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

50 Years in Manufacturing Technology
五十年製造科技

50 YEARS IN MANUFACTURING TECHNOLOGY

Precision Measuring Instruments

Metalcutting Machinery

Metalforming Machinery

Equipment for the Electronics Industry

Cutting Tools

2016 Annual Report

Contents

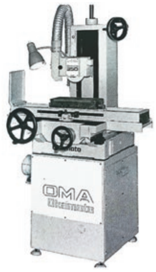
Our History

1967

- Joseph Lee founded Leeport & Co.

1968

- Joseph Lee (front row far left) attended the Mitutoyo distributors' meeting in Japan



1971

- Leeport was appointed the exclusive agent of Okamoto precision grinders in Hong Kong

1978

- Incorporated as Leeport Machine Tool Company Limited

1981

- Dr. the Hon. Sir S.Y. Chung, GBM, J.P., officiated at the opening of Leeport's Kwai Chung Showroom

1996

- Leeport became the exclusive agent of Finn-Power (currently named as Prima Power) in Hong Kong, China and South East Asia

1999

- Established Leeport office in Taiwan

2000

- The grand opening of Leeport Dongguan office

2004-2005

- Established Rapman Limited
- Established Leeport Suzhou, Zhuhai, Wuhan and Guangzhou offices
- Established a representative office in Indonesia
- Established Leeport Shenzhen Advanced Manufacturing Technology Centre

2006

- Established Leeport Chengdu office
- Leeport Machinery (Shanghai) Company Limited awarded ISO9001:2000 certification

2007

- Leeport Machine Tool (Shenzhen) Company Limited awarded ISO9001:2000 certification

2011

- Further collaboration between Mitutoyo Corporation and Leeport (Holdings) Limited
- Leeport Machine Tool Trading (China) Limited awarded ISO9001:2008 certification

1983-85

- Established Leeport (Singapore) Pte. Ltd.
- Established Leeport Beijing office
- Established Leeport Electronics Limited

1986

- In May 1986, the mayor of Tanjin officiated at the opening of “Advanced Machine Tool & Electronics Equipment Show” in Tianjin, organised solely by Leeport
- Leeport became the exclusive agent of Mitsubishi Materials in five provinces in China

1987

- Leeport became the exclusive agent of Okuma in Hong Kong and Guangdong Province, China

2001

- Established Leeport Machinery (Shanghai) Company Limited

2002

- Awarded ISO9001:2000 certification
- Established Leeport Machine Tool (Shenzhen) Company Limited
- Established Leeport Macao Commercial Offshore Limited

2003

- Listed on the Main Board of the Hong Kong Stock Exchange
- Established Leeport Metrology (Hong Kong) Limited (a Leeport Mitutoyo joint-venture company)

2012

- Invested in OPS-Ingersoll Funkenerosion GmbH, a German manufacturer of automated mold centres
- Established Leeport Changsha and Jinan offices

2014

- Established Prima Power Suzhou Company Limited, a joint-venture company with Prima Industrie SpA

2016

- The grand opening of the new Leeport Shanghai office

Corporate Information

DIRECTORS

Executive Directors
Mr. LEE Sou Leung, Joseph
(Chairman and Group Chief Executive Officer)
Mr. CHU Weiman
Mr. CHAN Ching Huen, Stanley
Mr. WONG Man Shun, Michael

Independent Non-Executive Directors
Mr. PIKE, Mark Terence
Dr. LEE Tai Chiu
Mr. ZAVATTI Samuel

COMPANY SECRETARY

Mr. CHAN Ching Huen, Stanley

MEMBERS OF AUDIT COMMITTEE

Mr. PIKE, Mark Terence *(Chairman)*
Dr. LEE Tai Chiu
Mr. ZAVATTI Samuel

MEMBERS OF REMUNERATION COMMITTEE

Mr. LEE Sou Leung, Joseph
Mr. PIKE, Mark Terence
Dr. LEE Tai Chiu *(Chairman)*
Mr. ZAVATTI Samuel

MEMBERS OF NOMINATION COMMITTEE

Mr. LEE Sou Leung, Joseph *(Chairman)*
Mr. PIKE, Mark Terence
Dr. LEE Tai Chiu
Mr. ZAVATTI Samuel

SOLICITORS

Stevenson, Wong & Co

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
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 Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 2016, together with the comparative figures for the year ended 31st December 2015. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

In 2016, the manufacturing industry in China continued to face the difficulty of weak exports and overcapacity in some industries. However, the economic situation has improved since the fourth quarter of 2016. Encouragingly, the overall business of the Group improved in 2016 as compared with 2015. The Group's sales amounted to HK$715,113,000, compared with HK$674,980,000 in 2015, representing an increase of 5.9%. The Group's gross profit amounted to HK$133,595,000 in 2016, compared with HK$123,410,000 in 2015, representing an increase of 8.3%. The gross profit percentage was 18.7% in 2016, slightly better than the gross profit percentage of 18.3% in 2015.

Other Income and Gains

The total value of other income and gains was HK$17,249,000 in 2016, compared with HK$18,443,000 in 2015, representing a decrease of 6.5%.

The service income was HK$8,735,000 in 2016, compared with HK$9,626,000 in 2015, representing a decrease of 9.3%. The commission income was HK$3,032,000 in 2016, higher than the amount of HK$2,030,000 in 2015.

Other income included a rental of HK$1,625,000, a management fee of HK$1,505,000 charged against Mitutoyo Leeport Metrology Corporation, and a gain of HK$1,750,000 from the disposal of a subsidiary. There was a loss on forward contracts of HK$2,810,000 in 2016.

In the first half of 2016 our investee, Prima Industrie S.p.A., the parent company of Prima Power Suzhou Company Limited, also declared a dividend, so the Group received a dividend of HK$690,000.

Operating Expenses

Selling and distribution costs were HK$34,070,000 in 2016, compared with HK$28,074,000 in 2015, representing an increase of 21.4%. The higher selling and distribution costs were due mainly to higher marketing expenses, bank charges and logistics costs resulting from the higher sales volume.

Administrative expenses amounted to HK$100,800,000 in 2016, compared with HK$107,391,000 in 2015, representing a decrease of 6.1%. Staff costs for 2016 were lower than for 2015 because of the reducing value of the Renminbi in the year and there was cost of share option granted to staff in 2015. There was a reduction in rental costs after the opening of the new Group-owned showroom and logistics centre in Shanghai at the beginning of 2016. Travelling expenses also were lower in 2016 as compared with 2015 due to the improvement in the productivity of the sales team. In the second half of 2016, the Renminbi, Euro and Japanese Yen were very volatile, and the Group incurred an exchange loss of HK$3,447,000 for the whole year, compared with an exchange loss of HK$1,947,000 in 2015.

Share of Profits of Associates

The share of profits of associates in 2016 was HK$11,279,000, compared with HK$16,307,000 in 2015, representing a decrease of 30.8%.

The share of profit of Mitutoyo Leeport Metrology Corporation was HK$5,294,000 in 2016, which was significantly lower than the figure of HK$12,264,000 in 2015. This was due mainly to the impact of the fluctuating Japanese Yen during the year. The business of Mitutoyo Leeport Metrology Corporation in 2016 was actually better than in 2015.

The share of profit of OPS Ingersoll Funkenerosion GmbH was HK$5,486,000, compared with HK$6,903,000 in 2015. OPS Ingersoll Funkenerosion GmbH actually achieved another successful year in 2016, however there were higher personnel costs and operating expenses in 2016 as compared with 2015.

The joint-venture plant, Prima Power Suzhou Company Limited, made a profit in 2016. The share of profit was HK$499,000 in 2016, compared with a share of loss of HK$2,860,000 in 2015.

Finance Expenses – Net

Finance expenses net of finance income were HK$1,740,000 in 2016, compared with HK$223,000 in 2015. Finance income in 2016 was HK$1,767,000, compared with HK$2,800,000 in 2015, representing a decrease of 36.9%. Interest income from bank deposits in 2016 was lower than in 2015. The decrease in finance income was due mainly to a reduction in restricted bank deposits in Renminbi. The Group has exchanged a significant amount of Renminbi to Hong Kong Dollars to avoid the impact of the weakening Renminbi. The interest rate in 2016 for Renminbi deposits was also relatively lower than in 2015. Interest income derived from the loan to OPS Ingersoll Funkenerosion GmbH was HK$1,102,000 in 2016, compared with HK$1,228,000 in 2015. At the end of August 2016, OPS Ingersoll Funkenerosion GmbH repaid a loan of Euro 1 million to Leeport.

Finance expenses were HK$3,507,000 in 2016, compared with HK$3,023,000 in 2015, representing an increase of 16.0%. The average borrowing in 2016 including the revolving loan and term loan was higher than in 2015, so the Group incurred higher finance expenses in the year.

Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK$23,673,000 in 2016, compared with HK$21,458,000 in 2015, representing an increase of 10.3%. The operating profit for the trading business in 2016 was HK$15,974,000, compared with HK$6,388,000 in 2015, representing an increase of 150.1%. The increase in operating profit was attributed to the increase in sales and the gross profit in the year. On the other hand, the increase in selling and distribution costs was compensated for by a reduction in administrative expenses. In 2016, the financial expenses were higher than in 2015, but the finance income was lower. There was a gain of HK$1,750,000 on the disposal of a subsidiary in Macau.

