mark Terence Mr. NIMMO, Walter Gilbert Mearns

Each independent non-executive director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 31st December 2008, 5 full Board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of Board meetings attended in the financial year ended 31st December 2008	Attendance rate
Mr. LEE Sou Leung Joseph	5	100%
Ms. TAN, Lisa Marie	5	100%
Mr. CHAN Ching Huen Stanley	5	100%
Mr. PIKE, Mark Terence	5	100%
Dr. LUI Sun Wing	5	100%
Mr. NIMMO, Walter Gilbert Mearns	5	100%

The Board is responsible for these types of decision:

– formulation of operational goals for the strategic direction of the Company;

– monitoring the financial performance of the Company;

– overseeing the performance of the management;

– ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed;

– setting the Company's values and standards;

while the daily operations and administration are delegated to the management.

The Board held meetings from time to time whenever necessary. The company secretary assists in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes at the following Board meeting.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lee Sou Leung, Joseph ("Mr. Lee") is the chairman and the Managing Director of the Company. Mr. Lee has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Board is of the view that although the chairman is also the Managing Director, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company. The Company has no such title as the chief executive officer.

Ms. Tan, Lisa Marie is the wife of Mr. Lee.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director has entered into a service contract with the Company for a term of three years. All independent non-executive directors are appointed for a specific term which may be renewed as each director and the Company may agree in writing. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws of the Company (the "Bye-laws").

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 10th September 2005 comprising 3 independent non-executive directors. Dr. LUI Sun Wing is the chairman of the Remuneration Committee.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

(1) To make recommendations to the Board on the Company's policy and structure for all remuneration of directors of the Company and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

(2) To have the delegated responsibility to determine the specific remuneration package for all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations.

(3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

(4) To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

(5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

(6) To ensure that no director or any of his associate is involved in deciding his own remuneration.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held in 2008 and various issues concerning the terms of reference of the Committee were discussed. The attendance of each member is set out as follows:

Name of director	Number of Committee meetings attended in the financial year ended 31st December 2008	Attendance rate
Mr. LEE Sou Leung Joseph	1	100%
Ms. TAN, Lisa Marie	1	100%
Dr. LUI Sun Wing	1	100%
Mr. NIMMO, Walter Gilbert Mearns	1	100%
Mr. PIKE, Mark Terence	1	100%

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for preparing the financial statements of the Group. The directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report.

The financial statements are prepared by the directors of the Company, which are prepared and presented to enable a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. The directors are responsible for overseeing the preparation of financial statements of each financial period.

The management of the Company reports regularly to the Board on the financial position and prospects of the business of the Company to enable the Board to make an informed assessment of the financial and other performance of the Company.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the Company's system of internal control.

To facilitate effective and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of materials assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted during the year ended 31st December 2008 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 17th June 2003 and now comprises of three independent non-executive directors. Two members have appropriate professional qualifications or accounting or related financial management expertise. Mr. Mearns Nimmo is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company.

According to the existing terms of reference of the Audit Committee, its major roles and functions are as follows:

1. Appointment, reappointment and removal of the external auditor.

2. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.

3. To develop and implement policy on the engagement of an external auditor to supply non-audit services.

4. To monitor integrity of financial statements of an issuer and the issuer's annual report and accounts, half-year report and to review significant financial reporting judgments contained in them.

5. Oversight of the issuer's financial reporting system and internal control procedures.

Meeting of the Audit Committee shall be held at least twice a year. Two meetings were held in 2008. The attendance of each member is set out as follows:

Name of director	Number of Committee meetings attended in the financial year ended 31st December 2008	Attendance rate
Mr. NIMMO, Walter Gilbert Mearns	2	100%
Mr. PIKE, Mark Terence	2	100%
Dr. LUI Sun Wing	2	100%

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

– To review and supervise the financial reporting process and internal control system of the Company and its subsidiaries.

– Review the financial statements for the relevant period with reference to the scope of the terms of reference.

– Appointment of external auditors.

AUDITORS' REMUNERATION

The amount of fees charged by the Group's auditors in respect of their audit and non-audit services are disclosed in Note 22 to the financial statements. The Audit Committee is responsible for reviewing the remuneration and terms of engagement of the external auditor and for making recommendation to the Board regarding any non-audit services to be provided to the Group by the external auditors.

For the year ended 31st December 2008, the fees paid and payable to the auditors were primarily for audit services as there were no material non-audit service assignments undertaken by them.

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TO THE SHAREHOLDERS OF LEEPORT (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Leeport (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 88, which comprise the consolidated and Company balance sheets as at 31st December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th April 2009

Consolidated Balance Sheet

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**83,779**	99,577
Leasehold land	6	**53,009**	44,468
Available-for-sale financial assets	10	**–**	–
		136,788	144,045
Current assets			
Inventories	13	**294,738**	172,211
Trade receivables and bills receivables	12	**188,571**	196,349
Other receivables, prepayments and deposits	12	**34,742**	30,566
Derivative financial instruments	11	**347**	270
Tax recoverable		**2,062**	–
Restricted bank deposits	14	**33,475**	110,121
Cash and cash equivalents	14	**27,194**	65,700
		581,129	575,217
Total assets		**717,917**	719,262
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**21,544**	20,992
Other reserves	16	**129,155**	88,193
Retained earnings			
– Proposed final dividend	29	**–**	9,446
– Others		**126,676**	127,477
		277,375	246,108
Minority interest		**5,599**	7,569
Total equity		**282,974**	253,677

The notes on pages 32 to 88 are an integral part of these consolidated financial statements.

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	19	**7,427**	10,886
Current liabilities			
Trade payables and bills payables	17	**102,619**	166,607
Other payables, accruals and deposits received	17, 20	**76,481**	60,561
Amount due to a director	33	**27,529**	–
Current income tax liabilities		**–**	3,692
Derivative financial instruments	11	**7**	–
Borrowings	18	**220,880**	223,839
		427,516	454,699
Total liabilities		**434,943**	465,585
Total equity and liabilities		**717,917**	719,262
Net current assets		**153,613**	120,518
Total assets less current liabilities		**290,401**	264,563

On behalf of the Board

LEE Sou Leung, Joseph
Director

TAN, Lisa Marie
Director

The notes on pages 32 to 88 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	**91,645**	91,645
Current assets			
Amounts due from subsidiaries	8	**58,094**	52,601
Prepayments	12	**208**	236
Tax recoverable		**10**	–
Cash and cash equivalents	14	**90**	97
		58,402	52,934
Total assets		**150,047**	144,579
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**21,544**	20,992
Other reserves	16	**126,802**	111,548
Retained earnings			
– Proposed final dividend	29	**–**	9,446
– Others		**1,651**	2,549
Total equity		**149,997**	144,535
LIABILITIES			
Current liabilities			
Other payables	17	**50**	44
Total liabilities		**50**	44
Total equity and liabilities		**150,047**	144,579
Net current assets		**58,352**	52,890
Total assets less current liabilities		**149,997**	144,535

