Leeport

力豐（集團）有限公司
LEEPORT (HOLDINGS) LIMITED

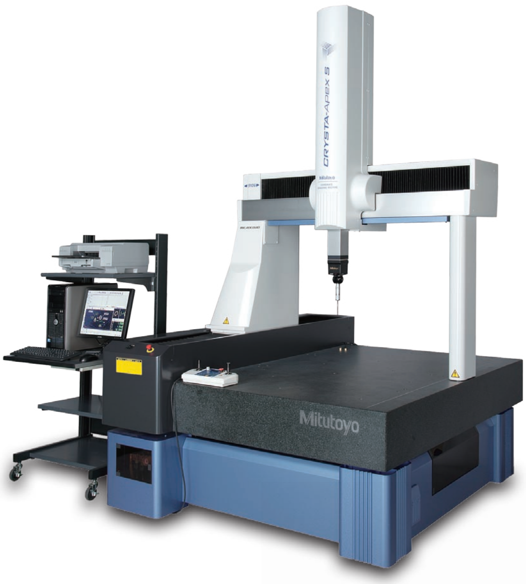
(Incorporated in Bermuda with limited liability)

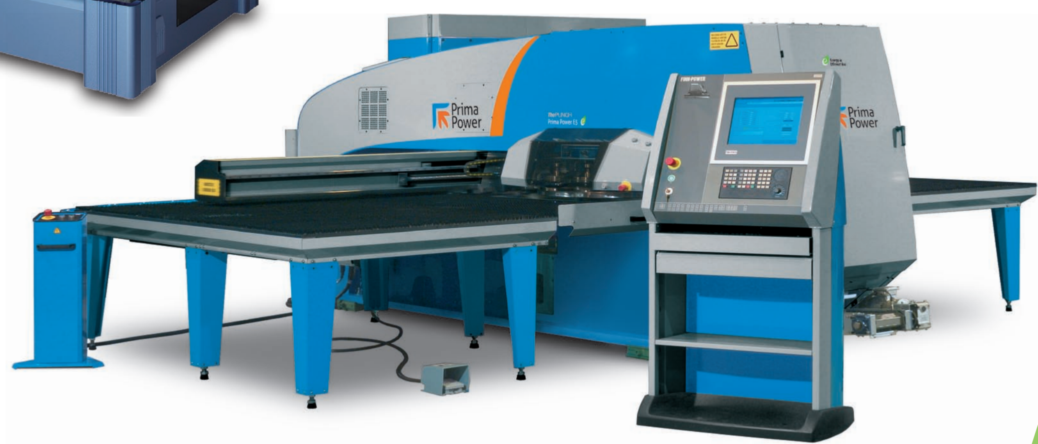
(Stock Code: 0387)

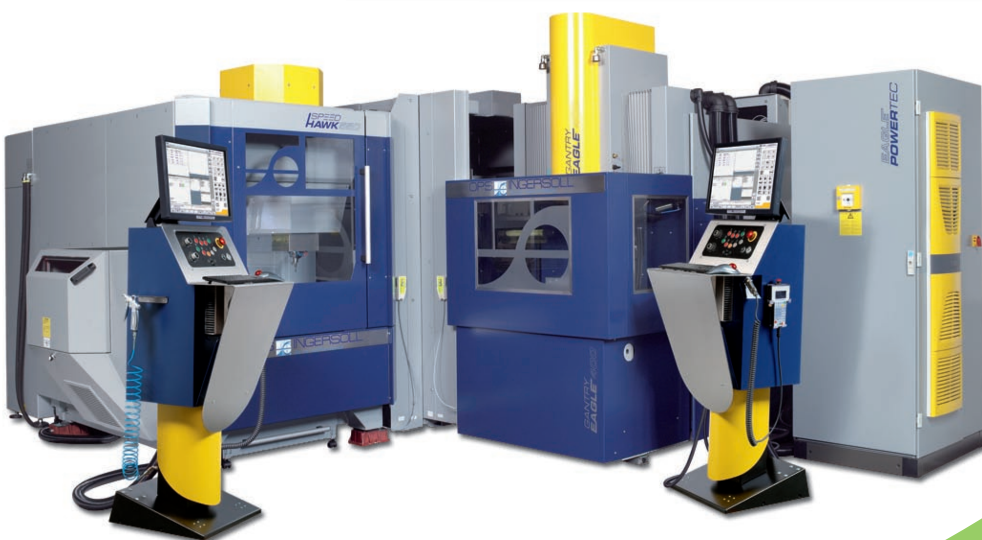
ISO 9001:2008
CERTIFICATE NO. FS 84667

45 Years in Manufacturing Technology

四十五年製造科技







Annual Report 2012

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. LEE Sou Leung, Joseph *(Chairman)*
Mr. CHAN Ching Huen, Stanley
Dr. LUI Sun Wing
Mr. WONG Man Shun, Michael

Independent Non-Executive Directors

Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

COMPANY SECRETARY

Mr. CHAN Ching Huen, Stanley

MEMBERS OF AUDIT COMMITTEE

Mr. PIKE, Mark Terence *(Chairman)*
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

MEMBERS OF REMUNERATION COMMITTEE

Mr. LEE Sou Leung, Joseph
Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns *(Chairman)*
Dr. LEE Tai Chiu

MEMBERS OF NOMINATION COMMITTEE

Mr. LEE Sou Leung, Joseph *(Chairman)*
Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

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.
China Citic Bank International Limited

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 Fulcrum Group (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

The Board of Directors (the "Directors") of Leeport (Holdings) Limited (the "Company") would like to present the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2012, together with the comparative figures for the year ended 31st December 2011. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

During the year 2012, the Group's business performance in China was affected by the weak global economy. The Group's sales in 2012 amounted to HK$930,630,000 compared with HK$1,025,831,000 in 2011, representing a decrease of 9.3%.

The Group's gross profit in 2012 amounted to HK$135,549,000 compared with HK$165,669,000 in 2011, representing a decrease of 18.2%. The gross profit percentage was 14.6% in 2012 compared with 16.1% in 2011. The Group made a stock provision with an amount of around HK$8 million for some slow-moving stock, and this was a significant cause for the lower gross profit percentage in 2012.

Other Income and Gains

The service income in 2012 was HK$10,028,000 compared with HK$11,468,000 in 2011. The commission income in 2012 was only HK$5,130,000 compared with HK$9,004,000 in 2011. Commission income is the income received from suppliers for some of the customers' orders directly placed with suppliers. The interest income was HK$2,109,000 in 2012 as compared with HK$885,000 in 2011. Interest income includes interest charged against OPS Ingersoll for the loan of Euro 3,000,000 in 2012.

Operating Expenses

Selling and distribution costs were HK$32,515,000 in 2012 compared with HK$38,419,000 in 2011, representing a decrease of 15.4%. The reduction in selling and distribution costs was in line with the reduction in sales in 2012. There were also some savings in the exhibition and promotion expenses in 2012 compared with 2011.

Administrative expenses amounted to HK$136,198,000 in 2012 compared with HK$125,282,000 in 2011. The increase in administrative expenses was due mainly to the legal and professional fees incurred in the acquisition of the shareholding of OPS-Ingersoll in Germany, increasing the number of managers in China and Taiwan and higher travelling expenses for overseas trips.

Finance costs in 2012 were HK$5,341,000 compared with HK$2,772,000 in 2011. The higher finance costs were mainly due to the HK$50 million bank loan raised for the acquisition of the shareholding in OPS Ingersoll.

The share of post-tax profits of associates was HK$6,503,000, being the net profit derived from Mitutoyo Leeport Metrology Corporation and OPS Ingersoll.

The Group had disposed of one of its subsidiaries in Macau at a gain of HK$2,869,000 during the year.

The income tax provision was HK$1,150,000 in 2012 compared with HK$4,815,000 in 2011. The tax chargeable income of most of the subsidiaries in 2012 was lower than in 2011.

The profit from discontinued operations was mainly due to the gain of HK$19,850,000 on completion of disposal of a 31% shareholding in Mitutoyo Leeport Metrology Corporation at the end of February 2012.

Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK$15,134,000 in 2012 compared with HK$32,604,000 in 2011, representing a decrease of 53.6%.

Profit was adversely affected by both the lower gross profit margin with respect to the sales income in 2012 and the lower commission income. The higher administrative expenses in the year affected the Group's profits, although this was partly compensated for by the lower selling and distribution costs.

The basic earnings per share were HK6.83 cents in 2012 compared with HK14.93 cents in 2011, representing a decrease of 54.3%.

DIVIDENDS

There was no interim dividend paid in the year 2012.

The Directors recommended a final dividend of HK3.5 cents per ordinary share, totalling HK$7,768,000 (2011: final dividend HK6.0 cents per ordinary share and the total dividend paid in 2011 was HK9.5 cents per ordinary share). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting, which will be held on 15th May 2013. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 5th June 2013 to shareholders of the Company whose names appear on the register of members on 24th May 2013.

BUSINESS REVIEW

China was affected by the weak global economy in 2012. China's GDP growth rate in 2012 was 7.8%, the lowest since the recession in 2008. The value of industrial production grew at only 7.9% in 2012 compared with the rate of 13.9% in 2011. The value of the country's exports grew at 6.2%, which was much lower than the rate of 20.3% in 2011.

The overall market for manufacturing equipment in 2012 was unfavourable. Many customers had no plans to purchase new equipment due to the uncertainty of the market. The main industries sustaining the China market were smart phone manufacturing, automobile production and some infra-structure projects.

A number of new product launches involving Samsung smart phones and Apple iPhones contributed significantly to the volume of electronic manufacturing in China. The manufacture of mobile phones in China grew by 4.3% in 2012. Another important industry in China is automobile manufacturing, as China becomes the biggest automobile market in the world. The total number of automobiles made in China in 2012 was 19.3 million, an increase of 4.3% over the figure for 2011. By contrast, the demand for manufacturing equipment from other industries was relatively weak in the year.

China continued to be the biggest consumer of machine tools in the world in 2012. More than two-fifths of the output by value of the world's machine tool producers was installed in China. China was also the biggest machine tool builder in the world, and around 30% by value of the world's machine tools was made in China. Furthermore, China also imported USD13.7 billion worth of machine tools in 2012 compared with USD13.2 billion in 2011.

The overall business performance of the Group in 2012 was unsatisfactory, but we can expect a recovery in the second half of 2013.

FUTURE PLANS AND PROSPECTS

The Government report of the 12th National People's Congress of China held on 5th March 2013 set the target for the GDP growth rate at 7.5% in 2013.

One of the key drivers for the economic growth of China in the near future is urbanisation. The current urbanisation rate of the country is about 52%, and the Government's ultimate target is 60%. The industries that are likely to benefit most are: housing, road construction, power supply, home appliances and automobile production. Furthermore, it is expected that many infrastructure projects around the country will be launched during the year, including high-speed trains, inter-city railway systems, airports and an expansion of the power supply network. This will all create tremendous business opportunities for high-end manufacturing equipment. The machine tool market in China is forecasted to grow by 14% in 2013. This is a very promising figure. The manufacture of mobile phones, especially smart phones, and the production of automobiles will continue to be good in 2013.

The Group will consolidate its resources and will enhance its business relationship with all key customers in order to promote sales of the whole range of products provided by the Group. Our two technology centres (established in 2012), namely Prima-Power in Shanghai, which showcases the latest sheetmetal technology, and OPS-Ingersoll in Shenzhen, which showcases the latest metalcutting technology, will be intensively promoted this year. The Group will also put more resources into marketing and promotion activities, and will enhance its sales and service capabilities by means of internal resources and support from suppliers. As a consequence, we expect to improve our business performance.