The basic earnings per share were HK10.57 cents in 2016, compared with the figure of HK9.63 cents in 2015, representing an increase of 9.8%.

DIVIDEND

An interim dividend of HK3.5 cents per ordinary share, totalling HK$7,870,000, was paid to the shareholders of the Company on 19th October 2016.

The Directors recommended a final dividend of HK3.0 cents per ordinary share, totalling HK$6,813,000 (in 2015, the final dividend was HK1.5 cents per ordinary share, totalling HK$3,355,000). This recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 12th June 2017. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 28th June 2017 to the shareholders of the Company whose names appear on the register of members on 19th June 2017.

The total dividend paid per ordinary share for the year ended 31st December 2016 will be HK6.5 cents, compared with HK5.0 cents per ordinary share for the year ended 31st December 2015, representing an increase of 30%.

BUSINESS REVIEW

As the second largest economy in the world, China achieved a 6.7% GDP growth in 2016, which was outstanding. China was also the biggest driver of the global economy in 2016, with one third of the global economic growth being driven by China's economic growth. The growth rate for the value of industrial production was 6%. The value of exports fell slightly, by 0.2%. On the other hand, the Chinese Government Purchase Manager Index (PMI) for the manufacturing industry was higher than 50 for seven consecutive months from August 2016. The overall economic situation of China in 2016 was reasonably stable, and was improving towards the end of the year.

The business of the Group in 2016 came basically from similar customer segments as in the past few years. Car manufacturing and mobile phone manufacturing continued to be the Group's major customer segments. Other industries, including telecommunications, electronics products, molds and dies, home appliances and switchgear, were also important customer segments for the Group in 2016. The increase of the business in 2016 as compared with 2015 was due mainly to the business improvement in Central and Northern China, especially as a result of improved key account management. In terms of the Group's business divisions, the electronics equipment, cutting tools and measuring equipment divisions achieved fairly good results in 2016, however the business for the machine tool division was almost flat in the year.

The value of the Group's outstanding orders at the end of February 2017 was HK$151,208,000, compared with HK$175,900,000 at the end of February 2016. The contract amount was a bit low at the beginning of 2017, however we expect that the volume of orders will grow later in the year, due to the expected increased business opportunities in China.

The business of the associate, Mitutoyo Leeport Metrology Corporation, achieved double-digit growth in 2016 as compared with 2015. Unfortunately, the result was adversely affected by the fluctuating Japanese Yen during the year, and the company incurred a significant amount of exchange loss. The business of OPS Ingersoll Funkenerosion GmbH reached a record level in 2016, however due to higher personnel costs and operating expenses, the profit in 2016 was lower than in 2015. Prima Power Suzhou Company Limited also achieved a good result in 2016, and it became profitable after its establishment in 2014.

The business of the Group increased by 5.9% in 2016 as compared with 2015 (2016: HK$715,113,000, 2015: HK$674,980,000). The operating profit increased by 150.1% as compared with 2015 (2016: HK$15,974,000, 2015: HK$6,388,000). This was a significant improvement in the operating profit of the Group's trading business.

FUTURE PLANS AND PROSPECTS

In China, the Government predicted the GDP growth rate would not be lower than 6.5% in 2017. This is a reasonable target, even lower than the actual rate of 6.7% in 2016. Since mid-2016, the Chinese Government's Purchase Manager Index (PMI) for the manufacturing industry has trended upwards. This indicates the improving situation in China.

Overall, the global economy in 2017 looks to be improving at a relatively fast pace, compared with 2016. A major concern is the protectionism of the new US Government which may mean that some measures will adversely affect the economy of other countries, including China. On the other hand, the "One Belt One Road" and "Made in China 2025" initiatives have become hot topics in China, so the related capital investment is likely to increase gradually.

As part of China's "Made in China 2025" policy initiative, the Government aims to comprehensively upgrade the capabilities of the country's manufacturing industry. The Group therefore foresees that the automation of manufacturing processes will be one of the major business opportunities in China and we will invest more resources in forming a team to source more new products in the field of automation. The measuring business is another key area for development, as the Group already has a strong team in measuring products.

The car manufacturing industry, which is a traditional industry, is expected to slow down in 2017, except in the area of electric cars. It is possible that the mobile phone manufacturing industry will maintain a slight growth in 2017. The Group will try to explore new customer bases in the new year. The Group will also, as always, continue to explore opportunities for partnerships with suppliers. Investment in new products and new partnerships is an established strategy of the Group.

We expect that the business of the associates, Mitutoyo Leeport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH, will achieve reasonable growth in 2017. The impact of currency fluctuations is likely to be mild in 2017. Prima Power Suzhou Company Limited became profitable in 2016 and it is expected that its bottom line will continue to improve in 2017.

2017 is still likely to be a challenging year for the Group, even though we believe the market situation in China is improving. The Group has already set higher business targets for 2017.

In significant news, 2017 is the 50th anniversary of the Leeport Group. Over the past 50 years, the Group has accumulated broad knowledge, experience and expertise in various types of advanced manufacturing technology, especially metalcutting, metalforming, cutting tools and measurement technologies. China is moving rapidly towards its goal of becoming the leading industrial power in the world, and Leeport is ideally placed to take advantage of this great opportunity to grow its business as rapidly as possible. We therefore confidently believe that the Group will be bigger and more successful in the near future. To ensure a strong foundation for the Group's growing success for the future, we have worked diligently in recent years to restructure the Group and to build a highly experienced and talented management team.

Finally, I would like to express my gratitude to our shareholders, customers, suppliers, bankers, business associates and staff in the past year. I thank you all sincerely for your support and contribution in 2016.

LEE Sou Leung, Joseph
Chairman

24th March 2017

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2016 was HK$53,108,000 (31st December 2015: HK$45,228,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 31st December 2016 was HK$60,595,000 (31st December 2015: HK$62,231,000). The turnover days of inventory was 38 at the end of December 2016, compared with 41 at the end of December 2015. The inventory level was lower at 31st December 2016 than at 31st December 2015 due to the provision for some slow-moving stock and also the clearance of some aged stock. The balance of trade receivable and bills receivable was HK$97,906,000 as at 31st December 2016 (31st December 2015: HK$115,055,000). The turnover days of trade receivable was 50, compared with 62 at the end of December 2015. The lower turnover days of trade receivable at the end of December 2016 was due to big amount of invoices issued at December 2015 so that the balance of account receivable was larger in 2015. The balance of trade payable and bills payable was HK$95,105,000 as at 31st December 2016 (31st December 2015: HK$103,702,000). The lower balance of trade payable and bills payable as at 31st December 2016 was in line with the lower trade receivable in December 2016. The balance of short-term borrowings was HK$133,641,000 as at 31st December 2016 (31st December 2015: HK$134,175,000). The balance of long-term borrowings was HK$12,222,000 as at 31st December 2016 (31st December 2015: Nil), which provided a longer term of finance resources for the Group's business development.

The Group's net gearing ratio was approximately 23.7% as at 31st December 2016 (31st December 2015: 24.7%). The net gearing ratio is slightly lower than in 2015. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2016, the Group had aggregate banking facilities of approximately HK$656,439,000, of which approximately HK$215,675,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$244,301,000 (31st December 2015: HK$234,636,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

FINANCIAL KEY PERFORMANCE INDICATORS

The Group measures its business performance by various financial key performance indicators in terms of Gross Profit ratio ("GP ratio"), Net Profit ratio ("NP ratio"), Return on Equity ratio ("ROE ratio") and Net Gearing ratio ("NG ratio").

GP ratio measures the Group's ability to cover its operational expenses by its gross profit. The GP ratio is calculated as gross profit divided by sales. The Group's GP ratio was approximately 18.7% in the year of 2016 (2015: 18.3%). The Group is able to maintain its GP ratio in the year of 2016 to cover its current year operational cost effectively showing that the Group is capable to provide products to market at a reasonable price that is acceptable by customer.

NP ratio measures how effectively the Group can convert sales into net income, and reveals the remaining profit after cost of goods sold, selling and distribution costs, administrative expenses, finance expenses and income tax expenses. The NP ratio is calculated as profit for this year divided by sales. The Group's NP ratio was approximately 3.3% in the year of 2016 (2015: 3.2%). The Group is able to maintain an average NP ratio for the year of both 2016 and 2015, and strike to achieve a higher NP ratio in the future.

ROE ratio measures the efficiency of the Group to utilize the fund from shareholders to generate profit and grow the company. The ROE ratio is calculated as profit for the year divided by average equity. The Group's ROE ratio was approximately 6.3% for the year of 2016 (2015: 6.1%). The Group delivered an average return to shareholders' investment in year 2016. The management of the Group will pursue higher ROE in the future.

NG ratio measures the Group's financial leverage about the degree of its business activities are funded by the owner's cash or by bank loan. The NG ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent. The Group's NG ratio was approximately 23.7% as at 31st December 2016 (31st December 2015: 24.7%). The Group was able to obtain a lower NG ratio as at 31st December 2016 as compared with 2015 which demonstrates that the Group was capable to reduce its NG ratio to a relatively low level and majorly relied on owner's fund for its business activities.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

During the year 2016, the Group spent a total of HK$22,182,000 (31st December 2015: HK$4,307,000) in capital expenditure, primarily consisting of property, plant and equipment and leasehold land. As at 31st December 2016, the Group had capital commitments of HK$168,000 on property, plant and equipment. (31st December 2015: HK$2,004,000 on property, plant and equipment) In the meantime, a total of HK$25,090,000 (31st December 2015: HK$23,870,000) in contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

As at 31st December 2016, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000 (2015: buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; RMB8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000).