On behalf of the Board

LEE Sou Leung, Joseph
Director

TAN, Lisa Marie
Director

The notes on pages 32 to 88 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Sales	5	**1,037,212**	846,236
Cost of goods sold	22	**(843,060)**	(666,051)
Gross profit		**194,152**	180,185
Other income and gains – net	21	**28,432**	21,316
Selling and distribution costs	22	**(39,783)**	(31,525)
Administrative expenses	22	**(166,245)**	(132,303)
Operating profit		**16,556**	37,673
Finance costs	24	**(10,550)**	(11,042)
Profit before income tax		**6,006**	26,631
Income tax expense	25	**(85)**	(3,548)
Profit for the year		**5,921**	23,083
Attributable to:			
Equity holders of the Company		**7,896**	23,406
Minority interest		**(1,975)**	(323)
		5,921	23,083
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic and diluted	28	**HK3.71 cents**	HK11.15 cents
Dividends	29	**10,722**	18,892

The notes on pages 32 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year ended 31st December 2008

	Note	Attributable to equity holders of the Company				
		Share capital (Note 15) HK$'000	Other reserves (Note 16) HK$'000	Retained earnings HK$'000	Minority interest HK$'000	Total HK$'000
Balance at 1st January 2007		20,992	67,053	131,095	7,888	227,028
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	16	–	(1,314)	1,314	–	–
Currency translation	16	–	2,743	–	4	2,747
Revaluation – gross	16	–	23,185	–	–	23,185
Revaluation – tax	16	–	(3,474)	–	–	(3,474)
Net income recognised directly in equity		–	21,140	1,314	4	22,458
Profit/(loss) for the year		–	–	23,406	(323)	23,083
Total recognised income in 2007		–	21,140	24,720	(319)	45,541
Dividend paid relating to 2006	29	–	–	(9,446)	–	(9,446)
Dividend paid relating to 2007	29	–	–	(9,446)	–	(9,446)
Balance at 31st December 2007		20,992	88,193	136,923	7,569	253,677
Balance at 1st January 2008		20,992	88,193	136,923	7,569	253,677
Issue of shares	16	552	6,377	–	–	6,929
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	16	–	(2,075)	2,075	–	–
Currency translation	16	–	51,837	–	5	51,842
Revaluation – gross	16	–	(18,898)	–	–	(18,898)
Revaluation – tax			3,057			3,057
Share option scheme – value of services provided	16	–	664	–	–	664
Net income recognised directly in equity		552	40,962	2,075	5	43,594
Profit/(loss) for the year		–	–	7,896	(1,975)	5,921
Total recognised income in 2008		552	40,962	9,971	(1,970)	49,515
Dividend paid relating to 2007	29	–	–	(9,446)	–	(9,446)
Dividend paid relating to 2008	29	–	–	(10,772)	–	(10,772)
Balance at 31st December 2008		21,544	129,155	126,676	5,599	282,974

The notes on pages 32 to 88 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30	**(61,789)**	56,621
Interest paid		**(10,550)**	(11,042)
Income tax paid		**(6,888)**	(2,788)
Net cash (used in)/generated from operating activities		**(79,227)**	42,791
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(8,809)**	(5,637)
Purchase of leasehold land	6	**–**	(10,769)
Proceeds from sale of property, plant and equipment	30	**1,376**	609
Interest received		**1,253**	1,391
Decrease/(Increase) in restricted bank deposits		**76,646**	(37,657)
Net cash generated from/(used in) investing activities		**70,466**	(52,063)
Cash flows from financing activities			
(Repayment of)/Proceeds from collateralised borrowings and short-term bank loans		**(52,932)**	27,802
Amount due to a director		**27,529**	–
Dividends paid to the Company's shareholders	29	**(13,289)**	(18,892)
Net cash (used in)/generated from financing activities		**(38,692)**	8,910
Net decrease in cash, cash equivalents and bank overdrafts		**(47,453)**	(362)
Cash, cash equivalents and bank overdrafts at beginning of the year		**65,700**	65,093
Effect of the exchange rate for the year		**(159)**	969
Cash, cash equivalents and bank overdrafts at end of the year	14(c)	**18,088**	65,700

The notes on pages 32 to 88 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Leeport (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the trading and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment.

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17th April 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

During the year, the Group has adopted the following new or revised HKFRS which are relevant to the Group's operations and are effective for accounting periods beginning on 1st January 2008:

HKAS 39 Financial Instruments: Recognition and Measurement
HK(IFRIC) Interpretation 11 HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) Interpretation 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new or revised HKFRS had no material effect on the Group's results and financial position for the current or prior years.

Standards and interpretations to existing standards have been issued but are not effective for the year ended 31st December 2008:

HKAS 1 (Revised) Presentation of Financial Statements
HKAS 23 (Revised) Borrowing Costs
HKAS 27 (Revised) Consolidated and Separate Financial Statements
HKAS 32 (Amendment) Financial Instruments: Presentation
HKAS 1 (Amendment) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 (Amendment) First Time Adoption of HKFRS
HKFRS 2 (Amendment) Share-based Payment
HKFRS 3 (Revised) Business Combinations
HKFRS 8 Operating Segments
HK(IFRIC) Interpretation 13 Customer Loyalty Programmes
HK(IFRIC) Interpretation 15 Agreements for the Construction of Real Estates
HK(IFRIC) Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IFRIC Interpretation 17 Distributions of Non-cash Assets to Owners

HKICPA's improvements to HKFRS published in October 2008

HKAS 1 (Amendment) Presentation of Financial Statements
HKAS 2 (Amendment) Inventories
HKAS 7 (Amendment) Statement of Cash Flows
HKAS 16 (Amendment) Property, Plant and Equipment
HKAS 19 (Amendment) Employee Benefits
HKAS 20 (Amendment) Accounting for Government Grants and Disclosure of Government Assistance

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

HKAS 23 (Amendment) Borrowing Costs
HKAS 27 (Amendment) Consolidated and Separate Financial Statements
HKAS 28 (Amendment) Investments in Associates
HKAS 29 (Amendment) Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment) Interests in Joint Ventures
HKAS 36 (Amendment) Impairment of Assets
HKAS 38 (Amendment) Intangible Assets
HKAS 39 (Amendment) Financial Instruments: Recognition and Measurement
HKAS 40 (Amendment) Investment Property
HKAS 41 (Amendment) Agriculture
HKFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations

2.2 Consolidation

Apart from the above, there are also a number of minor amendments to HKFRS 7 'Financial Instruments: Disclosures', HKAS8, 'Accounting Policies, Changes in Accounting Estimates and Errors', HKAS10, 'Events after the Balance Sheet Date', HKAS18, 'Revenue' and HKAS34, 'Interim Financial Reporting'.

The Group did not early adopt any of these new/revised standards, amendments to standards and interpretations to existing standards. The Group is in the process of assessing the impact of these new/revised standards, amendments to standards and interpretations to existing standards on the Group's results and financial position in the future.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) *Subsidiaries (Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 by the Company on the basis of dividend received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). As the Company is listed on the Main Board of the Stock Exchanges of Hong Kong, the directors considers that it will be more appropriate to adopt Hong Kong dollar as the Group's and the Company's presentation currency. The Company's functional currency has been changed from HK dollars to Japanese Yen. Please refer to Note 3.1 for details.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Buildings comprise mainly offices, warehouses, showrooms and directors' quarters. Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from fair value reserve to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	4%
Leasehold improvements	10%
Plant, machinery, furniture and equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other (losses)/gains-net, in the income statements. When revalued assets are sold, the amounts included in fair value reserve are transferred to retained earnings.

2.6 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The Group does not designate any derivative as hedging instrument; therefore derivatives are also categorised as held for trading. Assets in this category are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables and bills receivables', `other receivables', `restricted bank deposits' and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in Note 2.10.