The value of outstanding contracts of the Group as at the end of February 2013 was HK$300,000,000. The contract booking situation has been encouraging since the beginning of year 2013. There have been more active business enquiries from the market compared with the second half of 2012.

In general, we have confidence that the business performance of the Group in 2013 will improve compared with 2012. Further investment, especially further co-operation with equipment suppliers, remains our long-term strategy. The Group will continue to explore investment opportunities in China.

On behalf of the Board, I would like to express my gratitude to all our shareholders, customers, suppliers, bankers, business associates and staff in the past year. I thank them all for their support and their contributions to the company's business in 2012.

LEE Sou Leung, Joseph
Chairman

Hong Kong, 18th March 2013

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2012 was HK$41,590,000 (2011: HK$47,654,000). The Group has maintained a reasonable level of cash position. The Group's inventory balance as at 31st December 2012 was HK$93,399,000 (2011: HK$125,051,000). The Group has achieved the reduction of inventory level significantly in 2012. Also an provision with amount of HK$7,785,000 for slow-moving items was made at the end of year 2012. The turnover days of inventory was 51. The trade receivables and bills receivables balance was HK$169,218,000 as at 31st December 2012 (2011: HK$141,533,000). The turnover days of sales was 61 which was also a reasonable level. The trade payables and bills payables balance was HK$135,124,000 as at 31st December 2012 (2011: HK$93,910,000). The balance of short-term borrowings was HK$226,126,000 as at 31st December 2012 (2011: HK$174,884,000).

The Group's net gearing ratio was approximately 50.8% as at 31st December 2012 (2011: 21.8%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents. The gearing ratio is higher due to the HK$33,000,000 outstanding bank loan raised for the acquisition of shareholding in OPS Ingersoll in 2012.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2012, the Group had aggregate banking facilities of approximately HK$756,870,000 of which approximately HK$326,063,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$329,880,000 (31st December 2011: HK$265,446,000). The Directors are confident that the Group is able to meet its operational and capital expenditure and requirements.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

In 2012, the Group spent a total of HK$5,557,000 (2011: HK$4,064,000) in capital expenditure, which primarily consisted of property, plant and equipment. As at 31st December 2012, the Group had no material capital commitments. In the meantime, total of HK$20,381,000 (2011: HK$31,415,000) 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 will use the foreign exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimize the Group's exposure to foreign exchange rate risks.

As at 31st December 2012, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR1,399,000 for HK$14,049,000, JPY62,750,000 for HK$5,927,000, JPY73,700,000 for USD929,000, JPY37,400,000 for RMB3,083,000, AUD259,000 for HK$2,095,000 and GBP23,000 for HK$288,000 (2011: EUR2,780,000 for HK$28,262,000 buy JPY118,000,000 for HK$12,012,000 and buy AUD260,000 for HK$1,976,000).

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2012, certain land and buildings and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$329,880,000 (2011: HK$265,446,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

EMPLOYEES

As at 31st December 2012, the Group had 476 employees (2011: 537). Of these, 115 were based in Hong Kong, 330 were based in mainland China, and 31 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Sou Leung, Joseph, aged 69, 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 over 40 years of experience in the distribution of machine 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.

Mr. Chan Ching Huen, Stanley, aged 55, also the company secretary and the chief financial officer of the Group, is responsible for overseeing the Group's financial planning and control, information technology, human resources and administration. 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 years of 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.

Dr. Lui Sun Wing, aged 62, was re-designated from independent non-executive director to executive director of the Group in July 2011. Dr. Lui was appointed by the Group as non-executive director since May 2003. He was the branch director of the Hong Kong Productivity Council between December 1992 and June 2000. Dr. Lui then was appointed as the Vice President of the Hong Kong Polytechnic University between July 2000 and June 2010. Dr. Lui also holds position of director, committee member, or advisor for various industrial and business associations. Dr. Lui has very broad experience in the industrial field. Currently, he is the independent non-executive director of Shanghai Electric Group Company Limited and non-executive director of Eco-Tek Holdings Limited, all listed companies in The Stock Exchange of Hong Kong Limited.

Mr. Wong Man Shun, Michael, aged 48, was appointed as executive director in January 2013. He is also the managing director of the metalcutting machinery division of the Group. He 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 in January 2004 and Leeda Machinery Limited in May 2005. He is also a Honorary Vice President of the HK Electrical Appliance Federation Association, and an executive committee member of the HK Mold & Die Council.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pike, Mark Terence, aged 56, 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. Mr. Pike was appointed by the Group in May 2003.

Mr. Nimmo, Walter Gilbert Mearns, aged 66, 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 many years of 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.

Dr. Lee Tai Chiu, aged 68, graduated in 1975 with a Doctor degree in Mechanical Engineering from Aston University, Birmingham, UK and a Master degree in Production Technology in 1971 from Brunel University, Uxrbridge, UK. He had worked as a graduate engineer at the Harrison & Sons in England. He had joined the now Hong Kong Polytechnic University as a Lecturer, Principal Lecturer, Professor and Associate Head of department. Owing to his contribution in technology, he was awarded an Honorary Professor of the Shandong University of Technology and also appointed as Honorary Fellow of the University of Warwick, United Kingdom. Apart from his connections with the academic circle, he is quite identified with the Industry as reflected by his many years as Honorary Consultant of the Hong Kong Metal Manufacturers Association.

SENIOR MANAGEMENT

Mr. Leung Wai Lun, Alan, aged 53, 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 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. Sa Wai Keung, aged 51, the general manager of metalforming division of the Group. Mr. Sa has many years of 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 54, the general manager of Leeport Technology Limited. He has extensive experience in marketing CAD/CAM software, rapid prototyping equipment and metrology equipment. 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 52, 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 years of experience in the electronics industry.

Mr. Lee Huat Eng, aged 56, 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. Chan Wo Yum, aged 60, the general manager of Leeport Tools Limited. Mr. Chan has many years of 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 52, the general manager of professional tools 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. He joined the Group in February 2005.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31st December 2012.

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 consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2012 are set out in the consolidated income statement on page 35.

The details of dividends paid and declared during the year are set out in Note 31 to the consolidated financial statements.

The Directors recommend the payment of a final dividend of HK3.5 cents (2011: HK6.0 cents) per ordinary share, totalling HK$7,768,000 (2011: HK$13,233,000).

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in Note 18 to the consolidated financial statements.

DONATIONS

Charitable and other donations amounted to HK$48,000 were made by the Group during the year (2011: HK$109,000).

PROPERTY, PLANT AND EQUIPMENT

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

LEASEHOLD LAND

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2012, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$100,126,000 (2011: HK$105,872,000).

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 114 of the annual report.

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

Details of the Group's borrowings, including secured bank loans, trust receipt loans and overdrafts as at 31st December 2012 are set out in Note 20 to the consolidated financial statements.

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 "Existing 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 Existing 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 Existing 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 Existing Scheme since adoption.

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme and any other share option scheme of the Group is 260,000, representing 0.12% of the issued shares of the Company as at the date of this annual report, and such limit is subject to renewal with shareholders' approval. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Existing Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.

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

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

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

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

A new share option scheme will be adopted in the annual general meeting to be held on 15th May 2013 to replace the Existing Scheme. Details of the new share option scheme are set out in the circular which will be sent to the shareholders together with this annual report.

Movement of share options during the year is set out in Note 17 to the consolidated financial statements.

DIRECTORS

The directors during the year and up to the date of this report were:

Executive directors

Mr. LEE Sou Leung, Joseph *(Chairman)*
Ms. TAN, Lisa Marie *(Deputy Chairman)* (resigned on 1st January 2013)
Mr. CHAN Ching Huen, Stanley
Dr. LUI Sun Wing
Mr. Wong Man Shun, Michael (appointed on 1st January 2013)

Independent non-executive directors

Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

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.

Mr. Lee Sou Leung, Joseph and Dr. Lui Sun Wing are subject to re-election at the forthcoming annual general meeting.

Mr. Wong Man Shun, Michael who was newly-appointed in year 2013 will also be 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 two or three years, and will continue thereafter until 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.

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 9 to 11.

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 2012, 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**	**Share options (Note (e))**	**Total**	**Percentage**
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	12,644,000 shares	1,396,000 shares (Note (b))	144,529,982 shares (Note (a))	Nil	158,569,982 shares	71.45%
Ms. TAN, Lisa Marie ("Ms. Tan") (Resigned on 1st January 2013)	Long position	1,396,000 shares	12,644,000 shares (Note (c))	144,529,982 shares (Note (a))	Nil	158,569,982 shares	71.45%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	780,000 shares	Nil	Nil	Nil	780,000 shares	0.35%
Mr. NIMMO, Walter Gilbert Mearns ("Mr. Nimmo")	Long position	100,000 shares	402,445 shares (Note (d))	Nil	Nil	502,445 shares	0.23%
Dr. LUI Sun Wing ("Dr. Lui")	Long position	100,000 shares	Nil	Nil	260,000 shares	360,000 shares	0.16%
Mr. Wong Man Shun, Michael ("Mr. Wong") (Appointed on 1st January 2013)	Long position	432,000 shares	Nil	Nil	Nil	432,000 shares	0.19%

(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.

(e) Information relating to the share options held by the directors is disclosed in the share options section in Note 17 to the consolidated financial statements.

SHARE OPTIONS

Other than as disclosed above, and other than those as disclosed in the share options section in Note 17 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 executive 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 2012, 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 is made. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	21%
– five largest suppliers combined	65%

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.

CONNECTED TRANSACTION

The Company has entered into the following sale and purchase agreement during 2011 and the transaction was completed in 2012:

Date: 21st January 2011

Parties:

Vendor: Leeport Machine Tool Company Limited, a company incorporated under the laws of Hong Kong which is a wholly-owned subsidiary of the Company

Purchaser: Mitutoyo Corporation, a company incorporated under the law of Japan

Assets to be disposed in Mitutoyo Leeport Metrology Corporation (the "Target Company" or "MLMC"):

1. Phase I sale shares, representing 10% of the entire issued share capital of the Target Company ("Phase I Sale Shares"); and

2. Phase II sale shares, representing 31% of the entire issued share capital of Target Company ("Phase II Sale Shares").

The aggregate consideration for such disposal of HK$28,700,000 has been paid by the Purchaser to the Company in cash in the following phases:

1. HK$7,000,000 for the Phase I Sale Shares upon phase I completion which was completed in May 2011; and

2. HK$21,700,000 for the Phase II Sale Shares upon phase II completion which was completed on 28th February 2012.

The Board believes that the Purchaser after the purchase of additional shares in the Target Company will put more resources on the Target Company. The Target Company will be able to provide with its customer better products and services. By strengthening the alliance with the Purchaser, the Board believes the Target Company will be able to increase the revenue for the market in Hong Kong and the PRC.

The Purchaser was a substantial shareholder of the Target Company due to its holding of 10% of the issued share capital of the Target Company which was a subsidiary of the Company and such fact rendered it as a connected person of the Company under the Listing Rules. Accordingly, such disposal constituted a connected transaction of the Company as defined under Chapter 14A of the Listing Rules. An announcement and a circular dated 21st January 2011 and 21st February 2011 respectively containing details of the abovementioned connected transaction have been published and dispatched to the shareholders. A waiver of the shareholders' meeting has been made to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules and a written shareholders' approval has been obtained from a shareholder who held more than 50% of the issued share capital of the Company to approve the transaction on 21st January 2011.

Details of the disposal of 31% interests in the Target Company on 28th February, 2012 to the purchaser Mitutoyo Corporation, a connected person of the Company due to its holding of 20% of the issued share capital of MLMC at date of disposal, are set out in Note 16 to the consolidated financial statements.

Transactions and balances with MLMC are set out in Note 36 to the consolidated financial statements.