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2016, certain land and buildings, leasehold land, investment property and restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK$244,301,000 (31st December 2015: HK$234,636,000), were pledged to secure the banking facilities of the Group.

Available-for-Sales Financial Assets

Prima Industrie SpA – The Group holds 429,228 shares in Prima Industrie SpA, representing around 4.1% of the total shareholding of Prima Industrie SpA. The company is a world leader in high-technology laser systems, sheet metal working systems and electronics components for industrial applications, and also possesses some advanced technology. Prima Industrie SpA and Leeport have a joint-venture manufacturing plant in Suzhou that produces laser cutting and punching machines and imports 3D laser machines and production systems. Leeport is also the distributor for Prima's products in China. The valuation of the financial assets was based on the closing price of the shares at the end of December 2016. Prima Industrie SpA is listed on the Stock Exchange of Milan, Italy. The value of the Prima Industrie SpA shares held by the Group as at 31st December 2016 was HK$56,336,000. The value of the total assets of Leeport Group as at 31st December 2016 was HK$715,323,000. The value of Prima Industrie SpA to the total assets of Leeport Group was 7.9%.

In the year ended 31st December 2016, Prima Industrie SpA achieved revenues of Euro 393.9 million as compared with Euro 364.5 million in 2015, representing an increase of 8.1%. The company also achieved a net profit of Euro 10.2 million as compared with Euro 5.6 million in 2015, representing an increase of 82.1%. Prima Industrie SpA is a long-term partner of Leeport. The Group will continue to partner with Prima Industrie SpA and explore appropriate business opportunities in the future. We believe the business of the company will continue to be strong in the near future.

OY Mapvision Limited ("Mapvision") – The Group holds 29,388 shares in Mapvision, representing 2.67% of the total shareholding of the company. Based in Finland, Mapvision is a leading innovator in optical measurement systems for mass production. The company specialises in the 100% in-line inspection of automotive body and chassis components.

The cost of the Group's investment in Mapvision as at the end of December 2016 was HK$12,863,000. The cost of investment for Mapvision to total assets of Leeport Group as at the end of December 2016 was 1.8%.

The business partner of Leeport, Mitutoyo Corporation, is also an investor in Mapvision. Mitutoyo has an extensive partnership with Mapvision for the distribution of Mapvision's products. The associate of Leeport, Mitutoyo Leeport Metrology Corporation, is the distributor of Mapvision products in China.

According to the management report, Mapvision made a loss in 2016, however the company forecasts that the business will grow at a significant pace in the coming years and will be profitable. As Mapvision possesses a unique in-line inspection system and is very focused in the huge market of automobile components, the Group believes the projection of profit-making in the near future is achievable.

Furthermore, the Group will continue to explore investment opportunities in advanced manufacturing technology.

EMPLOYEES

As at 31st December 2016, the Group had 256 employees (31st December 2015: 256). Of these, 80 were based in Hong Kong, 165 were based in mainland China, and 11 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, education subsidies and discretionary performance bonuses.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Sou Leung, Joseph, aged 73, the founder and the Chief Executive Officer 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 around 50 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. Chu Weiman, aged 59, was appointed as the Chief Executive Officer of trading division in September 2016. He is responsible for the overall trading business of the Group. Mr. Chu has joined Leeport Tools Limited as the Managing Director since May 2014. Before he joined the Group, he was the Vice President and Chief Operating Officer of Screw and Fastener (HK) Company Limited, an engineering tools distributor in Hong Kong and China. Mr. Chu also held various senior positions in the reputable companies with operations in Hong Kong and China. Mr. Chu was stationed in China during the years between 1994 and 2000 and worked for US based multi-national companies. He was a member of the Board of Directors and General Manager of Shanghai Westinghouse Control System Company Limited, the Managing Director of Cutler-Hammer China, a subsidiary of Eaton Corporation. During the years between 2000 and 2007, Mr. Chu held the position of Branch Director for Innovation Process and Automation Branch and Branch Director for Manufacturing Productivity Branch of Hong Kong Productivity Council. He was also a member of the board of directors of Shenzhen Productivity Consulting Company and the Chairman of Shenzhen-Hong Kong Productivity Foundation. These Companies were the subsidiaries of the Hong Kong Productivity Council. He also possesses strong relationship with the Hong Kong trade associations and the local government offices of various cities in China. He is currently a General Committee member of The Chinese Manufactures' Association of Hong Kong. Mr. Chu is a licensed Professional Engineer of the State of California and a member of the American Chamber of Commerce in Shanghai. He holds a bachelor degree in Power Mechanical Engineering from Tsing Hua University, Taiwan; a master of science degree in engineering from the University of California, Los Angeles; and a Master of Business Administration degree from the University of Southern California.

Mr. Chan Ching Huen, Stanley, aged 59, also the Company Secretary and the Chief Financial Officer of the Group, is responsible for overseeing the Group's financial planning and control and information technology. 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.

Mr. Wong Man Shun, Michael, aged 52, was appointed as the Managing Director of Leeport Precision Machine Tool Company Limited in January 2013. He is currently responsible for all the equipment trading business within 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 had been responsible for the trading business of various products in the Group. He was promoted to the Director of Leeport Precision Machine Tool Company Limited in January 2004. Mr. Wong is also an Honorary Vice President of the Hong Kong Electrical Appliance Industries Association, an executive committee member of the Hong Kong Mold and Die Council and a Director of the Hong Kong Mold & Product Technology Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pike, Mark Terence, aged 60, is a member of the Australian Institute of Company Directors (AICD), an associate of The Institute of Chartered Accountants in Australia (ACA) and member of The Hong Kong Institute of Certified Public Accountants (CPA). He holds a Bachelor of Economics, University of Sydney and Masters of Science in Environmental and Natural Resource Economics, National Agricultural University, Lima, Peru. Mr. Pike worked in Hong Kong for many years in the commercial and not for profit sectors. He is currently a director and corporate advisor in Brisbane, Australia.

Dr. Lee Tai Chiu, aged 72, 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 an 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 an Honorary Consultant of the Hong Kong Metal Manufacturers' Association.

Mr. Zavatti Samuel, aged 70, is the founder of Sadella Advisory Services Limited. He has over thirty years of global experience in major financial institutions, providing managerial as well as executive advisory to management boards. Utilizing his financial expertise, he had also provided advisory to senior executives in major multinational corporations throughout his career. Mr. Zavatti was the Vice Chairman of Global Financial Institutions in The Royal Bank of Scotland and ABN AMRO from 2005-2009. Prior to the Vice Chairman role, Mr. Zavatti was the Global Head of Financial Institutions and Public Sector for ABN AMRO and also was a member of the Executive Committee of the Wholesale Banking Division. Before joining ABN AMRO in 2001, he has had an extensive international career with Bank of America, working in senior positions globally including Athens, London, Cairo, Sydney and Hong Kong. He held his last position for Bank of America in Hong Kong as the Managing Director and Head of Asia Pacific Financial Institutions, which he set up in 1994. Mr. Zavatti graduated from the University of Colorado in 1969. He holds a bachelor of arts degree in History and Economics.

SENIOR MANAGEMENT

Mr. Sa Wai Keung, aged 55, the Director and 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 58, 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. Lee Huat Eng, aged 60, the General Manager of Leeport (Singapore) Pte. Ltd., is responsible for the marketing, management and business development in Singapore. 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.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31st December 2016.

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 9 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 2016 are set out in the consolidated income statement on page 48.

The details of dividends paid and declared during the year are set out in Note 29 to the consolidated financial statements.

The Directors recommend the payment of a final dividend of HK3.0 cents (2015: HK1.5 cents) per ordinary share, totalling HK$6,813,000 (2015: HK$3,355,000). The total dividend paid per ordinary share for the year ended 31st December 2016 will be HK6.5 cents, compared with HK5.0 cents per ordinary share for the year ended 31st December 2015, representing an increase of 30%.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2016 is set out in the section headed "Chairman's Statement" and "Management's Discussion and Analysis" on pages 5 to 13 of this annual report.

Principal Risks and Uncertainties

The board of directors are aware that the Group is exposed to various risks, and have established a risk-management system and procedures to ensure that significant risks that might adversely affect the performance of the Group and its ability to implement its business strategies are identified and managed efficiently.

The following are the key risks that the Group considers to be significant and that could adversely affect the results of the business.

(1) Competition

The market for manufacturing equipment and tools is highly competitive in China. Price competition, the cost of customer acquisition and the payment terms for contracts are challenges to the Group. Regarding price competition, the Group works with suppliers to handle all sales negotiations and tries to compete with competitors by devising competitive pricing strategies. The Group also strives to improve the productivity of its sales management process, for example by carefully managing travel costs and optimising the scheduling of customer visits. We also work with leasing companies and banks to provide financing for customer orders.

(2) *Growth Strategy*

The risk in terms of the growth strategy is that the Group might not produce sufficient and timely returns from its investments in the organic growth of the existing business and in new products. Factors affecting decisions about the organic growth of the existing business include an in-depth understanding of the market and the addition of sufficient human resources. Decisions about investing in new products depend mainly on the quality of suppliers and the market's awareness of the products. Any selected new products should have been in the market for a certain number of years, and must have shown proven sales results. The Group carefully monitors the market situation, and adjusts its investment strategy accordingly by promptly delaying, cancelling or modifying its investment contracts.