2.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Group does not designate any derivative as a hedging instrument.

Changes in the fair value of all derivative instruments are recognised immediately in the income statement within other income and gains-net.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprises all direct costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) 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 or paternity leave are not recognised until the time of leave.

(b) Bonus plans

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (Continued)

(c) *Pension obligations*

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

(d) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 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 the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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 historical experience of the level of repairs and replacements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales 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.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continue unwinding the discount as interest income.

2.19 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the executive Directors. The executive Directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign currency exposure

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The functional currency of the entity should primarily be determined with reference to the primary economic environment in which an entity operates and this will normally be the one in which it primarily generates and expends cash. During the year, there are changes in circumstances that result in Japanese Yen being the currency that mainly influences the operation of the Group's significant entities. As a result, the functional currency of the Company and certain subsidiaries has been changed from HK dollars to Japanese Yen. The consolidated financial statements are presented in HK dollars.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The foreign exposure of group entities with functional currency other than Japanese Yen is insignificant. The foreign exposure of group entities with functional currency of Japanese Yen is mainly exposed to Renminbi, HK dollars and USD. The net monetary assets/(liabilities) of these subsidiaries denominated in Renminbi, HK dollars and USD expressed in terms of HK dollars are HK$(10,671,000), HK$(39,370,000) and HK$3,297,000 respectively.

As of 31st December 2007, the foreign-currency denominated net monetary assets of the Group entities in terms of HK dollars is HK$ 68,702,000

As at 31st December 2008, a 5% strengthening of the Yen against Renminbi, HK dollars and USD would have increased/(decreased) post-tax profit for the year by HK$533,550, HK$1,968,500 and HK$(164,850) respectively. A 5% weakening of Yen against Renminbi, HK dollars and USD would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign currency exposure (Continued)

As at 31st December 2007, a 5% strengthening of foreign currency against the functional currency of the group entities would have increased post-tax profit for the year by HK$3,435,000. A 5% weakening of foreign currency against functional currency would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group's credit risk arises from cash and cash equivalents, restricted bank deposits, counter party risk in respect of derivative financial instruments, as well as credit exposures to trade and bill receivables as well as other receivables. The Group considers its maximum exposure to credit risk at the reporting dates is the carrying value of each class of financial assets as disclosed in Note 9(a).

To manage the counter party risk and credit risk in respect of cash and cash equivalents and restricted bank deposits, cash and deposits are mainly placed with reputable banks which are all high-credit-quality financial institutions. In additions, the Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, appropriate percentage of down payment and to perform periodic credit evaluations of its customers or made in cash. Collection of outstanding receivable balances and authorised of credit limits to individual customers are closely monitored on an ongoing basis. The Group reviews the recoverable amount of each individuals trade receivables to ensure that adequates impairment loss are made for irrecoverable amounts.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counter party's default history. The current portion of trade and bill receivables which are not impaired are analysed below.

	As at 31st December	
	2008	2007
	HK$'000	HK$'000
Trade and bills receivables		
Customers accepted within past 12 months	**4,928**	43,782
Customers accepted beyond the past 12 months	**90,626**	75,067
Total	**95,554**	118,849

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000
Group	
At 31st December 2008	
Borrowings (Note 18)	220,880
Derivative financial instruments (Note 11)	7
Trade and bills payable (Note 17)	102,619
Other payables (Note 17)	63,025
Amount due to director (Note 33)	27,529
	414,060
At 31st December 2007	
Borrowings (Note 18)	233,839
Derivative financial instruments (Note 11)	–
Trade and bills payable (Note 17)	166,607
Other payables (Note 17)	45,204
Amount due to director (Note 33)	–
	445,650
Company	
At 31st December 2008	
Other payables (Note 17)	50
At 31st December 2007	
Other payables (Note 17)	44

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000
Group	
At 31st December 2008	
Forward foreign exchange contracts	
– held for trading:	
Outflow	6,282
Inflow	6,622
At 31st December 2007	
Forward foreign exchange contracts	
– held for trading:	
Outflow	30,179
Inflow	30,449
Company	
At 31st December 2008	
Forward foreign exchange contracts	
– held for trading:	
Outflow	–
Inflow	–

The Group's financial liabilities were current in nature and repayable on demand, therefore the contractual undiscounted cash flows of the Group's and the Company's financial liabilities were less than one year at the year end.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

At 31st December, the Group had the following borrowing facilities:

	As at 31st December	
	2008	2007
	HK$'000	HK$'000
Borrowing facilities available	**713,750**	697,230
Borrowing facilities utilised	**(313,358)**	(340,213)
Undrawn borrowing facilities	**400,392**	357,017

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposures to changes in interest rates are mainly attributable to its borrowings.

Borrowings at variable rates exposed the Group to cash flow interest rate risk. Borrowings at fixed rates exposed the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 18.

During the year end, the borrowings of the Group at variable rates were denominated in HKD, USD, EURO ("EUR"), JPY and no borrowings were at fixed rate. The Group endeavored to maintain the borrowings on a relatively short term basis which would be refinanced when considered as appropriate.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss and equity of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit or loss of a 50 basis-point shift would be a maximum increase/decrease of HK$937,000 for the year ended 31st December 2008 (2007: HK$563,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio at 31st December 2008 and 2007 were as follows:-

	As at 31st December	
	2008	2007
	HK$'000	HK$'000
Total borrowings (Note 18)	**220,880**	223,839
Less: Cash and cash equivalents (Note 14)	**(27,194)**	(65,700)
Net debt	**193,686**	158,139
Total equity	**282,974**	253,677
Gearing ratio	**68.4%**	62.3%

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined by using quoted forward exchange rates at the balance sheet date.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted bank deposits, trade and bills receivables, other receivables, trade and bills payables, other payables and borrowings approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimate will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of the potential tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Provision for impairment of receivables

The Group records impairment of receivables based on an assessment of the recoverability of trade and other receivables. Provisions for impairment are applied to trade and other receivables, where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charges in the period in which such estimate has been changed.

(c) Warranty provision

The Group generally offers one year warranty for its products sold. Management estimates the related provision for warranty based on historical warranty claims information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated warranty claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour cost..

(d) Writedown of inventories to net realisable value

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies inventories that are moving or obsolete, considers their physical conditions, market conditions and market price for similar items.

5 SEGMENT INFORMATION

(a) Primary 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 and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronics equipment, throughout the year.

(b) Secondary reporting format – geographical segments

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

The Group primarily operates in Hong Kong and the PRC. The Group's turnover by geographical location is determined by where the customer is located.

	For the year ended 31st December	
	2008	2007
	HK$'000	HK$'000
Turnover:		
The PRC	**644,971**	514,917
Hong Kong	**333,599**	221,317
Other locations[1]	**58,642**	110,002
	1,037,212	846,236

Notes:

1. Other locations mainly include Taiwan, Singapore, United States, Macau, Greece, United Kingdom, Japan and Malaysia.

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

Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, receivables, derivative financial instruments, operating cash and restricted cash.

5 SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format – geographical segments (Continued)

	As at 31st December	
	2008	2007
	HK$'000	HK$'000
Total assets:		
The PRC	**380,363**	290,402
Hong Kong	**290,104**	358,200
Other locations	**47,450**	70,660
	717,917	719,262

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

Capital expenditure comprises mainly additions to property, plant and equipment, leasehold land and intangible assets.