CORPORATE GOVERNANCE

During the year ended 31st December 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31st March 2012) and Corporate Governance Code (effective from 1st April 2012) as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and the Managing Director of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the company. The Company has no such title as the chief executive officer.

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

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

For the year ended 31st December 2012, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31st December 2012 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee 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, Mr. NIMMO, Walter Gilbert Mearns and Dr. LEE Tai Chiu. 2 meetings were held during the financial year under review.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceed 25% as at 18th March 2013.

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 current ceiling of HK$1,250 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 current ceiling of HK$1,250 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 2012 are set out in Note 25(a) to the consolidated financial statements.

AUDITOR

The consolidated 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, 18th March 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company and its subsidiaries (together, the "Group") are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Code on Corporate Governance Practices (the "CG Code") and the revised version of it which takes effect from 1st April 2012 (the "New CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the period from 1st January 2012 up to 31st March 2012 and the code provisions of the New CG Code for the period from 1st April 2012 to 31st December 2012, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all directors, the directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	:	Mr. LEE Sou Leung, Joseph *(Chairman)* Mr. CHAN Ching Huen, Stanley Dr. LUI Sun Wing Mr. Wong Man Shun, Michael (appointed with effect from 1st January 2013)
Independent Non-executive Directors	:	Mr. PIKE Mark Terence Mr. NIMMO, Walter Gilbert Mearns Dr. LEE Tai Chiu

Each independent non-executive director has given 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 2012, a total of 5 Board meetings and one annual general meeting ("2012 AGM") were held and the attendance of each director is set out as follows:

	Number of meetings attended in the year ended 31st December 2012	
Name of director	**Board meetings**	**2012 AGM**
Mr. LEE Sou Leung, Joseph	5/5	1/1
Ms. TAN, Lisa Marie (resigned with effect from 1st Jan 2013)	5/5	1/1
Mr. CHAN Ching Huen, Stanley	5/5	1/1
Dr. LUI Sun Wing	5/5	1/1
Mr. PIKE Mark Terence	5/5	1/1
Mr. NIMMO, Walter Gilbert Mearns	5/5	1/1
Dr. LEE Tai Chiu	5/5	1/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies and operational goals, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

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. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

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 is the Chairman and the Managing Director of the Company. Mr. Lee Sou Leung, Joseph 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.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Tan Lisa Marie who is the wife of Mr. Lee Sou Leung, Joseph resigned as director of the Company with effect from 1st January 2013.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. 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, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Bye-laws of the Company (the "Bye-laws").

The Bye-laws of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

Mr. Wong Man Shun, Michael who was newly-appointed on 1st January 2013 will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

Mr. Lee Sou Leung, Joseph, Mr. Chan Ching Huen, Stanley, Dr. Lui Sun Wing and Mr. Wong Man Shun, Michael, being executive Directors, have attended various seminars and meetings organised by such as Hong Kong Institute of Certified Public Accountant, Hong Kong Securities and Investment Institute and American Chamber of Commerce to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. Mr. Pike Mark Terence, Mr. Nimmo Walter Gilbert Mearns and Dr. LEE Tai Chiu , being independent non-executive Directors, have participated in continuous professional development programs provided by, among others, Hong Kong Institute of Directors, University of Sydney, Hong Kong Securities Institute, Hong Kong Polytechnic University and the Hong Kong Institute of Certified Public Accountants. All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises 3 independent non-executive directors, who have reviewed the financial statements for the year ended 31st December 2012. Two members have accounting professional qualifications and/or related financial management expertise. Mr. Pike, Mark Terence is the chairman of the Audit Committee.

No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual and interim accounts, and monitoring the accounting and internal control system in use throughout the Group.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. 2 meetings were held during the year ended 31st December 2012. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December 2012
Mr. PIKE Mark Terence	2/2
Mr. NIMMO, Walter Gilbert Mearns	2/2
Dr. LEE Tai Chiu	2/2

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:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external Auditor and approval of their remuneration;

(c) determination of the nature and scope of the audit; and

(d) review the financial statements for the relevant periods.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 10th September 2005 comprising the existing three independent non-executive directors and Mr. Lee Sou Leung, Joseph. Mr. Nimmo is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Meeting of the Remuneration Committee shall be held at least once a year. Two meetings were held during the year ended 31st December 2012. During the meetings, the committee has reviewed the remuneration policy of the Group and the directors' remuneration and noted the resignation of Ms. Tan as a member of the Remuneration Committee.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December 2012
Mr. LEE Sou Leung, Joseph	2/2
Ms. TAN, Lisa Marie (resigned with effect from 1st Jan 2013)	2/2
Mr. PIKE Mark Terence	2/2
Mr. NIMMO, Walter Gilbert Mearns	2/2
Dr. LEE Tai Chiu	2/2

The Company has adopted a share option scheme which became effective on 17th June 2003, which serves as an incentive to attract, retain and motivate staff. Such share option scheme will expire in June 2013. A new share option scheme will be adopted in the forthcoming annual general meeting. Details of the existing share option scheme are set out in Note 17 to the consolidated financial statements.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 25(b) to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises Mr. Lee Sou Leung, Joseph ("Mr. Lee") and the existing three independent non-executive directors. Mr. Lee is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the machinery industry and/or other professional areas.

Meeting of the Nomination Committee shall be held at least once a year. Two meetings were held during the year ended 31st December 2012. Issues concerning the structure, size and composition of the board of directors were discussed and no change has been proposed to the structure, size and composition and the Nomination Committee noted that the resignation of Ms. Tan as director and a member of the Nomination Committee and the appointment of the new director, Mr. Wong.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31st December 2012
Mr. LEE Sou Leung, Joseph	2/2
Ms. TAN, Lisa Marie (resigned with effect from 1st Jan 2013)	2/2
Mr. PIKE Mark Terence	2/2
Mr. NIMMO, Walter Gilbert Mearns	2/2
Dr. LEE Tai Chiu	2/2

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other performance of the Company.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group. The consolidated financial statements prepared by the directors of the Company 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 consolidated financial statements of each financial period. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

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 an 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 material 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 2012 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

AUDITORS' REMUNERATION

The amount of fees charged by the Group's auditors in respect of their audit services is disclosed in Note 24 to the consolidated financial statements. The Audit Committee is responsible for reviewing the remuneration and terms of engagement of the external auditors 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 2012, 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.

COMPANY SECRETARY

Mr. Chan Ching Huen, Stanley was appointed as company secretary of the Company since 2003. The biographical details of Mr. Chan Ching Huen, Stanley are set out under the section headed "Biographical Details of Directors and Senior Management".

According to the newly introduced Rule 3.29 of the Listing Rules, Mr. Chan has taken no less than 15 hours of relevant professional training during the financial year ended 31st December 2012.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request to the company secretary of the Company stating the resolution intended to be moved at the general meeting or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

As regards proposing a person for election as a director, please refer to the procedures available on the website of the Company.

The above procedures are subject to the Company's Bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation (as amended from time to time). Shareholders who have enquiries about the above procedures or have enquiries to put to the Board may write to the company secretary of the Company at the principal place of business at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong or by e-mail to main@Leeport.com.hk for the attention of the company secretary.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.Leeport.com.hk.

During the year ended 31st December 2012, there had been no significant change in the Company's constitutional documents.

Independent Auditor's Report

羅兵咸永道

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 32 to 113, which comprise the consolidated and company balance sheets as at 31st December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2012, 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, 18th March 2013

Consolidated Balance Sheet

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**225,134**	207,885
Leasehold land	6	**6,856**	6,947
Investments in associates	9	**62,182**	–
Loan to an associate	36(e)	**30,805**	–
		324,977	214,832
Current assets			
Inventories	14	**93,399**	125,051
Trade receivables and bills receivables	13	**169,218**	141,533
Other receivables, prepayments and deposits	13	**49,012**	49,193
Available-for-sale financial assets	11	**16,522**	7,236
Derivative financial instruments	12	**258**	55
Amount due from an associate	36(d)	**2,567**	–
Tax recoverable		**260**	–
Restricted bank deposits	15	**129,852**	100,697
Cash and cash equivalents	15	**41,590**	52,802
		502,678	476,567
Assets of disposal group classified as held for sale	16	**–**	116,128
		502,678	592,695
Total assets		**827,655**	807,527
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	17	**22,193**	22,055
Other reserves	18	**199,991**	211,503
Retained earnings			
– Proposed final dividend		**7,768**	13,233
– Others		**133,233**	121,729
		363,185	368,520
Non-controlling interests		**–**	14,853
Total equity		**363,185**	383,373

Consolidated Balance Sheet (Continued)

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	**25,662**	18,519
Current liabilities			
Trade payables and bills payables	19	**135,124**	93,910
Other payables, accruals and deposits received	19	**76,243**	79,967
Derivative financial instruments	12	**1,315**	510
Borrowings	20	**226,126**	174,884
Tax payable		**–**	24
		438,808	349,295
Liabilities of disposal group classified as held for sale	16	**–**	56,340
		438,808	405,635
Total liabilities		**464,470**	424,154
Total equity and liabilities		**827,655**	807,527
Net current assets		**63,870**	187,060
Total assets less current liabilities		**388,847**	401,892

The financial statements on pages 32 to 113 were approved by the Board of Directors on 18th March 2013 and were signed on its behalf

LEE Sou Leung, Joseph
Director

CHAN Ching Huen, Stanley
Director

The notes on pages 41 to 113 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	**91,645**	91,645
Current assets			
Amounts due from subsidiaries	8	**71,185**	83,318
Other receivables and prepayments	13	**336**	344
Tax recoverable		**–**	187
Cash and cash equivalents	15	**49**	15
		71,570	83,864
Total assets		**163,215**	175,509
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	17	**22,193**	22,055
Other reserves	18	**132,221**	138,975
Retained earnings			
– Proposed final dividend		**7,768**	13,233
– Others		**913**	1,194
Total equity		**163,095**	175,457
LIABILITIES			
Current liabilities			
Other payables	19	**99**	52
Tax payable		**21**	–
Total liabilities		**120**	52
Total equity and liabilities		**163,215**	175,509
Net current assets		**71,450**	83,812
Total assets less current liabilities		**163,095**	175,457

The financial statements on pages 32 to 113 were approved by the Board of Directors on 18th March 2013 and were signed on its behalf

LEE Sou Leung, Joseph
Director

CHAN Ching Huen, Stanley
Director

The notes on pages 41 to 113 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year ended 31st December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Continuing operations			
Sales	5	**930,630**	1,025,831
Cost of goods sold	24	**(795,081)**	(860,162)
Gross profit		**135,549**	165,669
Other income and gains-net	23	**25,016**	28,588
Selling and distribution costs	24	**(32,515)**	(38,419)
Administrative expenses	24	**(136,198)**	(125,282)
Operating (loss)/profit		**(8,148)**	30,556
Finance costs	26	**(5,341)**	(2,772)
Share of profits of associates	9	**6,503**	–
Gain on disposal of a subsidiary	32(b)	**2,869**	–
(Loss)/profit before income tax		**(4,117)**	27,784
Income tax expense	27	**(1,150)**	(4,815)
(Loss)/profit for the year from continuing operations		**(5,267)**	22,969
Discontinued operations			
Profit for the year from discontinued operations	16	**20,963**	12,041
Profit for the year		**15,696**	35,010
Attributable to:			
Owners of the Company		**15,134**	32,604
Non-controlling interests		**562**	2,406
		15,696	35,010

Consolidated Income Statement (Continued)