(3) *China Market*

The Group's business relies heavily on the Chinese market. Any adverse changes in that market will significantly affect the Group's performance. In order to diversify the risk, the Group is also developing the market in Taiwan and Indonesia, and also invests in a number of suppliers with global business. This reduces the risk of depending too much on the Chinese market.

(4) *IT Database*

The Group's business operations rely heavily on the IT Oracle System. The failure or destruction of the system could wipe out the Group's database and paralyse its operations. The Group has therefore established a Disaster Recovery Program, which includes a daily back-up practice and a stand-by system.

(5) *Database Security*

There is a risk that people with access to the Group's computer system will leak business information to outsiders. The level of authority for users of the computer system is therefore managed carefully, with authorisation controlled at the supervisory level. The use of lock-in passwords and the segregation of data by division or department also minimise the risk of data leakage.

A number of user activity reports and data transaction reports are generated on a weekly basis. This enables us to spot any abnormal or suspicious activities by users of the computer system.

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Discussions on the Group's relationships with its employees, customers and suppliers is contained in the section headed "Environmental, Social and Governance Report" on pages 36 to 40 of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the financial year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

DONATIONS

Charitable and other donations amounted to HK$130,000 were made by the Group during the year (2015: HK$28,000).

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2016 are set out in Note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2016, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$99,458,000 (2015: HK$95,789,000).

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 126 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 2016 are set out in Note 20 to the consolidated financial statements.

SHARE OPTIONS

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting held on 15th May 2013, the Company had adopted a new share option scheme (the "Scheme") to replace the old one for the principal purpose of providing incentives and rewards to eligible participants who contribute to the growth and success of the Group. Under the Scheme, the directors of the Company may, at their absolute discretion, invite (i) any employees (whether full time or part time) of any member of the Group or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director; (ii) any non-executive director (including independent non-executive director) of any member of the Group or any Invested Entity; (iii) any consultant, adviser or agent engaged by any member of the Group or Invested Entity, who, under the terms of relevant engagement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and (iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company. The Scheme became effective on 15th May 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 15th May 2013. There is no change to the terms of the Scheme since adoption.

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme and any other share option scheme of the Group is 17,035,406, representing 7.5% of the issued shares of the Company as at the date of this annual report, and such limit is subject to renewal with shareholders' approval. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall require the approval of 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 Scheme. Unless otherwise determined by the directors, the Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

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

Details of the Scheme are set out in the circular dated 15th April 2013.

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

DIRECTORS OF THE COMPANY

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

Executive directors

Mr. LEE Sou Leung, Joseph *(Chairman and Group Chief Executive Officer)*
Mr. CHU Weiman
Mr. CHAN Ching Huen, Stanley
Mr. WONG Man Shun, Michael

Independent non-executive directors

Mr. PIKE, Mark Terence
Dr. LEE Tai Chiu
Mr. ZAVATTI Samuel

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. Chu Weiman, Dr. Lee Tai Chiu, Mr. Zavatti Samuel are subject to re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years, 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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, subsidiaries or its holding company was a party and in which a director of the Company and the directors connected party 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 pages 14 to 15.

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

At 31st December 2016, 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 Part XV 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 (c))	**Total**	**Percentage**
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	19,580,000 shares	1,396,000 shares (Note (b))	144,529,982 shares (Note (a))	1,000,000 shares	166,505,982 shares	73.82%
Mr. CHU Weiman ("Mr. Chu")	Long position	Nil	Nil	Nil	1,000,000 shares	1,000,000 shares	0.44%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	500,000 shares	Nil	Nil	1,000,000 shares	1,500,000 share	0.67%
Mr. WONG Man Shun, Michael ("Mr. Wong")	Long position	432,000 shares	Nil	Nil	1,000,000 shares	1,432,000 shares	0.63%
Mr. PIKE, Mark Terence ("Mr. Pike")	Long position	Nil	Nil	Nil	110,000 shares	110,000 shares	0.05%
Dr. LEE Tai Chiu ("Dr. Lee")	Long position	Nil	Nil	Nil	110,000 shares	110,000 shares	0.05%
Mr. ZAVATTI Samuel ("Mr. Zavatti")	Long position	Nil	Nil	Nil	110,000 shares	110,000 shares	0.05%

(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 Lisa Marie 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 Lisa Marie. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee and Ms. Tan is deemed to be interested in all the interests held by her husband.

(c) Information relation to the share options held by the directors is disclosed in the "Details of options granted by the Company" section.

SHARE OPTIONS

Other than as disclosed above, and other than those as disclosed below and 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.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at 31st December 2016, options to subscribe for an aggregate of 6,039,000 shares of the Company granted to Directors and certain employees pursuant to the Scheme remained outstanding, details of which were as follows:

Name and Category of participants	Date of grant	Exercise prices of share options HK$ per share	Exercise periods of share options	At 1st January 2016	Granted during the period	Exercised during the period	At 31st December 2016
Directors							
Mr. LEE Sou Leung, Joseph (Note 1)	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000 shares	–	–	1,000,000 shares
Mr. CHU Weiman	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000 shares	–	–	1,000,000 shares
Mr. CHAN Ching Huen, Stanley	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000 shares	–	–	1,000,000 shares
Mr. WONG Man Shun, Michael	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	1,000,000 shares	–	–	1,000,000 shares
Mr. PIKE, Mark Terence	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	110,000 shares	–	–	110,000 shares

Name and Category of participants	Date of grant	Exercise prices of share options HK$ per share	Exercise periods of share options	At 1st January 2016	Granted during the period	Exercised during the period	At 31st December 2016
Directors (Continued)							
Dr. LEE Tai Chiu	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	110,000 shares	–	–	110,000 shares
Mr. ZAVATTI Samuel	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	110,000 shares	–	–	110,000 shares
Sub-total				4,330,000	–	–	4,330,000
Employees							
In aggregate	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	3,577,000 shares	–	(1,868,000) shares	1,709,000 shares
Total				7,907,000	–	(1,868,000)	6,039,000

Notes:

1. Mr. LEE Sou Leung, Joseph is substantial shareholder of the Company. As a condition of the grant of options, Mr. Lee undertakes not to exercise any options granted to him to such an extent that the exercise would result in the number of shares held by him and his associates exceeds 75% of the voting rights of the Company.

2. The options, granted on 17th March 2015, are exercisable from 17th December 2015 to 16th June 2017 (both days inclusive).

3. According on the Black-Scholes valuation model, the fair value of the options granted on 17th March 2015 was estimated at HK$1,508,000. The key parameters used in the model were as follows:

Date of grant	**17th March 2015**
Number of share options granted	7,907,000
Share price at date of grant (HK$)	1.01
Exercise price (HK$)	1.026
Expected life of options	2.25 years
Annualised volatility	40.47%
Risk free interest rate	0.63%
Dividend payout rate	3.47%

Closing price of the shares of the Company immediately before the date on which the options was granted was HK$1.02.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was approximately HK$1.50.

5. During the period, no options was cancelled or lapsed.

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

At 31st December 2016, the register of substantial shareholders required to be kept under Section 336 of Part XV 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	32%
– five largest suppliers combined	80%

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

CORPORATE GOVERNANCE

During the year ended 31st December 2016, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

The Board is of the view that although Mr. LEE Sou Leung, Joseph is the Chairman and 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. Mr. Lee Sou Leung, Joseph, the Chairman, has been Chief Executive Officer of the Group instead of Managing Director with effect from 24th March 2017 and the Company has no title as Managing Director anymore.

Code Provision C.2.5

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. This situation will be reviewed annually.

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

For the year ended 31st December 2016, 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 2016 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu, and Mr. ZAVATTI Samuel has reviewed the accounting principles and practices adopted by the Group with the management and has discussed risk management and internal control systems and financial reporting matters, including a review of the consolidated financial statements for the year ended 31st December 2016 with the directors.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at 24th March 2017.

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$1,500 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$1,500 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 2016 are set out in Note 24(a) to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

The Company's Bye-laws provide that all directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors' liability insurance is arranged to cover the directors of the Company against any potential costs and liabilities arising from claims brought against them.

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, 24th March 2017

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 Corporate Governance Code (the "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 risk management and 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 year ended 31st December 2016, 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 and Group Chief Executive Officer)* Mr. CHU Weiman Mr. CHAN Ching Huen, Stanley Mr. WONG Man Shun, Michael
Independent Non-executive Directors:	Mr. PIKE, Mark Terence Dr. LEE Tai Chiu Mr. ZAVATTI Samuel

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 2016, a total of 4 Board meetings and one annual general meeting ("2016 AGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 31st December 2016	
	Board meetings	2016 AGM
Mr. LEE Sou Leung, Joseph	4/4	1/1
Mr. CHU Weiman	4/4	1/1
Mr. CHAN Ching Huen, Stanley	4/4	1/1
Mr. WONG Man Shun, Michael	4/4	1/1
Mr. PIKE, Mark Terence	4/4	1/1
Dr. LEE Tai Chiu	4/4	1/1
Mr. ZAVATTI Samuel	4/4	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 risk management and internal control systems; 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 the 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. A Board Meeting in relation to the Board Diversity Policy was held during the year.