	For the year ended 31st December	
	2008	2007
	HK$'000	HK$'000
Capital expenditure:		
The PRC	**1,267**	412
Hong Kong	**7,518**	15,889
Other locations	**24**	105
	8,809	16,406

6 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**32,958**	24,390
Leases of between 10 to 50 years	**12,697**	12,495
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**7,354**	7,583
	53,009	44,468

Bank borrowings are secured on leasehold land for the carrying amount of HK$12,434,000 (2007: HK$3,733,000) (Note 18).

	Group	
	2008	2007
	HK$'000	HK$'000
Opening	**44,468**	34,191
Additions	**–**	10,769
Exchange differences	**9,311**	54
Amortisation	**(770)**	(546)
	53,009	44,468

7 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2007					
Cost or valuation	47,409	21,175	46,381	2,022	116,987
Accumulated depreciation	–	(8,339)	(26,154)	(1,330)	(35,823)
Net book amount	47,409	12,836	20,227	692	81,164
Year ended 31st December 2007					
Opening net book amount	47,409	12,836	20,227	692	81,164
Exchange differences	253	598	363	32	1,246
Revaluation surplus (Note 16)	23,185	–	–	–	23,185
Additions	2,251	52	3,248	86	5,637
Disposals (Note 30)	–	–	(609)	–	(609)
Depreciation	(1,898)	(2,025)	(6,895)	(228)	(11,046)
Closing net book amount	71,200	11,461	16,334	582	99,577
At 31st December 2007					
Cost or valuation	71,200	21,973	49,390	2,150	144,713
Accumulated depreciation	–	(10,512)	(33,056)	(1,568)	(45,136)
Net book amount	71,200	11,461	16,334	582	99,577
Year ended 31st December 2008					
Opening net book amount	71,200	11,461	16,334	582	99,577
Exchange differences	2,070	2,909	2,257	52	7,288
Revaluation loss (Note 16)	(18,898)	–	–	–	(18,898)
Additions	–	173	8,636	–	8,809
Disposals (Note 30)	–	–	(1,298)	–	(1,298)
Depreciation	(2,807)	(2,184)	(6,462)	(246)	(11,699)
Closing net book amount	51,565	12,359	19,467	388	83,779
At 31st December 2008					
Cost or valuation	51,565	27,386	64,302	2,556	145,809
Accumulated depreciation	–	(15,027)	(44,835)	(2,168)	(62,030)
Net book amount	51,565	12,359	19,467	388	83,779

7 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

The Group's buildings located in Hong Kong and the PRC were revalued as at 31st December 2008. Valuations were made on the basis of open market value by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The buildings of the Group located outside Hong Kong and the PRC were revalued as at 31st December 2008 on the basis of their open market value by Dickson Property Consultant Pte Ltd., an independent firm of professional valuers. The increase or decrease in carrying amount arising on revaluation net of applicable deferred income taxes was credited or charged to other reserves respectively in shareholders' equity (Note 16).

Depreciation expense of HK$11,699,000 (2007: HK$11,046,000) has been charged in administrative expenses.

If buildings were stated on the historical cost basis, the amounts would be as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Cost	**19,900**	19,900
Accumulated depreciation	**(8,522)**	(7,968)
Net book amount	**11,378**	11,932

Bank borrowings are secured on buildings for the carrying amount of HK$24,560,000 (2007: HK$37,537,000) (Note 18).

The analysis of cost or valuation as at 31st December 2008 of the above assets is as follows:

	Group				
	Buildings	**Leasehold improvements**	**Plant, machinery, furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
At cost	**–**	**27,386**	**64,302**	**2,556**	**94,244**
At valuation	**51,565**	**–**	**–**	**–**	**51,565**
	51,565	**27,386**	**64,302**	**2,556**	**145,809**

7 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

The analysis of cost or valuation as at 31st December 2007 of the above assets is as follows:

	Group				
	Buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	21,973	49,390	2,150	73,513
At valuation	71,200	–	–	–	71,200
	71,200	21,973	49,390	2,150	144,713

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2008 HK$'000	2007 HK$'000
Non-current		
Unlisted shares, at cost	**91,645**	91,645
Current		
Amounts due from subsidiaries (Note (b))	**58,094**	52,601

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries

The following is a list of the subsidiaries as at 31st December 2008:

Name	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest Held
Leeport Group Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	[1]100%
Formtek Machinery Company Limited (Note (i))	Taiwan, limited liability company	Trading of metalforming machines and tools in Taiwan	800,000 ordinary shares of NT$10 each	100%
Leeda Machinery Limited	Hong Kong, limited liability company	Trading of machines in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Leeport Cutting Tools Corporation	British Virgin Islands, limited liability company	Inactive	10,000 ordinary shares of US$1 each	100%
Leeport Electronics Limited	Hong Kong, limited liability company	Trading of electronic equipment in Hong Kong	200,000 ordinary shares of HK$10 each	100%
Leeport Machine Tool Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1,000,000 ordinary shares of HK$10 each	100%
Leeport Macao Commercial Offshore Limited (Note (i))	Macau, limited liability company	Trading of machines, tools, accessories and measuring instruments in Macau	1 ordinary share of MOP100,000 each	100%
Leeport (Malaysia) Sdn. Bhd. (Note (i))	Malaysia, limited liability company	Distribution and repair of machine tools and accessories in Malaysia	350,000 ordinary shares of RM1 each	100%
Leeport Machine Tool (Shenzhen) Company Limited (Note (i))	The PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	Registered and fully paid capital of HK$10,000,000	100%

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest Held
Leeport Machine Tool Trading (China) Limited (Note (i))	The PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	[Registered and fully paid capital of RMB6,000,000]	100%
Leeport (Singapore) Pte Ltd (Note (i))	Singapore, limited liability company	Trading of machine tools and related products in Singapore	1,000,000 ordinary shares of S$1 each	100%
Leeport Machinery (Shanghai) Company Limited (Note (i))	The PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	Registered and fully paid capital of US$1,000,000	98%
Leeport Metalforming Machinery Limited	Hong Kong, limited liability company	Trading of metalforming machines in Hong Kong	50,000 ordinary shares of HK$10 each	100%
Leeport Metrology Corporation	British Virgin Islands, limited liability company	Investment holding in Hong Kong	7,000,000 ordinary shares of US$1 each	90%
Leeport Metrology (Hong Kong) Limited	Hong Kong, limited liability company	Trading of measuring instruments in Hong Kong	1,000,000 ordinary shares of HK$10 each	90%
Leeport Precision Machine Tool Company Limited	Hong Kong, limited liability company	Trading of metalcutting machines in Hong Kong	5,000,000 ordinary shares of HK$1 each	100%
Leeport Technology Limited	Hong Kong, limited liability company	Trading of rapid prototyping equipment and plastic injection machines in Hong Kong	100,000 ordinary shares of HK$10 each	100%
Leeport Tools Limited	Hong Kong, limited liability company	Trading of cutting tools in Hong Kong	10,000 ordinary shares of HK$100 each	100%
Mitutoyo Metrology (Dongguan) Limited (Note (i))	The PRC, limited liability company	Provision of metrology maintenance service in the PRC	Registered and fully paid capital of US$483,060	90%

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest Held
Rapman Limited	Hong Kong, limited liability company	Manufacturing of rapid prototypes	100,000 ordinary shares of HK$10 each	100%
Rapman (Dongguan) Limited (Note (i))	The PRC, limited liability company	Manufacturing of rapid prototypes	Registered and fully paid capital of HK$3,500,000	100%
World Leader Limited	Hong Kong, limited liability company	Property holding in the PRC	1 ordinary share of HK$1 each	100%
Leeport Metrology Macao Commercial Offshore Limited (Note (i))	Macau, limited liability company	Trading of measuring instruments	1 ordinary share of MOP100,000 each	90%
Leeport Tools Macao Commercial Offshore Limited (Note (i))	Macau, limited liability company	Trading of cutting tools	1 ordinary share of MOP100,000 each	100%

[1] Shares held directly by the Company

Note:

(i) PricewaterhouseCoopers Hong Kong is not the statutory auditor of these companies.