For the Year ended 31st December 2012

	Note	**2012 HK$'000**	2011 HK$'000
(Loss)/earnings per share from continuing and discontinued operations attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic (loss)/earnings per share	30(a)		
From continuing operations		**HK(2.37) cents**	HK10.52 cents
From discontinued operations		**HK9.20 cents**	HK4.41 cents
From profit of the year		**HK6.83 cents**	HK14.93 cents
Diluted (loss)/earnings per share	30(b)		
From continuing operations		**HK(2.37) cents**	HK10.47 cents
From discontinued operations		**HK9.20 cents**	HK4.40 cents
From profit of the year		**HK6.83 cents**	HK14.87 cents
Dividends	31	**7,768**	20,952

The notes on pages 41 to 113 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Profit for the year		**15,696**	35,010
Other comprehensive income			
Gain on revaluation of land and buildings	18	**36,498**	34,593
Movement of deferred tax	18	**(8,300)**	(2,201)
Change in value of available-for-sale financial assets	18	**2,652**	(1,539)
Currency translation differences		**(21,303)**	13,377
Other comprehensive income, net of tax		**9,547**	44,230
Total comprehensive income for the year		**25,243**	79,240
Attributable to:			
Owners of the Company		**25,179**	76,092
Non-controlling interests		**64**	3,148
Total comprehensive income for the year		**25,243**	79,240
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**6,772**	62,269
Discontinued operations		**18,407**	13,823
		25,179	76,092

The notes on pages 41 to 113 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year ended 31st December 2012

	Note	Attributable to owners of the Company				
		Share capital (Note 17) HK$'000	Other reserves (Note 18) HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1st January 2012		22,055	211,503	134,962	14,853	383,373
Comprehensive income						
Profit for the year		–	–	15,134	562	15,696
Other comprehensive income						
Gain on revaluation of land and buildings		–	36,498	–	–	36,498
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	18	–	(4,138)	4,138	–	–
Movement of deferred tax		–	(8,300)	–	–	(8,300)
Available-for-sale financial assets		–	2,652	–	–	2,652
Currency translation differences		–	(20,805)	–	(498)	(21,303)
Total other comprehensive income, net of tax		–	5,907	4,138	(498)	9,547
Total comprehensive income		–	5,907	19,272	64	25,243
Total contributions by and distributions to owners of the Company recognised directly in equity						
Employees share option scheme:						
Share option scheme						
– value of services provided		–	34	–	–	34
– proceeds from shares issued	17	138	708	–	–	846
Disposal of subsidiaries with loss of control	32(c)	–	(17,821)	–	(15,057)	(32,878)
Dividend paid relating to 2011		–	–	(13,233)	–	(13,233)
Total contributions by and distributions to owners of the Company		138	(17,079)	(13,233)	(15,057)	(45,231)
Changes in ownership interests in subsidiaries without change of control	35(a)	–	(340)	–	140	(200)
Total transaction with owners		138	(17,419)	(13,233)	(14,917)	(45,431)
Balance at 31st December 2012		22,193	199,991	141,001	–	363,185

Consolidated Statement of Changes in Equity (Continued)

For the Year ended 31st December 2012

	Note	Attributable to owners of the Company				
		Share capital (Note 17) HK$'000	Other reserves (Note 18) HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1st January 2011		21,544	169,016	114,879	5,781	311,220
Comprehensive income						
Profit for the year		–	–	32,604	2,406	35,010
Other comprehensive income						
Gain on revaluation of land and buildings		–	34,593	–	–	34,593
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	18	–	(3,341)	3,341	–	–
Movement of deferred tax		–	(2,201)	–	–	(2,201)
Available-for-sale financial assets		–	(1,539)	–	–	(1,539)
Currency translation differences		–	12,635	–	742	13,377
Total other comprehensive income, net of tax		–	40,147	3,341	742	44,230
Total comprehensive income		–	40,147	35,945	3,148	79,240
Total contributions by and distributions to owners of the Company recognised directly in equity						
Employees share option scheme:						
Share option scheme						
– value of services provided		–	412	–	–	412
– proceeds from shares issued		511	2,602	–	–	3,113
Dividend paid relating to 2010		–	–	(9,893)	–	(9,893)
Dividend paid relating to 2011	31	–	–	(7,719)	–	(7,719)
Total contributions by and distributions to owners of the Company		511	3,014	(17,612)	–	(14,087)
Changes in ownership interests in subsidiaries without change of control	35(b)	–	(674)	1,750	5,924	7,000
Total transaction with owners		511	2,340	(15,862)	5,924	(7,087)
Balance at 31st December 2011		22,055	211,503	134,962	14,853	383,373

The notes on pages 41 to 113 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year ended 31st December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	32	**25,437**	64,727
Interest paid		**(5,341)**	(3,141)
Income tax paid		**(2,591)**	(1,955)
Net cash generated from operating activities		**17,505**	59,631
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(5,557)**	(4,064)
Proceeds from sale of property, plant and equipment	32(a)	**29**	838
Acquisition of additional interest in a subsidiary	35(a)	**(200)**	–
Proceeds from disposal of interest in a subsidiary without loss of control	35(b)	**–**	7,000
Purchase of available-for-sale financial assets	11	**(6,634)**	(8,775)
Investment in an associate	9	**(15,679)**	–
Loan to an associate	36(e)	**(30,805)**	–
Net cash outflow from disposal of discontinued operations	32(c)	**(21,185)**	–
Proceeds from disposal of a subsidiary, net of cash disposed	32(b)	**2,850**	–
Interest received		**2,109**	895
Increase in restricted bank deposits		**(29,155)**	(55,683)
Net cash used in investing activities		**(104,227)**	(59,789)
Cash flows from financing activities			
Proceeds from collateralised borrowings and bank loans		**56,389**	41,135
Proceeds from issuance of ordinary shares	17	**846**	3,113
Dividends paid to the Company's shareholders		**(13,233)**	(17,612)
Net cash generated from financing activities		**44,002**	26,636
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(42,720)**	26,478
Cash, cash equivalents and bank overdrafts at beginning of the year		**86,162**	58,973
Effect of the exchange rate for the year		**(1,852)**	711
Cash, cash equivalents and bank overdrafts at end of the year, including discontinued operations		**41,590**	86,162
Less: cash, cash equivalents at end of the year of discontinued operations	16	**–**	(38,507)
Cash, cash equivalents and bank overdrafts at end of the year	15(b)	**41,590**	47,655

The notes on pages 41 to 113 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, installation 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 ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18th March 2013.

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 land in Hong Kong and 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)

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning on or after 1st January 2012 that either have no significant impact or are not currently relevant to the Group:

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2012 that not currently relevant to the Group and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial statement [1]
HKAS 19 (Amendment)	Employee Benefits [1]
HKAS 27 (revised 2011)	Separate Financial Statements [1]
HKAS 28 (revised 2011)	Associates and Joint Ventures [1]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities [1]
HKFRS 10	Consolidated Financial Statements [1]
HKFRS 11	Joint Arrangements [1]
HKFRS 12	Disclosure of Interests in Other Entities [1]
HKFRS 13	Fair Value Measurement [1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [1]
HKAS 32 (Amendment)	Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures [3]
HKFRS 9	Financial Instrument [3]

1 Effective for the Group for annual periods beginning on or after 1st January 2013
2 Effective for the Group for annual periods beginning on or after 1st January 2014
3 Effective for the Group for annual periods beginning on or after 1st January 2015

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations that have been issued but are not effective for annual periods beginning on or after 1st January 2012, and does not expect there will be a significant impact to the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

During the year, there have been no business combinations in the Group.

(a) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits of associates' in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.5 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 HK$ as the Group's and the Company's presentation currency. The Company's functional currency is Japanese Yen ("JPY").

(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 income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Leasehold land in Hong Kong and 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. 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 consolidated income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land in Hong Kong and 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 other reserves to retained earnings.

Leasehold land in Hong Kong classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets 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:

Land and buildings	1-4%
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 reporting period.

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 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains – net', in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

2.8 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables and bills receivables', 'other receivables and deposit', '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 the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

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

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.13 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 substantively 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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 Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Pension obligations*

Group companies operate various defined contribution pension schemes, 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 payments*

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);
- and including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(d) *Share-based payments (Continued)*

Equity-settled share-based payment transactions (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(e) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate employment without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19 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. Provisions are not recognised for future operating losses.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

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 period at the end of reporting period. The provision is calculated based on past historical experience of the level of repairs and replacements.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return 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 continues unwinding the discount as interest income.

2.21 Leases (as the lessee)

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.

The Group leases certain leasehold land. Leases of leasehold land where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Dividend distribution

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

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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

Foreign currency risk

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. The functional currency of the Company and certain subsidiaries are JPY. The consolidated financial statements are presented in HK$.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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. As at 31st December 2012, the foreign exposure of group entities with functional currency other than JPY is insignificant. The foreign exposure of group entities with functional currency of JPY is mainly exposed to Renminbi ("RMB"), HK$ and United States dollars ("USD"). The net monetary assets/(liabilities) of these subsidiaries denominated in RMB, HK$ and USD expressed in terms of HK$ are HK$79,354,000 (2011: HK$54,180,000), HK$(118,551,000) (2011: HK$(12,086,000)) and HK$(15,013,000) (2011: HK$9,817,000) respectively.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

As at 31st December 2012, a 5% strengthening of the JPY against RMB, HK$ and USD would have decreased/(increased) post-tax profit for the year by HK$3,968,000 (2011: HK$2,709,000), HK$(5,928,000) (2011: HK$(604,000)) and HK$(751,000) (2011: HK$491,000) respectively. A 5% weakening of JPY against RMB, HK$ 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.

For the presentation of market risks above, HKFRS 7 'Financial Instruments: Disclosures' requires disclosure of a sensitivity analysis for each type of market risks that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period in the consolidated income statement and total equity.

The effect that is disclosed assumes that a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date.

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value of the Group's financial instruments from hypothetical instantaneous changes in one risk variable, the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analysis is for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and losses.

(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 bills 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 10(a).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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 addition, 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 authorisation of credit limits to individual customers are closely monitored on an ongoing basis. The Group reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment loss is 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 bills receivables which are not impaired are analysed below.

	As at 31st December	
	2012	2011
	HK$000	HK$000
Trade and bills receivables		
Customers accepted within past 12 months	**25,400**	29,530
Customers accepted beyond the past 12 months	**73,248**	52,676
Total	**98,648**	82,206

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 from banks.

At 31st December, the Group had the following banking facilities with banks:

	As at 31st December	
	2012	2011
	HK$'000	HK$'000
Banking facilities available	**756,870**	820,560
Banking facilities utilised	**(326,063)**	(295,527)
Undrawn banking facilities	**430,807**	525,033

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group				
At 31st December 2012				
Term loans subject to a repayment on demand clause (Note 20)	**150,273**	**–**	**–**	**–**
Other bank loans (Note 20)	**–**	**75,853**	**–**	**–**
Derivative financial instruments (Note 12)	**–**	**1,315**	**–**	**–**
Trade and bills payables (Note 19)	**–**	**135,124**	**–**	**–**
Other payables	**–**	**19,739**	**–**	**–**
	150,273	**232,031**	**–**	**–**
At 31st December 2011				
Bank overdrafts (Note 20)	5,147	–	–	–
Term loans subject to a repayment on demand clause (Note 20)	97,659	–	–	–
Other bank loans (Note 20)	–	72,078	–	–
Derivative financial instruments (Note 12)	–	510	–	–
Trade and bills payables (Note 19)	–	93,910	–	–
Other payables	–	23,145	–	–
	102,806	189,643	–	–
Company				
At 31st December 2012				
Other payables	**–**	**99**	**–**	**–**
At 31st December 2011				
Other payables	–	52	–	–

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 date 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 2012	
Forward foreign exchange contracts – held for trading:	
Outflow	**33,392**
Inflow	**32,335**
At 31st December 2011	
Forward foreign exchange contracts – held for trading:	
Outflow	42,250
Inflow	41,795
Company	
At 31st December 2012	
Forward foreign exchange contracts – held for trading:	
Outflow	**–**
Inflow	**–**
At 31st December 2011	
Forward foreign exchange contracts – held for trading:	
Outflow	–
Inflow	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 20.