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 GROUP 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. Mr. Lee Sou Leung, Joseph, the Chairman, has been Chief Executive Officer of the Group instead of Managing Director with effect from 24th March 2017 and the Company has no title as Managing Director anymore.

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.

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. 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.

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.

The directors have attended various seminars and meetings organised by such as Hong Kong Exchanges and Clearing Limited, PricewaterhouseCoopers, Australian Institute of Company Directors and Institute of Chartered Accountants Australia to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. 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.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1st September 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 directors. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of nationality, professional background 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 2016. One member has accounting professional qualifications 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 risk management and 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 risk management and internal control systems 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 2016. 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 2016**
Mr. PIKE, Mark Terence	2/2
Dr. LEE Tai Chiu	2/2
Mr. ZAVATTI Samuel	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 risk management and internal control systems 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. Dr. Lee Tai Chiu 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. 2 meetings were held during the year ended 31st December 2016. During the meeting, the committee has reviewed the remuneration policy of the Group and the directors' remuneration.

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 2016
Mr. LEE Sou Leung, Joseph	2/2
Mr. PIKE, Mark Terence	2/2
Dr. LEE Tai Chiu	2/2
Mr. ZAVATTI Samuel	2/2

The Company has adopted a new share option scheme on 15th May 2013, which serves as an incentive to attract, retain and motivate staff. Details of such 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 35 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. 2 meetings were held during the year ended 31st December 2016. Issues concerning the structure, size and composition of the board of directors were discussed and no significant change has been proposed to the structure, size and composition.

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 2016
Mr. LEE Sou Leung, Joseph	2/2
Mr. PIKE, Mark Terence	2/2
Dr. LEE Tai Chiu	2/2
Mr. ZAVATTI Samuel	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 for preparing the consolidated 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.

Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risks and the relevant measures have been disclosed in the report of the directors of this annual report. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Each department of the Company would choose certain material risk events in its field every year and assess and grade the possibility of occurrence and influence of risk events to determine the scope of material risk of the year together with the management of the Company. Each functional department prepares counteractions to deal with material risks in its field and report the execution situation regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. This situation will be reviewed annually. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The management of the Company has established a set of comprehensive structure, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and a sound cash management system; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board reviews the risk management and internal controls annually. The Board has conducted a review of, and is satisfied with the effectiveness of the risk management and internal control systems for the year ended 31st December 2016 as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

With respect to the monitoring and disclosure of inside information, the Company has formulated its guidelines, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

AUDITORS' REMUNERATION

The amount of fees charged by the Group's auditors in respect of their audit services and non-audit services is disclosed in Note 23 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.

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 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 2016.

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 2016, there had been no significant change in the Company's constitutional documents.

Environmental, Social and Governance Report

CORPORATE PROFILE

Leeport's vision is to help improve both the quality and the productivity of the manufacturing industry, and thus enhance everybody's standard of living and quality of life. The Group is committed to maintaining sustainable long-term development and continuously creates value for all stakeholders, including shareholders, customers, employees and society.

The Group strives to become the leading distributor of advanced equipment and precision tools for the manufacturing industry and provide manufacturing technology and solutions that will help our customers to become more productive, competitive and profitable. Leeport serves a wide range of customers from various industrial sectors, including but not limited to industrial machinery, construction machinery, cars, medical equipment, household appliances, audio and visual equipment, computers and telecommunications equipment. All of our stakeholders benefit from the technology, solutions and services that we provide.

With the global trend of reduced energy and resource consumption, Leeport works to raise our staff members' awareness of and involvement in environmental protection, and we are committed to maintaining an all-round green culture in the Group.

This report covers the financial year ended 31st December 2016 and describes how the Company fulfills the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

ENVIRONMENT

In all its operations, the Group adheres strictly to local environmental protection laws and regulations. Moreover, we have developed a green office policy, which has been applied extensively in all our offices located in Hong Kong, PRC, Taiwan, Singapore and elsewhere.

Emissions

Emission management is not a critical area for the Group. Reducing the energy consumption of our office facilities and equipment is a priority, as they account for a significant proportion of our total carbon emissions. The Group's approach to managing carbon emissions and other air emissions focuses mainly on the efficient operation of our office facilities and equipment. Details are set out in our energy management practice.

Use of Resources

In order to make sure all the facilities in our offices consume electricity efficiently and responsibly, we maintain a regular schedule of checking their operations and ensuring that they are in good condition at all times.

To ensure that we consume electricity efficiently, we have introduced a green lighting and air conditioning management system to the Group. When a room is not in use, the lights and air conditioner are switched off. Our new building in Shanghai has been designed and renovated for maximum energy efficiency – LED lights have been installed extensively throughout the offices, and glass doors prevent cool air from spreading wastefully to other office areas. The building has been designed, as much as possible, to make good use of natural light and natural air. In some areas of our offices, we switch off electric lights and air conditioners, and use natural light or natural fresh air instead. Such measures help to reduce carbon emissions.

The Group has set up a paperless data-storage system, which our staff use for the data warehousing and retrieval of electronic documents. A CRM system for the service department has been developed so that various departments can share and retrieve documents related to service orders. A staff attendance record system has been developed so that staff members can apply online for leave, which reduces paper usage and optimises the approval process. A recycle paper tray is placed near every copier or printer, so that our staff members can easily re-use printing paper. Also, all staff members are encouraged to print double-sided documents to reduce paper usage.

The group is also committed to recycling resources used in its offices, to minimise or prevent the generation of waste during its operations. All empty ink cartridges, copier toner containers and printing consumables are sent to recycling factories. Waste-separation bins are placed in every office for the collection of recyclable items, e.g., disposed plastic items, metallic containers and waste paper. For our PRC offices, we have selected a qualified supplier to refill ink cartridges, which extends the life of items.

Water management is not a material area for the Group. Much of our water consumption is for basic cleaning, sanitation and catering purposes in our offices. It is our policy that we always remind our staff to use water responsibly.

Environment and Natural Resources

The Group also promotes environmental awareness among our staff members and their families. We encourage our employees and their families to take the initiative to protect the environment. We therefore organise outings for our staff, during which they can observe migrant birds, the mangrove ecosystem and the coral system. Employees and their families often share their views and suggestions about how we can go green and protect our natural environment.

The Group has a policy of encouraging customers to go green alongside us. We invite them to join us to maximise the socially responsible utilisation of resources. With the support of our professional and experienced technical team, we are able to provide a special repair service to customers so that they do not need to purchase a new Printed Circuit Board ("PCB"). The life of a PCB can be extended and a customer can resume operations more quickly, at a lower cost, and at the same level of quality. Electrical rubbish can also be eliminated.

We also provide a service package for customers, whereby our experienced technical people will periodically visit a customer's office or factory to check the machines on site and make sure they are operating optimally. This helps to extend the life of the machines and reduces the consumption of electricity during daily operations.

SOCIAL

Employment

The Group complies strictly with all relevant, applicable local laws and regulations, including but not limited to the Employment Ordinance of Hong Kong, the Labor Law of the PRC, and the Special Rules on the Labor Protection of Female Employees of the PRC. We have established procedures to ensure that our operations comply fully with such laws and regulations. The Group enforces local working hours and arranges annual leave, casual leave, sick leave, maternity leave and all official public holidays for staff. As a leading distributor of advanced equipment and precision tools, we work around the clock to provide the best possible service to our valuable customers, so some of our employees are required to work overtime on holidays or after office hours. We pay an overtime salary for such overtime work in accordance with local regulations.

The Group regularly develops, reviews and improves its Human Resources administration policies and systems. For example, it has implemented a performance appraisal system for all employees, and has established a remuneration system based on position, capacity, attitude and performance.

The Group complies strictly with laws in connection with social security. Starting from 1st December 2000, the existing employees in Hong Kong were able to elect to join the Mandatory Provident Fund scheme ("MPF Scheme"), and all new employees in Hong Kong have been required to join the MPF Scheme. Prior to 1st December 2000, the Group operated a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified Hong Kong employees. For our operations in the PRC, we adhere strictly to The Social Insurance Law of the PRC, covering basic pension insurance, basic medical insurance, industrial injury insurance, unemployment insurance and maternity insurance. All our employees in the PRC have joined this national social insurance scheme. The retirement schemes for employees of other overseas subsidiaries follow the local statutory requirements of the respective countries.

The Group has published staff handbooks for employees in Hong Kong and the PRC, and regularly arranges training courses to ensure that staff members understand the company's policies and their benefits and responsibilities.

Health and Safety

In 2016, no occupational accidents, and no occupational diseases were reported. We have achieved excellent results in controlling safety hazards in connection with machine installation and maintenance, and stock management in our warehouse.

All new staff members are required to attend our in-house safety training course. Staff who are exposed to potentially risky working environments are required to attend regular safety trainings. We also arrange for our qualified engineers to educate new service staff and share their experience. The Group has created a safe and clean working environment in its offices, and displays warning signs in its warehouse to prevent the mishandling of equipment. Also, we arrange personal protective clothing, gear and equipment for service staff when they work in customers' factories.

The Group has fully satisfied its principal responsibility regarding safety and the prevention of occupational diseases, and implements all relevant local laws and regulations, including but not limited to the Prevention and Control of Occupational Disease Law of the PRC and the Production Safety Law of the PRC.