(b) Amounts due from subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

9 FINANCIAL INSTRUMENTS BY CATEGORY

(a)

	Group		
	Loans and receivables	**Derivatives not used for hedging**	**Total**
	HK$'000	HK$'000	HK$'000
Assets as per consolidated balance sheet			
At 31st December 2008			
Derivative financial instruments (Note 11)	–	347	347
Trade receivables and bills receivables (Note 12)	188,571	–	188,571
Other receivables (Note 12)	18,110	–	18,110
Restricted bank deposits	33,475	–	33,475
Cash and cash equivalents (Note 14)	27,194	–	27,194
Total	267,350	347	267,697
At 31st December 2007			
Derivative financial instruments (Note 11)	–	270	270
Trade receivables and bills receivables (Note 12)	196,349	–	196,349
Other receivables (Note 12)	16,256	–	16,256
Restricted bank deposits	110,121	–	110,121
Cash and cash equivalents (Note 14)	65,700	–	65,700
Total	388,426	270	388,696

9 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Group		
	Other financial liabilities HK$'000	Derivatives not used for hedging HK$'000	Total HK$'000
Liabilities as per consolidated balance sheet			
At 31st December 2008			
Derivative financial instruments (Note 11)	–	7	7
Borrowings (Note 18)	220,880	–	220,880
Trade payables and bills payables (Note 17)	102,619	–	102,619
Amount due to a director (Note 33)	27,529	–	27,529
Other payables (Note 17)	63,025	–	63,025
Total	414,053	7	414,060
At 31st December 2007			
Borrowings (Note 18)	223,839	–	223,839
Trade payables and bills payables (Note 17)	166,607	–	166,607
Other payables (Note 17)	45,204	–	45,204
Total	435,650	–	435,650

9 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(b)

	Company **Loans and Receivables** HK$'000
Assets as per balance sheet	
31st December 2008	
Amounts due from subsidiaries (Note 8)	58,094
Cash and cash equivalents (Note 14)	90
Total	58,184
31st December 2007	
Amounts due from subsidiaries (Note 8)	52,601
Cash and cash equivalents (Note 14)	97
Total	52,698

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
At 31st December 2008	
Other payables (Note 17)	50
Total	50
At 31st December 2007	
Other payables (Note 17)	44
Total	44

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008 HK$'000	2007 HK$'000
Unlisted shares	**1,172**	1,172
Less: provision for impairment losses	**(1,172)**	(1,172)
	–	–

There were no disposals or impairment provisions on available-for-sale financial assets in 2008 and 2007.

11 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2008		2007	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts – non-hedge instruments	**347**	**7**	270	–

As at 31st December 2008, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR 560,000 for selling HKD5,759,000 and buy SGD 95,700 for selling HKD523,000. (2007: buy JPY303,600,000 for selling HKD21,114,000, buy SGD81,200 for selling HKD425,000, buy GBP 430,000 for selling HKD6,683,000 and buy AUD300,000 for selling HKD1,956,000).

12 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Trade receivables and bills receivables	**197,050**	205,135	**–**	–
Less: provision for impairment of receivables	**(8,479)**	(8,786)	**–**	–
Trade receivable and bill receivables-net	**188,571**	196,349	**–**	–
Other receivables, prepayments and deposits	**34,742**	30,566	**208**	236
	223,313	226,915	**208**	236

12 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

At 31st December 2008 and 2007, the ageing analysis of trade receivables and bills receivables by due dates was as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	**95,554**	118,849
1-3 months	**62,105**	52,959
4-6 months	**15,009**	11,862
7-12 months	**10,513**	4,399
Over 12 months	**13,869**	17,066
	197,050	205,135
Less: provision for impairment of receivables	**(8,479)**	(8,786)
	188,571	196,349

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.

Certain subsidiaries of the Group transferred receivables balances amounting to HK$12,494,000 (2007: HK$5,411,000) to certain banks in exchange for cash during the year ended 31st December 2008. These transactions have been accounted for as collateralised borrowings (Note 18).

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

The Group has recognised a loss of HK$1,025,000 (2007: HK$1,366,000) for the impairment of its trade receivables and bills receivables during the year ended 31st December 2008. The loss has been included in administrative expenses in the consolidated income statement.

12 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

The carrying amounts of the Group's trade receivables and bills receivables are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
EUR	**18,173**	23,069
HKD	**35,834**	37,441
JPY	**41,720**	39,868
USD	**22,718**	30,088
RMB	**54,384**	43,403
Other currencies	**15,742**	22,480
	188,571	196,349

As at 31st December 2008, trade receivables of HK$8,479,000 (2007: HK$8,786,000) were impaired and were fully provided for. The individually impaired receivables mainly relate to smaller customers which were in financial difficulties. The ageing analysis of these non-recoverable receivables based on due date is as follows:

	2008 HK$'000	2007 HK$'000
Over 12 months	**8,479**	8,786

As of 31st December 2008, trade receivables of HK$93,017,000 (2007: HK$77,500,000) were past due but not impaired. These relate to a number of customers with no history of credit default and they are in continuous trading with the Group. The ageing analysis of these trade receivables based on due date is as follows:

	2008 HK$'000	2007 HK$'000
1-3 months	**62,105**	52,959
4-6 months	**15,009**	11,862
7-12 months	**10,513**	4,399
Over 12 months	**5,390**	8,280
	93,017	77,500

12 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Movements of provision for impairment of trade receivables and bills receivables are as follows:

	2008 HK$'000	2007 HK$'000
At beginning of the year	**8,786**	7,775
Provision for impairment of receivables	**1,025**	1,366
Recovery of impaired receivables	**(1,332)**	(355)
At end of the year	**8,479**	8,786

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated income statements (Note 22). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13 INVENTORIES

	Group	
	2008 HK$'000	2007 HK$'000
Merchandise	**294,738**	172,211

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$831,114,000 (2007: HK$656,407,000). (Note 22)

14 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Restricted bank deposits (Note a)	**33,475**	110,121	**–**	–
Cash at bank and in hand (Note b)	**27,194**	64,590	**90**	97
Short-term bank deposits (Note c)	**–**	1,110	**–**	–
	27,194	65,700	**90**	97

(a) Restricted bank deposits of the Group are pledges to secure banking facilities granted to the Group. The effective interest rate on restricted bank deposits was 2% (2007: 0.9%) and these deposits have an average renewal period of 8 days (2007: 9 days).

(b) The bank balances of the Group amounting to HK$8,750,000 (2007: HK$13,717,000) are placed with certain banks in the PRC. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

(c) No effective interest rate on short-term bank deposits as at 31st December 2008 (2007: 0.3%).