During the year end, the borrowings of the Group at variable rates were denominated in HK$, 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 post-tax profit for the year of a 50 basis-point shift would be a maximum increase/decrease of HK$481,000 for the year ended 31st December 2012 (2011: HK$371,000).

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 equity. Net debt is calculated as total borrowings less cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratio at 31st December 2012 and 2011 were as follows:–

	As at 31st December	
	2012	2011
	HK$'000	HK$'000
Total borrowings (Note 20)	**226,126**	174,884
Less: Cash and cash equivalents (Note 15 and 16)	**(41,590)**	(91,309)
Net debt	**184,536**	83,575
Total equity	**363,185**	383,373
Gearing ratio	**50.8%**	21.8%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31st December 2012.

	Level 1 HK$'000	Total HK$'000
Assets		
Financial assets at fair value through profit or loss		
– Trading derivatives	258	258
Available-for-sale financial assets		
– Equity securities	16,522	16,522
Total assets	16,780	16,780

	Level 1 HK$'000	Total HK$'000
Liabilities		
Financial assets at fair value through profit or loss		
– Trading derivatives	1,315	1,315
Total liabilities	1,315	1,315

The following table presents the Group's assets and liabilities that are measured at fair value as at 31st December 2011.

	Level 1 HK$'000	Total HK$'000
Assets		
Financial assets at fair value through profit or loss		
– Trading derivatives	55	55
Available-for-sale financial assets		
– Equity securities	7,236	7,236
Total assets	7,291	7,291

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

	Level 1 HK$'000	Total HK$'000
Liabilities		
Financial assets at fair value through profit or loss		
– Trading derivatives	510	510
Total liabilities	510	510

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets and liabilities held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Europe equity investments classified as available-for-sale.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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) Write down 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

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

	Continuing operations For the year ended 31st December 2012				Discontinued operations For the year ended 31st December 2012			
	The PRC HK$'000	HK HK$'000	Others HK$'000	Total HK$'000	The PRC HK$'000	HK HK$'000	Others HK$'000	Total HK$'000
Sales	650,684	188,152	91,794	930,630	2,720	12,877	68	15,665
Segment results	(8,185)	(819)	856	(8,148)	(107)	1,211	9	1,113
Finance costs				(5,341)				–
Gain on disposal of a subsidiary				2,869				–
Share of profit of associates				6,503				–
(Loss)/profit before income tax				(4,117)				1,113
Income tax expense				(1,150)				–
Gain on disposal of discontinued operations				–				19,850
(Loss)/profit for the year				(5,267)				20,963

	Continuing operations For the year ended 31st December 2011				Discontinued operations For the year ended 31st December 2011			
	The PRC HK$'000	HK HK$'000	Others HK$'000	Total HK$'000	The PRC HK$'000	HK HK$'000	Others HK$'000	Total HK$'000
Sales	831,964	110,242	83,625	1,025,831	84,933	112,962	1,783	199,678
Segment results	26,826	2,354	1,376	30,556	9,458	2,845	107	12,410
Finance costs				(2,772)				(369)
Profit before income tax				27,784				12,041
Income tax expense				(4,815)				–
Profit for the year				22,969				12,041

5 SEGMENT INFORMATION (CONTINUED)

There is no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenues.

Assets

	2012 **HK$'000**	2011 HK$'000
Total assets:		
The PRC	**306,387**	365,787
Hong Kong	**412,472**	378,859
Other countries (Note (a))	**108,796**	62,881
	827,655	807,527

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

The total assets of disposal group classified as held for sale are mainly located in Hong Kong. As at 31st December 2012, the total assets of disposal group was HK$Nil (2011: HK$116,128,000).

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

	2012 **HK$'000**	2011 HK$'000
Capital expenditure:		
The PRC	**3,319**	644
Hong Kong	**2,238**	3,414
Other countries (Note (a))	**–**	6
	5,557	4,064

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

The capital expenditure of disposal group classified as held for sales are mainly located in Hong Kong. During the year ended 31st December 2012, the total capital expenditure by the disposal group was HK$Nil (2011: HK$27,000).

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

5 SEGMENT INFORMATION (CONTINUED)

Assets (Continued)

Note:

(a) Other countries mainly include Taiwan, Singapore, Indonesia, United States, Macau, Greece, Germany, United Kingdom, Italy, Japan and Malaysia.

The entity is domiciled in Bermuda. The result of its sales from external customers for the years ended 31st December 2012 and 2011 and the total of non-current assets as at 31st December 2012 and 2011 were wholly located in other countries.

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	
	2012	2011
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**6,856**	6,947

Bank borrowings are secured on leasehold land for the carrying amount of HK$1,674,000 (2011: HK$1,739,000) (Note 20).

	Group	
	2012	2011
	HK$'000	HK$'000
At 1st January	**6,947**	7,190
Exchange differences	**132**	(18)
Amortisation (Note 24)	**(223)**	(225)
At 31st December	**6,856**	6,947

7 PROPERTY, PLANT AND EQUIPMENT-GROUP

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2011					
Cost or valuation	154,121	28,298	69,430	1,792	253,641
Accumulated depreciation	–	(20,546)	(60,194)	(1,761)	(82,501)
Net book amount	154,121	7,752	9,236	31	171,140
Year ended 31st December 2011					
Opening net book amount	154,121	7,752	9,236	31	171,140
Exchange differences	9,241	419	394	(1)	10,053
Revaluation gain (Note 18)	34,593	–	–	–	34,593
Additions	–	2,720	1,344	–	4,064
Disposals (Note 32(a))	–	–	(438)	–	(438)
Depreciation (Notes 16 and 24)	(4,890)	(2,337)	(3,382)	(20)	(10,629)
Transferred to disposal group classified as held for sale (Note 16)	–	–	(898)	–	(898)
Closing net book amount	193,065	8,554	6,256	10	207,885
At 31st December 2011					
Cost or valuation	193,065	32,802	62,827	576	289,270
Accumulated depreciation	–	(24,248)	(56,571)	(566)	(81,385)
Net book amount	193,065	8,554	6,256	10	207,885

7 PROPERTY, PLANT AND EQUIPMENT-GROUP (CONTINUED)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31st December 2012					
Opening net book amount	193,065	8,554	6,256	10	207,885
Exchange differences	(12,213)	(302)	(292)	(31)	(12,838)
Revaluation gain (Note 18)	36,498	–	–	–	36,498
Additions	–	925	4,035	597	5,557
Disposals (Note 32(a))	–	–	(78)	–	(78)
Disposal of a subsidiary (Note 32(b))	–	–	(2)	–	(2)
Depreciation (Notes 16 and 24)	(6,394)	(1,647)	(3,748)	(99)	(11,888)
Closing net book amount	210,956	7,530	6,171	477	225,134
At 31st December 2012					
Cost or valuation	210,956	32,188	60,319	1,117	304,580
Accumulated depreciation	–	(24,658)	(54,148)	(640)	(79,446)
Net book amount	210,956	7,530	6,171	477	225,134

The Group's buildings located in the PRC and Singapore and land and buildings located in Hong Kong were revalued at 31st December 2012. Valuations of buildings located in the PRC and land and buildings located in Hong Kong were made on the basis of open market value by Cushman & Wakefield Valuation Advisory Services (HK) Ltd, a member of the Hong Kong Institute of Surveyors. The buildings of the Group located in Singapore were revalued on the basis of their open market value by Associated 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 18).

Depreciation expense of HK$11,888,000 (2011: HK$10,629,000) has been charged in administrative expenses (Note 16 and Note 24).

Lease rental amounting to HK$4,701,000 (2011: HK$5,186,000) is included in the consolidated income statement (Note 16 and Note 24).

7 PROPERTY, PLANT AND EQUIPMENT-GROUP (CONTINUED)

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

	Group	
	2012	2011
	HK$'000	HK$'000
Cost	**70,662**	74,911
Accumulated depreciation	**(16,594)**	(15,804)
Net book amount	**54,068**	59,107

Bank borrowings are secured on land and buildings for the carrying amount of HK$198,354,000 (2011: HK$163,010,000) (Note 20).

The analysis of cost or valuation as at 31st December 2012 of the above assets is as follows:

	Group				
	Land and buildings HK$'000	**Leasehold improve-ments HK$'000**	**Plant, machinery, furniture and equipment HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
At cost	**–**	**32,188**	**60,319**	**1,117**	**93,624**
At valuation	**210,956**	**–**	**–**	**–**	**210,956**
	210,956	**32,188**	**60,319**	**1,117**	**304,580**

The analysis of cost or valuation as at 31st December 2011 of the above assets is as follows:

	Group				
	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	32,802	62,827	576	96,205
At valuation	193,065	–	–	–	193,065
	193,065	32,802	62,827	576	289,270

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Non-current		
Unlisted shares, at cost	**91,645**	91,645
Current		
Amounts due from subsidiaries (Note (b))	**71,185**	83,318

(a) Investments in subsidiaries

The following is a list of the subsidiaries at 31st December 2012:

Name	Place of incorporation/ establishment and kind 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 (Note (i))	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%

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest held
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))	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%
Leeport Machine Tool Trading (China) Limited (Note (i))	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))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	Registered and fully paid capital of US$1,000,000	100%
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 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%

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest held
Leeport Tools Limited	Hong Kong, limited liability company	Trading of cutting tools in Hong Kong	10,000 ordinary shares of HK$100 each	100%
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))	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	100%
Leeport International (BVI) Company Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	50,000 ordinary shares of HK$1 each	100%
Leeport International (Hong Kong) Company Limited (Note (i))	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Leeport International (Luxembourg) Company S.a r.l. (Note (i))	Luxembourg, limited liability company	Investment holding in Luxembourg	12,500 ordinary shares of EUR1 each	100%

[1] Shares held directly by the Company

Notes:

(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. The amounts are denominated in HK$ and there is no provision made for the amounts due from subsidiaries.

9 INVESTMENTS IN ASSOCIATES

On 28th February 2012, the Group has disposed of 31% equity interest of Mitutoyo Leeport Metrology Corporation ("MLMC") to Mitutoyo Corporation. Upon the completion of disposal, MLMC becomes an associate of the Group. The fair value of the associate on the disposal date is HK$40,000,000.

On 3rd April 2012, the Group has acquired 22.34% interests in OPS-Ingersoll Funkenerosion GmbH ("OPS"). The cash consideration of the investment is HK$15,679,000.