Each subsidiary is required to investigate any weaknesses in operational safety and occupational health, and to handle any safety issues immediately.

Development and Training

The Group considers that the growth of our employees is the key to the success of our business. In 2016, we organised various in-house job-related training programs in connection with team-building, leadership, technical skills, etc. Also, we regularly arrange for our technical people to attend training programs and seminars organised by our suppliers at their factories. To ensure that our key PRC staff understand the latest developments in local regulations and laws, we send them to seminars arranged by local authorities. We also offer a training subsidy to employees, in the hope of encouraging them to pursue career opportunities within the Group.

Labour Standards

The Group is committed to protecting human rights and complying with all relevant labour regulations and laws as stipulated by local authorities. We have no tolerance for the use of forced labour or child labour in our business operations, and we expect our business partners to behave in the same way.

Supply Chain Management

The Group adheres to the “Supply Chain Sustainability” principle in conducting our business. We have a supplier evaluation system that assesses suppliers’ qualifications, costs, supply capability, delivery, and good-faith management of their operations. We continuously monitor the quality of our suppliers, and examine different suppliers to ensure that the quality of their products is consistent.

As one of the leading distributors of advanced equipment and precision tools in Greater China, we maintain business relationships with many world-renowned suppliers from Japan, Europe, Korea and elsewhere. We review our suppliers’ operations from time to time, and have concluded that our suppliers are able to comply with local regulations and laws. So far, we have not identified any violations of local regulations by our suppliers.

The Group passed an annual ISO9001 audit in 2016, which demonstrates our commitment to high-quality supply chain management.

Product Responsibility

The Group is committed to providing an excellent customer experience and ensuring that our products and services are safe, user-friendly and environmentally friendly. We always think ahead on behalf of our customers and work to satisfy their needs. We value customer service highly and have established a comprehensive after-sales service system. After a machine is installed, we provide a maintenance and training service. Our after-sales service team sends a questionnaire to customers, and takes the initiative to seek their feedback. If customers encounter any problems in connection with our machines or services, our professional technical staff solve the problem and ensure that our machines are operated effectively and are customised to meet our customers’ requirements. We run a customised, online service system, which improves the quality of our after-sales service, builds our corporate brand image, and increases customers’ satisfaction with and loyalty to Leeport’s products and services.

During periodical review meetings with suppliers, we consolidate our technical knowledge and our customers' feedback, and provide professional advice to suppliers about product enhancements so that we keep pace with the rapid developments in the marketplace.

We adhere to applicable laws in relation to health and safety standards, as well as those related to advertising and labelling. We strive to safeguard and protect intellectual property rights, and comply with local relevant privacy regulations.

In 2016, the Group was not involved in any material litigation or complaints due to product quality or service provision.

Anti-corruption

The Group is committed to upholding a high standard of ethics, responsibility and integrity in our business operations. We refuse to accept or tolerate any form of bribery or corruption in connection with our business activities. All of our employees are regularly advised of our policy against corruption. All new employees are required to read our anti-corruption and bribery policy and are expected to commit themselves to complying with such policy.

In 2016, the Group was not involved in any litigation regarding corruption, bribery, fraud or money-laundering.

Community Investment

Leeport is committed to fostering harmonious relationships with the communities where we operate, and has consistently kept its responsibility to return to society and endeavoured to achieve sharing and win-win relationship between the Group and its stakeholders. We participate in a variety of charitable events every year. During 2016, the Group donated approximate of HK$130,000 in total to various charitable and community causes.

Organiser/Beneficiary	Event/Award/Recognition
The Community Chest	Love Teeth Day
The Community Chest	Million Walk
The Community Chest	Green Day
The Association for International Teaching Educational and Curriculum Exchange	Better relations among people through mutual sharing of understanding and values
East Asian Educational Association	Education Service
Procurator in HK of the Salesian Society	Education and Blessing

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Leeport (Holdings) Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Leeport Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 125, which comprise:

- the consolidated balance sheet as at 31st December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment on carrying value of inventory
- Assessment of provision for trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on carrying value of inventories	
Refer to notes 4(b) Critical accounting estimates and judgements and 15 Inventories to the consolidated financial statements As at 31st December 2016 the Group's gross inventories and provision for impairment of inventories amounted to HK$82.3 million and HK$21.7 million respectively. The directors consistently apply a provisioning methodology for slow moving inventory based on inventory aging and make specific provision for obsolete inventories. The estimations used in applying this methodology are subject to uncertainty and judgment by directors as a result of changes of economy condition, technology advancement and customer needs.	We examined the basis of the methodology with respect to inventory provisions and evaluated, amongst others, the outcome of management's estimations in prior years, analysis and assessment made by management with respect to slow moving and obsolete inventories. We tested the accuracy of the aging profile of the inventory used in the calculation. We also tested, on a sample basis, the net realisable value of inventory with reference to the actual selling price subsequent to the year-end and latest sales records. We performed a recalculation of the inventory provision based on the net realisable value and aging profile of the inventory as at 31st December 2016. We also discussed with management in relation to the specific provision on certain inventories which provision was made according to their view on latest economy condition, technology advancement and customer needs. Based on the procedures performed, we considered that management's judgements made in assessing the carrying value of inventories were supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of provision for trade receivables	
Refer to note 4(a) Critical accounting estimates and judgements and 14 Trade and bills receivables to the consolidated financial statements As at 31st December 2016, the Group's gross trade receivables and provision for impairment of trade receivables amounted to HK$104.1 million and HK$6.2 million respectively. Certain customers of the Group may have a slower settlement pattern and may settle after the contractual credit period. Management performed periodic credit monitoring, which included the review of customers' credit worthiness, status of collection of outstanding balances and individual credit terms. If there is indicator that the receivables are impaired, management would make specific provision against individual balances with reference to the recoverable amount. We focus on this area due to the estimation and judgement involved in the assessment of provision for trade receivables.	We understood and validated the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on recoverability of these receivables. We tested the accuracy of the aging profile on trade receivables. We reviewed the aging profile, focusing on the aged receivables for which no provision had been made. We tested the subsequent settlement of these balances. For those unsettled receivables, we enquired management on the reasons for the delay in collection of these receivables and checked to any further actions taken in recovering the long outstanding receivables in order to assess any additional provision should be made. Based on the procedures performed, we considered that management's judgements made in assessing the provision for trade receivables were supported by the evidence we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24th March 2017

Consolidated Balance Sheet

As at 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**211,102**	190,522
Leasehold land	6	**16,473**	8,332
Investment property	8	**43,000**	43,000
Investments in associates	10	**101,871**	96,996
Loan to an associate	33(d)	**16,593**	25,430
Prepayments	14	**391**	19,029
Available-for-sale financial assets	12	**12,863**	–
		402,293	383,309
Current assets			
Inventories	15	**60,595**	62,231
Trade and bills receivables	14	**97,906**	115,055
Other receivables, prepayments and deposits	14	**18,917**	20,236
Available-for-sale financial assets	12	**56,336**	34,016
Derivative financial instruments	13	**429**	320
Amounts due from an associate	33(c)	**213**	–
Tax recoverable		**–**	357
Restricted bank deposits	16	**24,680**	24,151
Cash and cash equivalents	16	**53,954**	45,476
		313,030	301,842
Total assets		**715,323**	685,151
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	**22,554**	22,367
Other reserves	18	**168,483**	157,498
Retained earnings		**197,200**	179,414
Total equity		**388,237**	359,279

Consolidated Balance Sheet (Continued)

As at 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**12,222**	–
Deferred income tax liabilities	21	**26,044**	24,578
		38,266	24,578
Current liabilities			
Trade payables and bills payables	19	**95,105**	103,702
Other payables, accruals and deposits received	19	**57,382**	62,454
Derivative financial instruments	13	**1,150**	458
Borrowings	20	**133,641**	134,175
Tax payable		**1,542**	270
Amounts due to an associate	33(c)	**–**	235
		288,820	301,294
Total liabilities		**327,086**	325,872
Total equity and liabilities		**715,323**	685,151

The notes on pages 53 to 125 are an integral part of these consolidated financial statements.

The financial statements on pages 46 to 125 were approved by the Board of Directors on 24th March 2017 and were signed on its behalf.