Cash and bank overdrafts for the purposes of the consolidated cash flow statement include the following:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**27,194**	65,700	**90**	97
Bank overdrafts (Note 18)	**(9,106)**	–	**–**	–
	18,088	65,700	**90**	97

14 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

The table below shows the bank deposits balance of the major counterparties as of 31st December 2008 and 2007.

Cash and cash equivalents	**2008 HK$'000**	2007 HK$'000
Cash at banks and bank deposits		
– Listed financial institutions	**20,452**	59,140
– Non-listed financial institutions	**6,379**	6,011
	26,831	65,151
Cash in hand	**363**	549
Total	**27,194**	65,700
Restricted bank deposits, secured listed financial institutions	**33,475**	110,121
	33,475	110,121

The carrying amounts of the Group's cash at bank and in hand are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
EUR	**563**	16,967
HKD	**5,241**	7,495
JPY	**3,760**	5,268
USD	**5,010**	15,169
RMB	**8,750**	13,717
Other currencies	**3,870**	7,084
	27,194	65,700

15 SHARE CAPITAL

	2008 HK$'000	2007 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
215,444,062 (2007: 209,917,695) ordinary shares of HK$0.10 each	**21,544**	20,992

	Ordinary shares at HK$0.10 each	
	Number Of shares (thousands)	**HK$'000**
At 1st January 2008 and 31st December 2007	209,918	20,992
Issued as scrip dividends (Note a)	5,526	552
At 31st December 2008	215,444	21,544

(a) Scrip dividends

5,526,367 shares were issued on 30th July 2008 as 2007 final scrip dividend, of which HK$522,000 was recognised as share capital and the remaining amount of HK$6,377,000 was recognised as share premium accordingly.

(b) Share options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Scheme"). During the year, share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing one year's service (the vesting period). The options are exercisable starting one year from the grant date. No other contractual obligation for the exercise of share option.

15 SHARE CAPITAL (CONTINUED)

(b) Share options (Continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

Eligible participants	Date of Grant	Exercise Price HK$	At Beginning of period	Granted during the period	Exercised during the period	Expired during the period	At end of period Director
Director							
Mr. LEE Sou Leung, Joseph (Mr. Lee)	22nd April 2008	1.25	–	500,000	–	–	500,000
Ms. TAN, Lisa Marie (Ms. Tan)	22nd April 2008	1.25	–	500,000	–	–	500,000
Mr. CHAN Ching Huen, Stanley (Mr. Chan)	22nd April 2008	1.25	–	500,000	–	–	500,000
Mr. LUI Sun Wing (Mr. Lui)	22nd April 2008	1.25	–	100,000	–	–	100,000
Mr. PIKE, Mark Terence (Mr. Pike)	22nd April 2008	1.25	–	100,000	–	–	100,000
Mr. NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	22nd April 2008	1.25	–	100,000	–	–	100,000
Employees							
(excluding directors)	22nd April 2008	1.25	–	5,548,000	–	–	5,548,000
			–	7,348,000	–	–	7,348,000

Out of the 7,348 thousand outstanding options (2007: Nil), no option was exercisable as at 31 December 2008. (2007: Nil). The exercisable period of the above share option is from 22nd April 2009 to 21st April 2010 (both dates inclusive). No options are forfeited, exercised and expired during the year. All the outstanding share options of 7,348,000 has an expiry date on 21st April 2010.

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was HK$0.1823 per option (2007: Nil). The significant inputs into the model were weighted average share price of HK$1.27 (2007: Nil) at the grant date, exercise price shown above, volatility of 40% (2007: Nil), dividend yield of 7.3% (2007: Nil), an expected option life of three years, and on annual risk-free interest rate of 1.05% (2007: Nil). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See Note 23 for the total expense recognized in the consolidated income statement for share options granted to directors and employees.

16 OTHER RESERVES

	Group					
	Share premium HK$'000	Building revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Merger reserve HK$'000	Total HK$'000
Balance at 1st January 2007	20,103	33,432	2,208	–	11,310	67,053
Currency translation differences	–	3	2,740	–	–	2,743
Revaluation – gross (Note 7)	–	23,185	–	–	–	23,185
Revaluation – tax (Note 19)	–	(3,474)	–	–	–	(3,474)
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(1,314)	–	–	–	(1,314)
Balance at 31st December 2007	20,103	51,832	4,948	–	11,310	88,193
Balance at 1st January 2008	20,103	51,832	4,948	–	11,310	88,193
Issue of Shares	6,377	–	–	–	–	6,377
Currency translation differences	–	1,292	50,545	–	–	51,837
Revaluation – gross (Note 7)	–	(18,898)	–	–	–	(18,898)
Revaluation – tax (Note 19)	–	3,057	–	–	–	3,057
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(2,075)	–	–	–	(2,075)
Share option scheme – value of services provided	–	–	–	664	–	664
Balance at 31st December 2008	26,480	35,208	55,493	664	11,310	129,155

16 OTHER RESERVES (CONTINUED)

	Company				
	Share premium HK$'000	**Contributed surplus** HK$'000 (Note (a))	**Exchange reserve** HK$'000	**Other reserve** HK$'000	**Total** HK$'000
Balance at 1st January 2007	20,103	91,445	–	–	111,548
Issue of shares	–	–	–	–	–
Balance at 31st December 2007	20,103	91,445	–	–	111,548
Balance at 1st January 2008	**20,103**	**91,445**	**–**	**–**	**111,548**
Share option scheme					
– value of services provided	**–**	**–**	**–**	**664**	**664**
Issue of shares (Note 15(a))	**6,377**	**–**	**–**	**–**	**6,377**
Currency translation difference	**–**	**–**	**8,213**	**–**	**8,213**
Balance at 31st December 2008	**26,480**	**91,445**	**8,213**	**664**	**126,802**

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, 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 2008 amounted to HK$101,309,000 (2007: HK$103,440,000).

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables and bills payables	**102,619**	166,607	**–**	–
Other payables, accruals and deposits received	**76,481**	60,561	**50**	44
	179,100	227,168	**50**	44

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

	Group	
	2008	2007
	HK$'000	HK$'000
Current	**90,542**	135,033
1-3 months	**6,573**	27,499
4-6 months	**3,744**	2,103
7-12 months	**1,259**	281
Over 12 months	**501**	1,691
	102,619	166,607

The carrying amounts of the trade payables and bills payables are denominated in the following currencies:

	2008	2007
	HK$'000	HK$'000
JPY	**50,024**	47,663
EUR	**13,729**	45,628
USD	**19,188**	29,605
RMB	**2,433**	6,172
HKD	**3,314**	2,463
Others	**13,931**	35,076
	102,619	166,607

18 BORROWINGS

	Group 2008 HK$'000	Group 2007 HK$'000
Current		
Bank overdrafts (Note 14(b))	**9,106**	–
Collateralised borrowings	**12,494**	5,411
Trust receipt loans	**130,470**	89,603
Short-term bank loans	**68,810**	128,825
Total borrowings	**220,880**	223,839

Certain bank facilities are secured by the leasehold land (Note 6), building (Note 7) and restricted bank deposits (Note 14) of the Group. Collateralised borrowings are secured by trade receivables (Note 12).

As at 31st December 2008, the Group has no non-current borrowing (2007: Nil).

The maturity of all borrowings is within one year (2007: within one year).