	2012 HK$'000
At 1st January	–
Recognition of investment cost in MLMC	40,000
Investment in OPS	15,679
Share of profits of associates	6,503
At 31st December	62,182

The Group's share of the results in associates and their aggregated assets and liabilities are shown below:

	31st December 2012	
	MLMC HK$'000	OPS HK$'000
Assets	62,196	21,117
Liabilities	20,952	14,253
Revenue	87,474	53,916
Share of profit/(loss)	7,399	(896)
Percentage held	49.00%	22.34%

10 FINANCIAL INSTRUMENTS BY CATEGORY

(a)

	Group			
	Loans and receivables HK$'000	**Available-for-sale** HK$'000	**Derivatives not used for hedging** HK$'000	**Total** HK$'000
Assets as per consolidated balance sheet				
At 31st December 2012				
Derivative financial instruments (Note 12)	**–**	**–**	**258**	**258**
Trade receivables and bills receivables (Note 13)	**169,218**	**–**	**–**	**169,218**
Other receivables and deposits	**12,487**	**–**	**–**	**12,487**
Available-for-sale financial assets (Note 11)	**–**	**16,522**	**–**	**16,522**
Restricted bank deposits (Note 15)	**129,852**	**–**	**–**	**129,852**
Cash and cash equivalents (Note 15)	**41,590**	**–**	**–**	**41,590**
Total	**353,147**	**16,522**	**258**	**369,927**
At 31st December 2011				
Derivative financial instruments (Note 12)	–	–	55	55
Trade receivables and bills receivables (Note 13)	141,533	–	–	141,533
Other receivables and deposits	12,266	–	–	12,266
Available-for-sale financial assets (Note 11)	–	7,236	–	7,236
Restricted bank deposits (Note 15)	100,697	–	–	100,697
Cash and cash equivalents (Note 15)	52,802	–	–	52,802
Total	307,298	7,236	55	314,589

10 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(a) (Continued)

	Group		
	Financial liabilities at amortised cost HK$'000	**Derivatives not used for hedging** HK$'000	**Total** HK$'000
Liabilities as per consolidated balance sheet			
At 31st December 2012			
Borrowings (Note 20)	**226,126**	**–**	**226,126**
Derivative financial instruments (Note 12)	**–**	**1,315**	**1,315**
Trade payables and bills payables (Note 19)	**135,124**	**–**	**135,124**
Other payables	**19,739**	**–**	**19,739**
Total	**380,989**	**1,315**	**382,304**
At 31st December 2011			
Borrowings (Note 20)	174,884	–	174,884
Derivative financial instruments (Note 12)	–	510	510
Trade payables and bills payables (Note 19)	93,910	–	93,910
Other payables	23,145	–	23,145
Total	291,939	510	292,449

10 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(b)

	Company Loans and Receivables HK$'000
Assets as per balance sheet	
At 31st December 2012	
Amounts due from subsidiaries (Note 8)	**71,185**
Cash and cash equivalents (Note 15)	**49**
Total	**71,234**
At 31st December 2011	
Amounts due from subsidiaries (Note 8)	83,318
Cash and cash equivalents (Note 15)	15
Total	83,333

	Company Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
At 31st December 2012	
Other payables	**99**
At 31st December 2011	
Other payables	52

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2012 HK$'000	2011 HK$'000
At beginning of the year	**7,236**	–
Additions	**6,634**	8,775
Net gain/(losses) transferred to equity (Note 18)	**2,652**	(1,539)
At end of the year	**16,522**	7,236

Available-for-sale financial assets include the following:

	Group 2012 HK$'000	2011 HK$'000
Listed securities:		
–Equity securities – Europe	**16,522**	7,236

Available-for-sale financial assets are denominated in the following currency:

	Group 2012 HK$'000	2011 HK$'000
EUR	**16,522**	7,236

12 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2012 Assets HK$'000	2012 Liabilities HK$'000	2011 Assets HK$'000	2011 Liabilities HK$'000
Forward foreign exchange contracts – non-hedge instruments	**258**	**1,315**	55	510

Derivatives holding for trading purpose are classified as a current asset or liability. As at 31st December 2012, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR1,399,000 for HK$14,049,000, JPY62,750,000 for HK$5,927,000, JPY73,700,000 for USD929,000, JPY37,400,000 for RMB3,083,000, AUD259,000 for HK$2,095,000 and GBP23,000 for HK$288,000 (2011: Buy EUR2,780,000 for HK$28,262,000, buy JPY118,000,000 for HK$12,012,000 and buy AUD260,000 for HK$1,976,000).

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

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade receivables and bills receivables	**174,961**	146,394	**–**	–
Less: provision for impairment of receivables	**(5,743)**	(4,861)	**–**	–
Trade receivables and bills receivables – net	**169,218**	141,533	**–**	–
Other receivables, prepayments and deposits	**49,012**	49,193	**336**	344
	218,230	190,726	**336**	344

The carrying amounts of trade and bills receivables, other receivables and deposits approximate their fair value.

At 31st December 2012 and 2011, the ageing analysis of trade receivables and bills receivables by due date are as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Current	**98,648**	82,206
1-3 months	**42,869**	34,257
4-6 months	**16,940**	9,314
7-12 months	**7,198**	11,856
Over 12 months	**9,306**	8,761
	174,961	146,394
Less: provision for impairment of receivables	**(5,743)**	(4,861)
	169,218	141,533

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

The Group generally grants credit terms of 30 to 90 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.

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
EUR	**16,165**	29,918
HK$	**16,589**	6,420
JPY	**45,067**	25,225
USD	**11,411**	17,019
RMB	**67,669**	52,239
Other currencies	**12,317**	10,712
	169,218	141,533

As of 31st December 2012, trade receivables of HK$70,570,000 (2011: HK$59,327,000) 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 are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
1-3 months	**42,869**	34,257
4-6 months	**16,940**	9,314
7-12 months	**7,198**	11,856
Over 12 months	**3,563**	3,900
	70,570	59,327

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

As at 31st December 2012, trade receivables of HK$5,743,000 (2011: HK$4,861,000) 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 are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Over 12 months	**5,743**	4,861

The Group has recognised a net loss of HK$882,000 (2011: HK$177,000) for the impairment of its trade receivables and bills receivables during the year ended 31st December 2012. The net loss has been included in administrative expenses in the consolidated income statement.

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

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**4,861**	4,875
Provision for impairment of receivables	**952**	316
Recovery of impaired receivables	**(70)**	(139)
Transferred to disposal group classified as held for sale	**–**	(191)
At end of the year	**5,743**	4,861

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated income statement (Note 16 and Note 24). 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 carrying value of each class of receivable (excluding prepayments) mentioned above. The Group does not hold any collateral as security.

14 INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Merchandise	**93,399**	125,051

The provision for slow moving inventories recognised as an expense and included in cost of goods sold amounted to HK$7,785,000 (2011: reversal of HK$3,650,000) (Note 16 and Note 24).

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$795,868,000 (2011: HK$1,013,908,000) (Note 16 and Note 24).

15 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Restricted bank deposits (Note (a))	**129,852**	100,697	**–**	–
Cash at bank and in hand (Note (b))	**41,590**	52,802	**49**	15

(a) Restricted bank deposits of the Group are pledged to secure banking facilities granted to the Group. The effective interest rate on restricted bank deposits was 1.26% (2011: 0.75%) and these deposits have an average renewal period of 22 days (2011: 16 days).

(b) The bank balances of the Group amounting to HK$17,760,000 (2011: HK$32,815,000) 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.

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**41,590**	52,802	**49**	15
Bank overdrafts (Note 20)	**–**	(5,147)	**–**	–
	41,590	47,655	**49**	15

15 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 2012 and 2011.

	Group	
	2012	2011
	HK$'000	HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
– Listed financial institutions	**40,810**	52,043
– Non-listed financial institutions	**176**	180
	40,986	52,223
Cash in hand	**604**	579
Total	**41,590**	52,802
Secured restricted bank deposits		
– Listed financial institutions	**129,852**	100,697

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

	Group	
	2012	2011
	HK$'000	HK$'000
EUR	**3,355**	2,065
HK$	**1,397**	4,127
JPY	**11,484**	6,159
USD	**6,987**	12,214
RMB	**14,754**	24,523
Other currencies	**3,613**	3,714
	41,590	52,802

16 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS – GROUP

On 28th February 2012, the Group has disposed 31% equity interest of MLMC resulting in a loss of control on the subsidiary. As a result, MLMC becomes an 49% own associated company of the Group. The subsidiary was sold for a cash consideration of HK$21,700,000 and results are presented in the consolidated financial statements as a discontinued operation.

Financial statements relating to MLMC for the year to the date of disposal is set out below. The consolidated income statement and consolidated cash flow statement distinguish discontinued operations from continuing operations.

	Group	
	2012	2011
	HK$'000	HK$'000
Operating cash flows	**11,410**	36,257
Investing cash flows	**(6,229)**	2,200
Financing cash flows	**–**	(6,399)
Total cash flows	**5,181**	32,058

(a) Assets of disposal group classified as held for sale

	Group	
	2012	2011
	HK$'000	HK$'000
Property, plant and equipment	**–**	898
Trade receivables	**–**	50,510
Inventories	**–**	25,874
Cash and cash equivalents	**–**	38,507
Other current assets	**–**	339
Total	**–**	116,128

(b) Liabilities of disposal group classified as held for sale

	Group	
	2012	2011
	HK$'000	HK$'000
Trade and bills payable	**–**	47,282
Other current liabilities	**–**	9,058
Total	**–**	56,340

16 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS – GROUP (CONTINUED)

(c) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group

	2012 HK$'000	2011 HK$'000
Revenue	**15,665**	199,678
Interest income	**–**	10
Cost of inventories sold	**(15,344)**	(157,502)
Depreciation of property, plant and equipment	**(81)**	(662)
Net provision for impairment of trade receivables	**–**	(7)
Reversal of slow moving inventories	**–**	59
Operating leases rental	**(148)**	(882)
Realised exchange loss	**(23)**	(870)
Unrealised exchange gain/(loss)	**1,377**	(4,849)
Finance cost	**–**	(369)
Other expenses – net	**(333)**	(22,565)
Profit before income tax of discontinued operations	**1,113**	12,041
Income tax expense	**–**	–
	1,113	12,041
Gain on disposal of discontinued operations (Note 32(c))	**19,850**	–
Profit for the year from discontinued operations	**20,963**	12,041
Profit for the year from discontinued operations attributable to:		
– Owners of the Company	**20,401**	9,635
– Non-controlling interests	**562**	2,406
Profit for the year from discontinued operations	**20,963**	12,041

17 SHARE CAPITAL

	2012 HK$'000	2011 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000

	Number of shares (in thousand)	Share capital HK$'000
Issued and fully paid:		
At 1st January 2012		
220,546,062 ordinary shares of HK$0.10 each	220,546	22,055
1,388,000 ordinary shares of HK$0.10 each issued on exercise of share option	1,388	138
At 31st December 2012		
221,934,062 ordinary shares of HK$0.10 each	221,934	22,193

During the year ended 31st December 2012, 1,388,000 shares of the Company were issued upon the exercise of share options at exercise price of HK$0.61, and resulting in approximately HK$708,000 credited to share premium.

Share options

On 17th June 2003, the Company approved and adopted a share option scheme (the "Existing Scheme").

On 29th March 2010, 7,980,000 share options have been offered and granted to directors and employees with an exercise price of HK$0.61 per share. The closing price of the shares on 26th March 2010 (immediately before 29th March 2010, the date those options granted) was HK$0.60 per share.

On 4th July 2011, 260,000 share options have been offered and granted to a director namely Dr. Lui Sun Wing with an exercise price of HK$0.96 per share. The closing price of the shares on the date of grant was HK$0.96 per share and the average closing price of the shares for the five business days immediately preceding the date of grant was HK$0.93 per share. The closing price of the shares on 30th June 2011 (immediately before 4th July 2011, the date his options granted) was HK$0.97 per share.

On 15th May 2013, a new share option scheme will be adopted in the annual general meeting to be held to replace the Existing Scheme. Details of the new share option scheme are set out in the circular which will be sent to the shareholders together with this annual report.

17 SHARE CAPITAL (CONTINUED)

The Company has been using the Black–Scholes Valuation model to value the share options granted. The key parameters used in the model and the corresponding fair value of the options granted during 2010 and 2011 are as follows:

Date of granted	Share Option 1 29th March 2010	Share Option 2 4th July 2011
Number of share options granted	7,980,000	260,000
Total option value (HK$)	1,915,200	67,600
Share price at date of grant (HK$)	0.61	0.96
Exercise price (HK$)	0.61	0.96
Expected life of options	2 years	2 years
Annualised volatility	76%	68%
Risk free interest rate	0.72%	0.33%
Dividend payout rate	0%	7.89%

The exercise period of share option 1 is from 29th March 2011 to 28th March 2012 (both dates inclusive). Pursuant to the share option scheme, these share options were fully vested on 29th March 2011. The expiry date of the options was 28th March 2012.