LEE Sou Leung, Joseph
Director

CHAN Ching Huen, Stanley
Director

Consolidated Income Statement

For the year ended 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
Sales	5	**715,113**	674,980
Cost of goods sold	23	**(581,518)**	(551,570)
Gross profit		**133,595**	123,410
Other income and gains – net	22	**17,249**	18,443
Selling and distribution costs	23	**(34,070)**	(28,074)
Administrative expenses	23	**(100,800)**	(107,391)
Operating profit		**15,974**	6,388
Finance income	25	**1,767**	2,800
Finance expenses	25	**(3,507)**	(3,023)
Finance expenses – net	25	**(1,740)**	(223)
Share of profits of associates	10	**11,279**	16,307
Profit before income tax		**25,513**	22,472
Income tax expense	26	**(1,840)**	(1,014)
Profit for the year		**23,673**	21,458
Profit attributable to:			
Owners of the Company		**23,673**	21,458
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (Hong Kong cents)	28	**HK10.57 cents**	HK9.63 cents
Diluted earnings per share (Hong Kong cents)	28	**HK10.50 cents**	HK9.56 cents

The notes on pages 53 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
Profit for the year		**23,673**	21,458
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of land and buildings	18	**17,449**	13,153
Movement of deferred tax	18	**(1,494)**	(1,218)
		15,955	11,935
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets, net of tax	18	**4,246**	(2,461)
Currency translation differences		**(5,972)**	(5,524)
Share of other comprehensive gain/(loss) of associates		**364**	(3,078)
		(1,362)	(11,063)
Other comprehensive income for the year, net of tax		**14,593**	872
Total comprehensive income for the year		**38,266**	22,330
Total comprehensive income attributable to owners of the company		**38,266**	22,330

The notes on pages 53 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2016

	Attributable to owners of the Company			
	Share capital (Note 17) HK$'000	**Other reserves (Note 18) HK$'000**	**Retained earnings HK$'000**	**Total HK$'000**
Balance at 1st January 2016	**22,367**	**157,498**	**179,414**	**359,279**
Comprehensive income				
Profit for the year	**–**	**–**	**23,673**	**23,673**
Other comprehensive income				
Gain on revaluation of land and buildings	**–**	**17,449**	**–**	**17,449**
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	**–**	**(5,338)**	**5,338**	**–**
Movement of deferred tax	**–**	**(1,494)**	**–**	**(1,494)**
Change of value of available-for-sale financial assets	**–**	**4,246**	**–**	**4,246**
Currency translation differences	**–**	**(5,972)**	**–**	**(5,972)**
Share of other comprehensive gain of associates	**–**	**364**	**–**	**364**
Total other comprehensive income, net of tax	**–**	**9,255**	**5,338**	**14,593**
Total comprehensive income	**–**	**9,255**	**29,011**	**38,266**
Total contributions by and distributions to owners of the Company recognised directly in equity				
Employees share option scheme:				
– exercise of options	**187**	**1,730**	**–**	**1,917**
Dividend paid relating to 2015	**–**	**–**	**(3,355)**	**(3,355)**
Dividend paid relating to 2016	**–**	**–**	**(7,870)**	**(7,870)**
	187	**1,730**	**(11,225)**	**(9,308)**
Total transaction with owners, recognised directly in equity	**187**	**1,730**	**(11,225)**	**(9,308)**
Balance at 31st December 2016	**22,554**	**168,483**	**197,200**	**388,237**

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st December 2016

	Attributable to owners of the Company			
	Share capital (Note 17) HK$'000	Other reserves (Note 18) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January 2015	22,193	158,377	168,563	349,133
Comprehensive income				
Profit for the year	–	–	21,458	21,458
Other comprehensive income				
Gain on revaluation of land and buildings	–	13,153	–	13,153
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(5,051)	5,051	–
Movement of deferred tax	–	(1,218)	–	(1,218)
Change of value of available-for-sale financial assets	–	(2,461)	–	(2,461)
Currency translation differences	–	(5,524)	–	(5,524)
Share of other comprehensive loss of associates	–	(3,078)	–	(3,078)
Total other comprehensive income, net of tax	–	(4,179)	5,051	872
Total comprehensive income	–	(4,179)	26,509	22,330
Total contributions by and distributions to owners of the Company recognised directly in equity				
Employees share option scheme:				
– value of services provided (Note 24)	–	1,508	–	1,508
– exercise of options	174	1,792	–	1,966
Dividend paid relating to 2014	–	–	(7,829)	(7,829)
Dividend paid relating to 2015	–	–	(7,829)	(7,829)
	174	3,300	(15,658)	(12,184)
Total transaction with owners, recognised directly in equity	174	3,300	(15,658)	(12,184)
Balance at 31st December 2015	22,367	157,498	179,414	359,279

The notes on pages 53 to 125 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**28,300**	10,575
Interest paid		**(3,507)**	(3,023)
Income tax paid		**(239)**	(1,695)
Net cash generated from operating activities		**24,554**	5,857
Cash flows from investing activities			
Purchase of leasehold land and property, plant and equipment		**(3,544)**	(3,959)
Prepayment of property, plant and equipment		**–**	(19,674)
Proceeds from sale of property, plant and equipment	30(a)	**13**	3,649
Purchase of available-for-sale financial assets	12	**(30,937)**	(14,355)
Interest received		**1,767**	2,800
Dividend received from an associate	10	**6,768**	4,538
Dividend received from available-for-sale financial assets		**690**	346
Repayment of loan from an associate		**8,575**	–
(Increase)/decrease in restricted bank deposits		**(529)**	32,754
Net cash (used in)/generated from investing activities		**(17,197)**	6,099
Cash flows from financing activities			
Proceeds from collateralised borrowings and bank loans		**62,603**	83,285
Repayment of collateralised borrowings and bank loans		**(51,513)**	(92,165)
Proceeds from exercise of share options		**1,917**	1,966
Dividends paid to the Company's shareholders		**(11,225)**	(15,658)
Net cash generated from/(used in) financing activities		**1,782**	(22,572)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**9,139**	(10,616)
Cash, cash equivalents and bank overdrafts at beginning of the year		**45,228**	57,154
Effect of the exchange rate for the year		**(1,259)**	(1,310)
Cash, cash equivalents and bank overdrafts at end of the year	16	**53,108**	45,228

The notes on pages 53 to 125 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 Main Board of 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 24th March 2017.

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 all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land in Hong Kong and buildings, investment property, 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)

(i) The following amendments to standards are mandatory for the Group's financial year beginning on 1st January 2016. The adoption of these amendments has not had any significant impact to the results and financial position of the Group:

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

(ii) The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1st January 2016 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 7 Amendment	Disclosure Initiative	1st January 2017
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 9	Financial instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group is currently assessing the impact of the adoption of the above standards, amendments to standards and interpretations to standards that have been issued but are not yet effective for financial years beginning on 1st January 2016, and does not expect there will be a significant impact to the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. During the year, there have been no business combinations in the Group.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) 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.

(c) 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.

Gains and losses on dilution of equity interest 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"). The consolidated financial statements are presented in HK dollars (HK$), which is the Company's functional and the Group's presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within 'other income and gains-net'.

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

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. Currency 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. Leasehold land in Hong Kong and buildings are shown at fair value, based on periodic, 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 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 2.8).

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 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in “other income and gains – net”.

2.8 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.

2.9 Financial assets

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(b) Loans and receivables

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', 'amounts due from an associate', 'restricted bank deposits' and 'cash and cash equivalents' in the balance sheet.

(c) Available-for-sale financial assets

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.

Recognition and measurement

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

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within 'other income and gains – net' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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 "other income and gain – net".

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

Offsetting financial instruments

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

(a) *Assets carried at amortised cost*

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

Offsetting financial instruments (Continued)

Impairment of financial assets (Continued)

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments stated at fair value, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

For equity investments stated at cost, a significant worsening of financial results of the investee against the forecast is an evidence of impairment indictor of the investment. If there is an impairment indicator, impairment assessment would be performed to identify if there is any impairment necessary. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.10 Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value on the date derivative contracts are entered into and are subsequently remeasured at their fair value.

The Group does not designate any derivatives as hedging instruments. Changes in fair values of derivatives that do not quality for hedge accounting are being included in the consolidated income statement as “other income and gain – 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.

Borrowing costs are recognised in the consolidated income statements in the period in which they are incurred.

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 taxable 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. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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 participate in 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.

Management fee income under management fee agreements on a straight-line basis over the life of the agreement.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

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 Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

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

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.

When the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms.

2.23 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 cash flow and fair value interest rate risks), 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 manage certain risk exposures.

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

(a) Foreign exchange risk

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency by using forward contracts, translated with group treasury. 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

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 and net monetary assets and liabilities are denominated in a currency that is not the entity's functional currency.

The foreign exposure of group entities with functional currency of JPY is mainly exposed to United States dollars ("USD"), Euro ("EUR"), HKD and Renminbi ("RMB").

As at 31st December 2016, a 5% strengthening/weakening of the JPY against USD, EUR, HKD and RMB, the post-tax profit of the year would have increased/decreased by HK$705,000 (2015: increased/decreased by HK$1,056,000), decreased/increased by HK$25,000 (2015: decreased/increased by HK$85,000), increased/decreased by HK$417,000 (2015: increase/decreased by HK$493,000) and increased/decreased by HK$125,000 (2015: increased/decreased by HK$1,000) respectively, mainly as a result of foreign exchange gain/losses on translation of trade and other receivables, trade and other payables, borrowings and cash and bank balances which are not denominated in JPY.

The foreign exposure of group entities with functional currency of EUR is mainly exposed to USD, HKD and RMB.

As at 31st December 2016, a 5% strengthening/weakening of the EUR against USD, HKD and RMB, post-tax profit of the year would have increased/decreased by HK$8,000 (2015: decreased/increased by HK$193,000), increased/decreased by HK$249,000 (2015: increased/decreased by HK$235,000) and decreased/increased by HK$224,000 (2015: decreased/increased by HK$349,000) respectively, mainly as a result of foreign exchange gain/losses on translation of trade and other receivables, trade and other payables, borrowings and cash and bank balances which are not denominated in EUR.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2016 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) 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 HKD, USD, EUR, JPY, SGD 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 decrease/increase would be an increase/decrease of HK$502,000 for the year ended 31st December 2016 (2015: HK$549,000).