The effective interest rates per annum at the balance sheet date were as follows:

	2008 HK$	2008 US$	2008 EUR	2008 JPY	2008 Others	2007 HK$	2007 US$	2007 EUR	2007 JPY	2007 Others
Bank overdrafts	**5.43%**	–	–	–	**5.75%**	–	–	–	–	–
Collateralised borrowings	**7.50%**	**3.70%**	–	**4.38%**	–	5.15%	–	5.63%	2.78%	–
Trust receipts loans	–	**6.54%**	**6.16%**	**2.56%**	–	–	6.57%	6.15%	2.67%	7.91%
Short-term bank loans	**3.36%**	–	–	–	–	4.73%	–	–	–	–

18 BORROWINGS (CONTINUED)

The carrying amounts of the borrowings are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
EUR	**12,270**	10,312
HKD	**78,214**	129,452
JPY	**120,196**	57,082
USD	**9,218**	12,063
Other currencies	**982**	14,930
	220,880	223,839

The facilities expiring within one year are annual facilities subject to review at various dates during year 2008.

19 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2007: 17.5%).

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

	Group	
	2008	2007
	HK$'000	HK$'000
Accelerated tax depreciation		
At 1st January	**10,886**	8,159
Exchange differences	**633**	(28)
Credited to income statement (Note 25)	**(1,035)**	(719)
(Credited)/charged directly to equity (Note 16)	**(3,057)**	3,474
At 31st December	**7,427**	10,886

19 DEFERRED INCOME TAX (CONTINUED)

The deferred income tax charged to equity during the year is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Building revaluation reserves in shareholders' equity (Note 16)	**(3,057)**	3,474

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 did not recognise deferred income tax assets of HK$10,006,617 (2007: HK$3,200,340) in respect of losses amounting to HK$39,867,000 (2007: HK$19,396,000) that can be carried forward against future taxable income. Losses amounting to HK$30,952,000 (2007:HK$16,474,000) have no expiry period. The remaining tax losses of HK$8,915,000 as at 31st December 2008 (2007: HK$2,922,000) will be expired within five years.

20 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 the warranty period 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:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1st January	**4,589**	4,443
Provision made during the year	**6,773**	8,830
Provision utilised during the year	**(8,077)**	(8,684)
At 31st December	**3,285**	4,589

The provision has been included in cost of goods sold in the consolidated income statement.

21 OTHER INCOME AND GAINS – NET

	2008 HK$'000	2007 HK$'000
Derivative instruments – forward contract:		
– Realised and unrealised net fair value gain	**70**	352
Interest income	**1,253**	1,391
Investment income	**1,323**	1,743
Service income	**19,804**	14,491
Commission income	**5,588**	2,499
Other income	**1,717**	2,583
	28,432	21,316

22 EXPENSES BY NATURE

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

	2008 HK$'000	2007 HK$'000
Auditor's remuneration	**2,446**	2,443
Cost of inventories sold (Note 13)	**831,114**	656,407
Depreciation on property, plant and equipment (Note 7)	**11,699**	11,046
Amortisation on leasehold land (Note 6)	**770**	546
Operating lease rentals in respect of land and buildings	**8,504**	7,489
Provision for slow moving inventories	**4,200**	2,354
Provision for impairment of trade and bills receivables (Note 12)	**1,025**	1,366
Foreign exchange loss/(gain) (Note 26)	**5,844**	(7,472)
Employee benefits expenses (including directors' remunerations) (Note 23)	**88,854**	79,273
Other expenses	**94,632**	76,427
Total cost of sales, selling and distribution costs and administrative expenses	**1,049,088**	829,879

23 EMPLOYEE BENEFITS EXPENSES

	2008 HK$'000	2007 HK$'000
Wages and salaries, including directors' emoluments	**80,240**	72,968
Pension costs – defined contribution plans (Note a)	**7,950**	6,305
Share based compensation	**664**	–
	88,854	79,273

(a) Pensions – defined contribution plans

The Group operates 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 income statement 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 income statement represent the contributions payable or paid to the funds by the Group.

Contributions totalling HK$177,000 (2007: HK$163,000) were payable to the funds at the year end.

Employees in the subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the 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.

There is no forfeited contributions utilised during the year (2007: Nil), leaving nil balance available at the year-end (2007: Nil) to reduce future contributions.

23 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2008 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (a) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Lee Sou Leung, Joseph	–	1,349	–	181	62	1,592
Tan, Lisa Marie	–	605	–	–	28	632
Chan Ching Huen, Stanley	–	956	–	344	12	1,312
Non-executive directors						
Lui Sun Wing	100	–	–	–	–	100
Pike, Mark Terence	100	–	–	–	–	100
Nimmo, Walter Gilbert Mearns	100	–	–	–	–	100

The remuneration of every director for the year ended 31st December 2007 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (a) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Lee Sou Leung, Joseph	–	1,300	80	183	60	1,623
Tan, Lisa Marie	–	585	–	–	27	612
Chan Ching Huen, Stanley	–	936	120	312	12	1,380
Non-executive directors						
Lui Sun Wing	100	–	–	–	–	100
Pike, Mark Terence	100	–	–	–	–	100
Nimmo, Walter Gilbert Mearns	100	–	–	–	–	100

23 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments (Continued)

Notes:

(a) Other benefits mainly comprise share based compensation, housing and other allowances. Apart from the emoluments paid by the Group as above, two of the buildings located in Hong Kong of the Group is provided to two of the executive directors as their residency which formed part of their emoluments.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) individuals during the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,560**	2,535
Discretionary bonuses	**1,166**	1,323
Pension costs – defined contribution plans	**108**	77
Share based compensation	**54**	–
	3,888	3,935

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
HK$1,000,001 – HK$1,500,000	**2**	3
HK$1,500,001 – HK$2,000,000	**1**	–
	3	3

24 FINANCE COSTS

	Group 2008 HK$'000	Group 2007 HK$'000
Interest expense on:		
– bank overdrafts, collateralised borrowings, trust receipt loans and short-term bank loans wholly repayable within one year	**10,550**	11,042

25 INCOME TAX EXPENSE

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

	Group 2008 HK$'000	Group 2007 HK$'000
Current income tax		
– Hong Kong profits tax	**892**	3,098
– Overseas taxation	**298**	688
(Over)/under-provision in previous years		
– Hong Kong profits tax	**(70)**	481
– Deferred income tax (Note 19)	**(1,035)**	(719)
	85	3,548

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.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (the "new EIT Law"), which is effective from 1st January 2008. Under the new EIT Law, the applicable EIT rate of subsidiaries established in the PRC will be changed from 33% to 25% since 1st January 2008.

25 INCOME TAX EXPENSE (CONTINUED)

Corporate tax in Singapore has been provided at the rate of 18% (2007: 18%) on the estimated assessable profit for the year ended 31st December 2008.

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

The difference between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the years were as follows;

	Group	
	2008	2007
	HK$'000	HK$'000
Profit before income tax	**6,006**	26,631
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,214**	4,394
Effect of changes in tax rate	**(331)**	–
Income not subject to taxation	**(10,797)**	(2,594)
Expenses not deductible for taxation purposes	**5,032**	2,166
Utilisation of previously unrecognised tax losses	**–**	(180)
Tax losses for which no deferred income tax asset was recognised	**5,072**	–
(Over)/under-provision in previous years		
– Hong Kong profits tax	**(70)**	481
– Deferred income tax (Note 19)	**(1,035)**	(719)
Income tax expense	**85**	3,548

26 REALISED AND UNREALISED FOREIGN EXCHANGE LOSS

The realised exchange loss of HK$8,647,000 and unrealised exchange gain of HK$2,803,000 recognised in the consolidated income statement are included as administrative expenses for the year ended 31st December 2008 (2007: realised exchange loss: HK$1,382,000 and unrealised exchange gain: HK$8,854,000).