The exercise period of share option 2 is from 2nd July 2012 to 1st July 2013 (both dates inclusive). Pursuant to the share option scheme, these share options were fully vested on 2nd July 2012.

The share-based payment recognised in the consolidated income statement for these share options granted to directors and employees for the year ended 31st December 2012 is HK$34,000 (2011: HK$412,000) (Note 18).

17 SHARE CAPITAL (CONTINUED)

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

Eligible participants	Date of grant	Exercise period	Exercise Price HK$	At beginning of the year	Exercised during the year	Lapsed during the year	At end of the year
Director							
TAN, Lisa Marie (Ms. Tan) (resigned as director on 1st January 2013)	29th March 2010	29th March 2011- 28th March 2012	0.61	580,000	(580,000)	–	–
LUI Sun Wing (Dr. Lui)	4th July 2011	2nd July 2012- 1st July 2013	0.96	260,000	–	–	260,000
NIMMO, Walter Gilbert Mearns (Mr. Nimmo)	29th March 2010	29th March 2011- 28th March 2012	0.61	100,000	(100,000)	–	–
WONG, Man Shun Michael (Mr. Wong) (appointed as director on 1st January 2013)	29th March 2010	29th March 2011- 28th March 2012	0.61	232,000	(232,000)	–	–
Employees (excluding directors)	29th March 2010	29th March 2011- 28th March 2012	0.61	1,866,000	(476,000)	(1,390,000)	–
				3,038,000	(1,388,000)	(1,390,000)	260,000

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$0.95.

During the year, no share options were granted or cancelled.

18 OTHER RESERVES – GROUP AND COMPANY

	Group					
	Share premium HK$'000	Land and building revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Merger reserve HK$'000	Total HK$'000
Balance at 1st January 2011	26,480	79,529	49,520	2,177	11,310	169,016
Currency translation differences	–	(40)	12,675	–	–	12,635
Revaluation – gross (Note 7)	–	34,593	–	–	–	34,593
Revaluation – tax (Note 21)	–	(2,201)	–	–	–	(2,201)
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(3,341)	–	–	–	(3,341)
Available-for-sale financial assets (Note 11)	–	–	–	(1,539)	–	(1,539)
Changes in ownership interests in subsidiaries without change of control	–	–	(2,188)	1,514	–	(674)
Exercise of options	2,602	–	–	–	–	2,602
Share option scheme – value of services provided (Note 17)	–	–	–	412	–	412
Balance at 31st December 2011	29,082	108,540	60,007	2,564	11,310	211,503
Balance at 1st January 2012	**29,082**	**108,540**	**60,007**	**2,564**	**11,310**	**211,503**
Currency translation differences	**–**	**428**	**(21,233)**	**–**	**–**	**(20,805)**
Revaluation – gross (Note 7)	**–**	**36,498**	**–**	**–**	**–**	**36,498**
Revaluation – tax (Note 21)	**–**	**(8,300)**	**–**	**–**	**–**	**(8,300)**
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	**–**	**(4,138)**	**–**	**–**	**–**	**(4,138)**
Available-for-sale financial assets (Note 11)	**–**	**–**	**–**	**2,652**	**–**	**2,652**
Disposal of a subsidiary with loss of control (Note 32(c))	**–**	**–**	**(17,821)**	**–**	**–**	**(17,821)**
Changes in ownership interests in subsidiaries without change of control	**–**	**–**	**–**	**(340)**	**–**	**(340)**
Exercise of options	**708**	**–**	**–**	**–**	**–**	**708**
Share option scheme – value of services provided (Note 17)	**–**	**–**	**–**	**34**	**–**	**34**
Balance at 31st December 2012	**29,790**	**133,028**	**20,953**	**4,910**	**11,310**	**199,991**

18 OTHER RESERVES – GROUP AND COMPANY (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 2011	26,480	91,445	12,685	2,177	132,787
Share option scheme					
– value of services provided	–	–	–	412	412
Exercise of options	2,602	–	–	–	2,602
Currency translation difference	–	–	3,174	–	3,174
Balance at 31st December 2011	29,082	91,445	15,859	2,589	138,975
Balance at 1st January 2012	**29,082**	**91,445**	**15,859**	**2,589**	**138,975**
Share option scheme					
– value of services provided	**–**	**–**	**–**	**34**	**34**
Exercise of options	**708**	**–**	**–**	**–**	**708**
Currency translation difference	**–**	**–**	**(7,496)**	**–**	**(7,496)**
Balance at 31st December 2012	**29,790**	**91,445**	**8,363**	**2,623**	**132,221**

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 2012 amounted to HK$100,126,000 (2011: HK$105,872,000).

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables and bills payables	**135,124**	93,910	**–**	–
Other payables, accruals and deposits received	**76,243**	79,967	**99**	52
	211,367	173,877	**99**	52

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

	Group	
	2012	2011
	HK$'000	HK$'000
Current	**123,949**	90,902
1-3 months	**5,186**	1,768
4-6 months	**3,564**	23
7-12 months	**1,738**	30
Over 12 months	**687**	1,187
	135,124	93,910

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

	Group	
	2012	2011
	HK$'000	HK$'000
JPY	**58,640**	31,448
EUR	**23,539**	20,573
USD	**18,119**	11,882
RMB	**23,974**	22,808
HK$	**5,171**	3,393
Others	**5,681**	3,806
	135,124	93,910

20 BORROWINGS

	Group 2012 HK$'000	2011 HK$'000
Current		
Collateralised borrowings	**–**	4,547
Trust receipt loans	**75,853**	67,531
Portion of term loans from banks due for repayment within one year	**150,273**	97,659
Bank overdrafts (Note 15(b))	**–**	5,147
Total borrowings	**226,126**	174,884

As at 31st December 2012, certain land and building and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$329,880,000 (2011: hk$265,446,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group 2012 HK$'000	2011 HK$'000
Within 1 year		
– Bank loans	**150,273**	97,659
– Others	**75,853**	77,225
	226,126	174,884

The carrying amounts of borrowings approximate their fair value.

20 BORROWINGS (CONTINUED)

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

	2012				2011			
	HK$	**US$**	**EUR**	**JPY**	HK$	US$	EUR	JPY
Collateralised borrowings	**–**	**–**	**–**	**–**	–	3.43%	–	–
Bank overdrafts	**–**	**–**	**–**	**–**	5.61%	–	–	–
Trust receipts loans	**–**	**2.40%**	**2.88%**	**2.20%**	–	3.30%	3.74%	1.88%
Bank loans	**1.88%**	**–**	**–**	**–**	2.81%	–	–	1.18%

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

	Group	
	2012	2011
	HK$'000	HK$'000
EUR	**31,270**	17,836
HK$	**150,273**	71,563
JPY	**35,242**	76,762
USD	**9,341**	8,723
	226,126	174,884

The facilities expiring within one year are annual facilities subject to review at various dates during year 2013.

21 DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Accelerated tax depreciation		
At 1st January	**18,519**	15,284
Exchange differences	**–**	(5)
(Credited)/charged to consolidated income statement (Note 27)	**(1,157)**	1,039
Charged directly to equity (Note 18)	**8,300**	2,201
At 31st December	**25,662**	18,519

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

	Group	
	2012	2011
	HK$'000	HK$'000
Land and building revaluation reserves in shareholders' equity (Note 18)	**8,300**	2,201

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$7,673,000 (2011: HK$6,532,000) in respect of losses amounting to HK$46,504,000 (2011: HK$39,589,000) that can be carried forward against future taxable income. All losses have no expiry period (2011: same).

22 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	
	2012	2011
	HK$'000	HK$'000
At 1st January	**4,363**	4,468
Provision made during the year	**6,839**	9,479
Provision utilised during the year	**(6,620)**	(8,910)
Transferred to disposal group classified as held for sale	**–**	(674)
At 31st December	**4,582**	4,363

The provision has been included in selling and distribution costs in the consolidated income statement.

23 OTHER INCOME AND GAINS-NET

	Group	
	2012	2011
	HK$'000	HK$'000
Derivative instruments-forward contracts:		
– Realised and unrealised net fair value loss	**(602)**	(1,004)
Interest income	**2,109**	885
Investment income/(loss)	**1,507**	(119)
Service income	**10,028**	11,468
Commission income	**5,130**	9,004
Other income	**3,227**	1,559
Management fee income from disposal group	**854**	6,676
Management fee income from an associate	**4,270**	–
	25,016	28,588

24 EXPENSES BY NATURE

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

	Group 2012 HK$'000	2011 HK$'000
Auditors' remuneration	**2,559**	2,685
Cost of inventories sold	**780,524**	856,406
Depreciation on property, plant and equipment	**11,807**	9,967
Amortisation on leasehold land (Note 6)	**223**	225
Operating lease rentals	**4,553**	4,304
Provision for/(reversal of) slow moving inventories	**7,785**	(3,591)
Net provision for impairment of trade and bills receivables	**882**	170
Foreign exchange gain (Note 28)	**(10,920)**	(2,175)
Employee benefits expenses (including directors' remuneration) (Note 25)	**83,794**	74,698
Other expenses	**82,587**	81,174
Total cost of goods sold, selling and distribution costs and administrative expenses	**963,794**	1,023,863

25 EMPLOYEE BENEFITS EXPENSES

	Group 2012 HK$'000	2011 HK$'000
Wages and salaries, including other termination benefits HK$78,000 (2011: HK$103,000)	**74,984**	67,585
Pension costs-defined contribution plans (Note (a))	**8,776**	6,701
Share-based compensation (Note 17)	**34**	412
	83,794	74,698

25 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(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 consolidated income statement represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a current ceiling of HK$1,250 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 current ceiling of HK$1,250 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$143,000 (2011: HK$86,000) 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 (2011: HK$Nil).

25 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2012 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	–	1,511	70	191	70	1,842
Tan, Lisa Marie (resigned as director on 1st January 2013)	–	699	–	–	32	731
Chan Ching Huen, Stanley	–	1,100	70	366	14	1,550
Lui Sun Wing	–	720	–	–	14	734
Non-executive directors						
Pike, Mark Terence	150	–	–	–	–	150
Nimmo, Walter Gilbert Mearns	150	–	–	–	–	150
Lee Tai Chiu	150	–	–	–	–	150

The remuneration of every director for the year ended 31st December 2011 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	–	1,365	210	86	63	1,724
Tan, Lisa Marie	–	640	–	–	30	670
Chan Ching Huen, Stanley	–	948	210	414	12	1,584
Lui Sun Wing	–	360	–	–	5	365
Non-executive directors						
Lui Sun Wing	75	–	–	–	–	75
Pike, Mark Terence	150	–	–	–	–	150
Nimmo, Walter Gilbert Mearns	150	–	–	–	–	150
Lee Tai Chiu	75	–	–	–	–	75

25 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

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

Note:

(a) Other benefits mainly comprise 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 are 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 (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,510**	2,908
Discretionary bonuses	**160**	1,654
Pension costs-defined contribution plans	**95**	98
Share-based compensation	**–**	33
	3,765	4,693

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$1,000,001-HK$1,500,000	**3**	1
HK$1,500,001-HK$2,000,000	**–**	2
	3	3

26 FINANCE COSTS

	Group 2012 HK$'000	2011 HK$'000
Interest expense on:		
– bank overdrafts, trust receipt loans and bank borrowings wholly repayable within five years	**5,341**	2,772

27 INCOME TAX EXPENSE

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

	Group 2012 HK$'000	2011 HK$'000
Current income tax		
– Hong Kong profits tax	**212**	33
– PRC and overseas taxation	**2,978**	3,029
– (Over)/under provision in previous years	**(883)**	714
Deferred income tax (Note 21)	**(1,157)**	1,039
	1,150	4,815

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax ("EIT") in the PRC has been provided at the rate of 25% (2011: 25%) on the estimated assessable profit for the year with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2011: 17%) on the estimated assessable profit for the year.

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

27 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to (loss)/profits of the consolidated entities are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
(Loss)/profit before income tax	**(4,117)**	27,784
Tax calculated at domestic tax rates applicable to (loss)/profit in the respective countries	**(696)**	5,471
Income not subject to taxation	**(7,517)**	(6,851)
Expenses not deductible for taxation purposes	**9,226**	8,475
Tax losses for which no deferred income tax asset was recognised	**1,669**	286
Utilisation of previous unrecognised temporary difference	**(528)**	(2,351)
(Over)/under provision in previous years		
– Hong Kong profits tax	**(883)**	714
– Deferred income tax	**(121)**	(929)
Income tax expense	**1,150**	4,815

28 REALISED AND UNREALISED FOREIGN EXCHANGE GAIN/LOSS

The realised exchange loss of HK$592,000 and unrealised exchange gain of HK$11,512,000 recognised in the consolidated income statement are included as administrative expenses for the year ended 31st December 2012 (2011: realised exchange gain of HK$2,679,000 and unrealised exchange loss of HK$504,000).

29 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$7,487,000 (2011: HK$21,161,000).

30 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2012	2011
(Loss)/profit from continuing operations attributable to owners of the Company (HK$'000)	**(5,267)**	22,969
Profit from discontinued operations attributable to owners of the Company (HK$'000)	**20,401**	9,635
	15,134	32,604
Weighted average number of ordinary shares in issue (in thousands)	**221,696**	218,338
Basic (loss)/earnings per share attributable to owners of the Company (HK cents per share)		
– From continuing operations	**(2.37)**	10.52
– From discontinued operations	**9.20**	4.41

(b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares only: share options. A calculation was made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as (a) is compared with the number of shares that would have been issued assuming the exercise of the share options.

The conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the (loss)/earnings per share for the year ended 31st December 2012.

In 2011, the diluted earnings per share is based on the weighted average number of ordinary shares, including the adjustment for share options granted, of 219,208,000.

30 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

	2012	2011
Weighted average number of ordinary shares in issue (in thousands)	**221,696**	218,338
Adjustment for:		
– Share options (in thousands)	**–**	870
Weighted average number of ordinary shares for diluted (loss)/earnings per share (in thousands)	**221,696**	219,208
Diluted (loss)/earnings per share attributable to the owners of the Company (HK cents per share)		
– From continuing operations	**(2.37)**	10.47
– From discontinued operations	**9.20**	4.40

31 DIVIDENDS

No interim dividend is paid for the year ended 31st December 2012 (2011: HK$7,719,000). Final dividend of HK3.5 cents per ordinary share for the year ended 31st December 2012 (2011: HK6.0 cents per ordinary share) is to be proposed at the annual general meeting on 15th May 2013. These financial statements do not reflect this dividend payable.

	2012 HK$'000	2011 HK$'000
Interim, paid, of HK Nil cents (2011: HK3.5 cents) per ordinary share	**–**	7,719
Final, proposed, of HK3.5 cents (2011: HK6.0 cents) per ordinary share	**7,768**	13,233
	7,768	20,952

The aggregate amounts of the dividends paid and proposed during 2012 and 2011 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

32 CASH GENERATED FROM OPERATIONS

	Group	
	2012	2011
	HK$'000	HK$'000
Profit before income tax including discontinued operations	**16,846**	39,825
Adjustments for:		
– Share-based compensation (Note 17)	**34**	412
– Depreciation of property, plant and equipment (Note 7)	**11,888**	10,629
– Amortisation on leasehold land (Note 6)	**223**	225
– Loss/(gain) on sale of property, plant and equipment (see Note (a) below)	**49**	(400)
– Fair value loss on derivative financial instruments (Note 23)	**602**	1,004
– Interest income	**(2,109)**	(895)
– Interest expense	**5,341**	3,141
– Unrealised exchange (gain)/loss	**(12,889)**	5,353
– Provision for/(reversal of) slow moving inventories (Note 14)	**7,785**	(3,650)
– Net impairment losses for trade receivables (Note 13)	**882**	177
– Share of profits of associates (Note 9)	**(6,503)**	–
– Gain on disposal of discontinued operations (see Note (c) below)	**(19,850)**	–
– Gain on disposal of a subsidiary (see Note (b) below)	**(2,869)**	–
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– Decrease in inventories	**13,023**	12,292
– (Increase)/decrease in trade receivables and bills receivables, other receivables, prepayments and deposits	**(20,771)**	64,149
– Increase/(decrease) in trade payables and bills payables, trust receipt loans, other payables, accruals and deposits received	**33,755**	(67,535)
Cash generated from operations	**25,437**	64,727

32 CASH GENERATED FROM OPERATIONS (CONTINUED)

Note:

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

	Group 2012 HK$'000	2011 HK$'000
Net book amount (Note 7)	**78**	438
(Loss)/gain on sale of property, plant and equipment	**(49)**	400
Proceeds from sale of property, plant and equipment	**29**	838

(b) In the cash flow statement, proceeds from disposal of a subsidiary comprise:

	Group 2012 HK$'000	2011 HK$'000
Net assets disposed:		
Property, plant and equipment	**2**	–
Cash and cash equivalents	**50**	–
Other payables	**(21)**	–
	31	–
Gain on disposal of a subsidiary	**2,869**	–
Total cash consideration	**2,900**	–
Net cash inflow from disposal of a subsidiary	**2,850**	–

(c) In the cash flow statement, net cash outflow from disposal of discontinued operations comprise:

	Group 2012 HK$'000	2011 HK$'000
Net assets disposed:		
Property, plant and equipment	**793**	–
Cash and cash equivalents	**42,885**	–
Other assets	**77,100**	–
Other liabilities	**(46,050)**	–
Exchange reserve	**(17,821)**	–
Non-controlling interests	**(15,057)**	–
	41,850	–
Fair value of the associate as at disposal date	**(40,000)**	–
Gain on disposal of discontinued operations	**19,850**	–
Total cash consideration	**21,700**	–
Net cash outflow from disposal of discontinued operations	**(21,185)**	–

33 CONTINGENT LIABILITIES

	Group	
	2012	2011
	HK$'000	HK$'000
Letters of guarantee given to customers	**20,381**	31,415

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 31st December 2012, the amount of guarantees outstanding was HK$20,381,000 (2011: HK$31,415,000).

34 COMMITMENTS

Commitments under operating leases

As lessee

At 31st December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Not later than one year	**2,865**	3,951
Later than one year but not later than five years	**1,232**	1,114
	4,097	5,065

35 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Acquisition of additional interest in a subsidiary

On 27th February 2012, a wholly owned subsidiary of the Company acquired an additional 20% interest in Leeport Metrology Macao Commercial Offshore Limited for a purchase consideration of HK$200,000. Subsequently, it became a wholly owned subsidiary. On the date of acquisition, Leeport Metrology Macao Commercial Offshore Limited is at a net liability position of HK$698,000, and the carrying amount of the non-controlling interests was a negative of HK$140,000. The Group recognised an increase in non-controlling interests of HK$140,000 and a decrease in equity attributable to owners of the Company of HK$340,000. The effect of changes in the ownership interest of Leeport Metrology Macao Commercial Offshore Limited on the equity attributable to owners of the Company during the year are summarised as follows:

	2012 **HK$'000**	2011 HK$'000
Carrying amount of non-controlling interests acquired	**(140)**	–
Consideration paid to non-controlling interests	**(200)**	–
Excess of consideration paid recognised within equity	**(340)**	–

(b) Disposal of interest in a subsidiary without loss of control

On 12th May 2011, the Company disposed of 10% of interest in MLMC at a consideration of HK$7,000,000. The Group recognised an increase in non-controlling interests of HK$5,924,000 and an increase in equity attributable to owners of the Company of HK$1,076,000. The effect of changes in the ownership interest of MLMC on the equity attributable to owners of the Company in 2011 are summarised as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Carrying amount of non-controlling interests disposed of	**–**	(5,924)
Consideration received from non-controlling interests	**–**	7,000
Gain on disposal within equity	**–**	1,076

35 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (CONTINUED)

(c) Effects of changes in ownership interests in subsidiaries without change of control on the equity attributable to owners of the Company

	Group	
	2012	2011
	HK$'000	HK$'000
Total comprehensive income for the year attributable to the owners of the Company	**25,179**	76,092
Changes in equity attributable to owners of the Company arising from:		
– Acquisition of a subsidiary	**(340)**	–
– Disposal of interests in a subsidiary	**–**	1,076
	24,839	77,168

36 RELATED PARTY TRANSACTIONS

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 65.12% of the Company's shares. The remaining 34.88% 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 a related party during the year:

		Group	
	Note	**2012**	2011
		HK$'000	HK$'000
Rental paid to a director, Mr. LEE Sou Leung, Joseph	(a)	**84**	84

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group has entered into lease agreements with a director, Mr. LEE Sou Leung, Joseph to lease office spaces in China for the year ended 31st December 2012 amounted to HK$84,000 (2011: 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	
	2012	2011
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**13,563**	14,507
Pension costs – defined contribution plans	**368**	347
Share-based compensation	**34**	220
	13,965	15,074

(c) Sales of goods and services:

	2012	2011
	HK$'000	HK$'000
Sales of goods to an associate		
– MLMC	**212**	–
Sales of services to an associate		
– MLMC	**4,270**	–

The transaction price was determined by the directors and agreed with the related parties.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Year-end balance arising from sales of goods/services

	2012 HK$'000	2011 HK$'000
Receivables from an associate		
– MLMC	**2,567**	–

(e) Loan to an associate

During the year, the Group has made a loan to an associate – OPS. The loan carries interest at HIBOR plus 4.5% and will not be repaid within the next twelve months from the reporting date.

As at 31st December 2012, the carrying value of the loan to an associate was HK$30,805,000. No provision has been required as at year ended.

During the year, interest received from OPS amounted to HK$1,083,000 (2011: HK$ Nil).

Five Year Financial Summary

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

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Results					
Sales	**946,295**	1,225,509	1,075,961	758,562	1,037,212
Profit/(loss) before income tax	**16,846**	39,825	25,819	(36,197)	6,006
Income tax (expense)/credit	**(1,150)**	(4,815)	(1,500)	919	(85)
Profit/(loss) for the year	**15,696**	35,010	24,319	(35,278)	5,921
Profit/(loss) attributable to Equity shareholders	**15,134**	32,604	25,199	(34,348)	7,896
Non-controlling interest	**562**	2,406	(880)	(930)	(1,975)
Assets					
Property, plant and equipment	**225,134**	207,885	171,140	153,481	129,434
Leasehold land	**6,856**	6,947	7,190	7,206	7,354
Investments in associates	**62,182**	–	–	–	–
Loans to an associate	**30,805**	–	–	–	–
Current assets	**502,678**	592,695	576,833	484,321	581,129
Total assets	**827,655**	807,527	755,163	645,008	717,917
Liabilities					
Current liabilities	**438,808**	405,635	428,659	364,943	427,516
Non-current liabilities	**25,662**	18,519	15,284	12,261	7,427
Total liabilities	**464,470**	424,154	443,943	377,204	434,943
Net assets	**363,185**	368,520	305,439	261,455	277,375