27 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$9,878,000 (2007: HK$18,908,000).

28 EARNINGS PER SHARE

(a) Basic

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

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**7,896**	23,406
Weighted average number of ordinary shares in issue (in thousands)	**212,680**	209,918
Basic earnings per share (HK cents per share)	**3.71**	11.15

(b) Diluted

The conversion of all potential ordinary share arising from share options granted by the Company would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2008. During the year ended 31st December 2007, the diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding in 2007.

29 DIVIDENDS

The dividends paid during the year ended 31st December 2008 and 2007 were HK$20,218,000 (HK4.5 cents per share for 2007 final dividends and HK5.0 cents for 2008 interim dividends) and HK$18,892,000 (HK4.5 cents per share for 2006 final dividends and HK4.5 cents per share for 2007 interim dividends) respectively. No final dividend is proposed for the year ended 31st December 2008.

	2008 HK$'000	2007 HK$'000
Interim, paid, of HK5.0 cents (2007: HK4.5 cents) per ordinary share	**10,772**	9,446
Final, proposed, of HK nil cent (2007: HK4.5 cents) per ordinary share	**–**	9,446
	10,772	18,892

30 CASH (USED IN)/GENERATED FROM OPERATIONS

	Group	
	2008	2007
	HK$'000	HK$'000
Profit before income tax	**6,006**	26,631
Adjustments for:		
– Share based compensation	**664**	–
– Depreciation of property, plant and equipment (Note 7)	**11,699**	11,046
– Amortisation on leasehold land (Note 6)	**770**	546
– Profit on sale of property, plant and equipment (see Note (a) below)	**(78)**	–
– Fair value gains on derivative financial instruments (Note 21)	**(70)**	(352)
– Interest income (Note 21)	**(1,253)**	(1,391)
– Interest expense (Note 24)	**10,550**	11,042
– Unrealised exchange gain (Note 26)	**(2,803)**	(8,854)
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– (Increase) in inventories	**(86,154)**	(22,225)
– Decrease/(increase) in trade receivables and bills receivables, other receivables, prepayments and deposits	**3,062**	(18,493)
– (Decrease)/increase in trade payables and bills payables, trust receipt loans, other payables, accruals and deposits received	**(4,182)**	58,671
Cash (used in)/generated from operations	**(61,789)**	56,621

Notes:

(a) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Group	
	2008	2007
	HK$'000	HK$'000
Net book amount (Note 7)	**1,298**	609
Profit on sale of property, plant and equipment	**78**	–
Proceeds from sale of property, plant and equipment	**1,376**	609

31 CONTINGENT LIABILITIES

	Group	
	2008	2007
	HK$'000	HK$'000
Letters of guarantee given to customers	**44,113**	37,414

Certain subsidiaries have given undertakings to banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided letters of guarantee to third parties on behalf of these subsidiaries. As at 31 December 2008, the amount of guarantees outstanding was HK$44,113,000 (2007: HK$37,414,000).

The Company provide guarantees in respect of bank facilities to its subsidiaries of HK$631,295,000 (2007: HK$656,295,000).

32 COMMITMENTS

(a) Capital commitments

(i) *Commitments for available-for-sale financial assets:*

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted obligations for		
– available-for-sale financial assets	**775**	775

(b) Commitments under operating leases

(i) *As lessee*

At 31st December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Not later than one year	**5,553**	6,072
Later than one year but not later than five years	**3,797**	4,505
	9,350	10,577

As at 31st December 2008, the Company had no capital commitment or commitment under operating lease (2007: nil).

33 RELATED PARTY TRANSACTIONS

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 67.1% of the Company's shares. The remaining 32.9% of the shares are widely held.

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

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Rental paid to a director, Mr LEE Sou Leung, Joseph	(a)	**84**	134

(a) One 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 year ended 31st December 2008 amounted to HK$84,000. In the opinion of the directors, such 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) Key management compensation

Key management includes directors (executive and non-executive), members of Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee service is shown below:

	Group 2008 HK$'000	Group 2007 HK$'000
Salaries and other short-term employee benefits	**12,111**	12,701
Pension costs – defined contribution plans	**333**	325
Share based compensation	**343**	–
	12,787	13,026

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) The Company has entered into a deed of guarantee with UFJ Bank Limited, DBS Bank (Hong Kong) Limited and Dah Sing Bank, Limited on 12th June 2006, 22nd June 2006 and 7th March 2007 and 1st February 2006 respectively whereby the Company guarantees 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$112 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.

(d) Amount due to Director

		Group	
	Note	**2008**	2007
		HK$'000	HK$'000
Amount due to a director		**27,529**	–

The amount due to a director represents cash advance, which is unsecured, interest free and repayable within one year.

34 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Five Year Financial Summary

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

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Results					
Sales	**1,037,212**	846,288	881,172	800,213	661,266
Profit before income tax	**6,006**	26,631	35,615	57,770	47,846
Income tax expense	**(85)**	(3,548)	(4,376)	(5,393)	(3,217)
Profit for the year	**5,921**	23,083	31,239	52,377	44,629
Profit attributable to Equity shareholders	**7,896**	23,406	30,858	51,118	43,451
Minority Interest	**(1,975)**	(323)	381	1,259	1,178
Assets					
Property, plant and equipment	**83,779**	99,577	81,164	74,557	51,292
Leasehold land	**53,009**	44,468	34,191	34,462	29,213
Current assets	**581,129**	575,217	492,462	509,400	319,522
Total assets	**717,917**	719,262	607,817	618,419	400,027
Liabilities					
Current liabilities	**427,516**	454,699	372,630	400,083	214,929
Non-current liabilities	**7,427**	10,886	8,159	7,187	6,320
Total liabilities	**434,943**	465,585	380,789	407,270	221,249
Net assets	**282,974**	246,108	219,140	203,642	171,930

NOTICE IS HEREBY GIVEN that an Annual General Meeting of members of Leeport (Holdings) Limited (the "Company") will be held at 2/F, Alexandra Room, Mandarin Oriental, Hong Kong, 5 Connaught Road, Central, Hong Kong on 21st May 2009 at 10:30 a.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, 2008;

2. To elect directors and to authorise the board of directors to fix directors remuneration;

3. To appoint auditors and to authorise the board of directors to fix their remuneration;

4. 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;

   (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 percent 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

"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)."

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 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 percent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution (on the basis that no shares are issued or repurchased by the Company before and up to the date of passing this resolution, the Company will be allowed to repurchased fully paid shares up to a maximum 21,544,406 shares), 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;

(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

6. 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 4 and 5 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 4 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 5 as set out in the Notice provided that such additional amount shall not exceed the 10 percent 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, 21st April 2009

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

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 26th Floor, Tesbury Centre, 28 Queen's Road East, 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 19th May 2009 (Tuesday) to 21st May 2009 (Thursday) (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 18th May 2009 (Monday).

(5) An explanatory statement containing further details regarding the proposed resolution nos. 4 to 6 above will be sent to members together with the 2008 annual report containing this notice of meeting.

(6) 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.