(c) 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 (including amounts due from associates). The Group considers its maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 11.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

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	
	2016	2015
	HK$'000	HK$'000
Trade and bills receivables		
Customers accepted within past 12 months	**7,199**	10,979
Customers accepted beyond the past 12 months	**41,358**	66,386
Total	**48,557**	77,365

(d) 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.

The Group had the following banking facilities with banks:

	As at 31st December	
	2016	2015
	HK$'000	HK$'000
Banking facilities available	**656,439**	803,194
Banking facilities utilised	**(215,675)**	(207,499)
Undrawn banking facilities	**440,764**	595,695

The table below analyses the Group's non-derivative 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)

(d) Liquidity risk (Continued)

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31st December 2016			
Bank overdraft (Note 20)	**846**	**–**	**–**
Trust receipt loans (Note 20)	**24,356**	**–**	**–**
Term loan from bank subject to a repayment on demand clause and interest payment	**102,174**	**–**	**–**
Term loan from bank not subject to a repayment on demand clause and interest payment	**7,035**	**6,880**	**5,615**
Derivative financial instruments (Note 13)	**1,150**	**–**	**–**
Trade and bills payables (Note 19)	**95,105**	**–**	**–**
Other payables	**18,015**	**–**	**–**
	248,681	**6,880**	**5,615**
At 31st December 2015			
Bank overdraft (Note 20)	248	–	–
Trust receipt loans (Note 20)	33,488	–	–
Term loan from bank subject to a repayment on demand clause and interest payment	101,412	–	–
Derivative financial instruments (Note 13)	458	–	–
Trade and bills payables (Note 19)	103,702	–	–
Other payables	15,871	–	–
Amount due to an associate	235	–	–
	255,414	–	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The following table summarises the maturity analysis of term loans from bank with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates assuming it remained constant until maturity dates. Taking into account the Group's net assets, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31st December 2016	**96,589**	**5,585**	**–**	**102,174**
At 31st December 2015	78,863	16,969	5,580	101,412

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
At 31st December 2016	
Forward foreign exchange contracts – held for trading:	
Outflow	**38,259**
Inflow	**37,538**
At 31st December 2015	
Forward foreign exchange contracts – held for trading:	
Outflow	75,163
Inflow	75,025

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the net 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.

The net gearing ratio at 31st December 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Total borrowings (Note 20)	**145,863**	134,175
Less: cash and cash equivalents (Note 16)	**(53,954)**	(45,476)
Net debt	**91,909**	88,699
Total equity	**388,237**	359,279
Net gearing ratio	**23.7%**	24.7%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including trade receivables and bills receivables, other receivables, amounts due from associates, restricted bank deposits and cash and bank balances; and financial liabilities including trade and bills payables, other payables and borrowings approximate their fair values due to their short maturities. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The method by which the fair values of financial instruments are categorised as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data.

See Notes 7 and 8 for disclosure of the property, plant and equipment and investment property that are measured at fair value.

The Group's financial assets and financial liabilities that are measured at fair values at 31st December 2016:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	–	429	–	429
Available-for-sale financial assets				
– listed securities	56,336	–	–	56,336
	56,336	429	–	56,765
Liabilities				
Derivative financial instruments	–	1,150	–	1,150

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The Group's financial assets and financial liabilities that are measured at fair values at 31st December 2015:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	–	320	–	320
Available-for-sale financial assets				
– listed securities	34,016	–	–	34,016
	34,016	320	–	34,336
Liabilities				
Derivative financial instruments	–	458	–	458

The fair values of financial instruments traded in active markets are 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 held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is include in level 3.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

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) 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.

(b) 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, the Board of Directors, that are used to make strategic decisions.

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

The Group is principally engaged in the trading, 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, 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)

	For the year ended 31st December 2016			
	The PRC HK$'000	**HK HK$'000**	**Others HK$'000**	**Total HK$'000**
Sales	**622,025**	**83,827**	**9,261**	**715,113**
Segment results	**14,557**	**3,908**	**(2,491)**	**15,974**
Finance expense – net				**(1,740)**
Share of profit of associates				**11,279**
Profit before income tax				**25,513**
Income tax expenses				**(1,840)**
Profit for the year				**23,673**

	For the year ended 31st December 2015			
	The PRC HK$'000	HK HK$'000	Others HK$'000	Total HK$'000
Sales	548,561	99,881	26,538	674,980
Segment results	6,783	2,725	(3,120)	6,388
Finance expense – net				(223)
Share of profit of associates				16,307
Profit before income tax				22,472
Income tax expenses				(1,014)
Profit for the year				21,458

5 SEGMENT INFORMATION (CONTINUED)

During the year ended 31st December 2016, revenue derives from the Group's largest customer amounted to HK$107,972,000 or 15.1% of the Group's revenue (2015: HK$99,533,000 or 14.7% of the Group's revenue).

Assets

	2016 HK$'000	2015 HK$'000
Total assets:		
The PRC	**236,435**	237,385
Hong Kong	**346,202**	376,010
Other countries (Note (a))	**132,686**	71,756
	715,323	685,151

Note:

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

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

Segment assets consist primarily of property, plant and equipment, leasehold land, investment property, inventories, receivables, investment in associates, available for sale financial instruments, derivative financial instruments, operating cash and deposits.

The depreciation of property, plant and equipment and amortisation of leasehold land for the year ended 31st December 2016 are HK$8,752,000 (2015: HK$9,354,000) and HK$461,000 (2015: HK$309,000) respectively.

5 SEGMENT INFORMATION (CONTINUED)

Capital expenditure

	2016 **HK$'000**	2015 HK$'000
Capital expenditure:		
The PRC	**21,017**	75
Hong Kong	**1,165**	4,232
	22,182	4,307

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

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

6 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their movements during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
At 1st January	**8,332**	8,895
Addition	**9,432**	–
Exchange differences	**(830)**	(254)
Amortisation (Note 23)	**(461)**	(309)
At 31st December	**16,473**	8,332

Bank borrowings are secured on leasehold land with the carrying amount of HK$1,704,000 (2015: HK$1,783,000) (Note 20).

7 PROPERTY, PLANT AND EQUIPMENT

	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 2015					
Cost or valuation	177,548	31,860	49,579	978	259,965
Accumulated depreciation	–	(25,687)	(46,306)	(804)	(72,797)
Net book amount	177,548	6,173	3,273	174	187,168
Year ended 31st December 2015					
Opening net book amount	177,548	6,173	3,273	174	187,168
Exchange differences	(442)	(67)	(46)	–	(555)
Revaluation gain (Note 18)	13,153	–	–	–	13,153
Additions	–	47	4,260	–	4,307
Disposals (Note 30(a))	–	(24)	(4,173)	–	(4,197)
Depreciation (Notes 23)	(6,145)	(1,922)	(1,167)	(120)	(9,354)
Closing net book amount	184,114	4,207	2,147	54	190,522
At 31st December 2015					
Cost or valuation	184,114	31,231	45,134	966	261,445
Accumulated depreciation	–	(27,024)	(42,987)	(912)	(70,923)
Net book amount	184,114	4,207	2,147	54	190,522
Year ended 31st December 2016					
Opening net book amount	**184,114**	**4,207**	**2,147**	**54**	**190,522**
Exchange differences	**(565)**	**(19)**	**(22)**	**(3)**	**(609)**
Revaluation gain (Note 18)	**17,449**	**–**	**–**	**–**	**17,449**
Additions	**6,830**	**5,382**	**218**	**320**	**12,750**
Disposals (Note 30(a))	**–**	**–**	**(249)**	**(9)**	**(258)**
Depreciation (Notes 23)	**(6,719)**	**(1,198)**	**(793)**	**(42)**	**(8,752)**
Closing net book amount	**201,109**	**8,372**	**1,301**	**320**	**211,102**
At 31st December 2016					
Cost or valuation	**201,109**	**35,742**	**42,530**	**1,191**	**280,572**
Accumulated depreciation	**–**	**(27,370)**	**(41,229)**	**(871)**	**(69,470)**
Net book amount	**201,109**	**8,372**	**1,301**	**320**	**211,102**

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's buildings located in the PRC and Singapore and land and buildings located in Hong Kong were revalued at 31st December 2016 and 2015. Valuations of buildings located in the PRC and land and buildings located in Hong Kong were carried out on the basis of open market value by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The buildings of the Group located in Singapore were revalued on the basis of their open market value by Dickson Property Consultants Pte Ltd., an independent firm of professional valuers.

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

The fair value measurement of these land and buildings are categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

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

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**184,114**	177,548
Exchange differences	**(565)**	(442)
Revaluation gain (Note 18)	**17,449**	13,153
Addition	**6,830**	–
Depreciation (Notes 23)	**(6,719)**	(6,145)
At end of the year	**201,109**	184,114

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Below is a summary of the key inputs to the valuation of properties for own use:

	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
As at 31 December 2016			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$2,520–HK$21,514 (HK$12,627)	The higher the weighted average sales price, the higher the fair value
Buildings in the PRC	Market unit sale price (per square foot)	HK$1,436–HK$3,672 (HK$1,984)	The higher the weighted average sales price, the higher the fair value
Buildings in Singapore	Market unit sale price (per square foot)	HK$937 (HK$937)	The higher the weighted average sales price, the higher the fair value
As at 31 December 2015			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$2,327–HK$19,981 (HK$11,678)	The higher the weighted average sales price, the higher the fair value
Buildings in the PRC	Market unit sale price (per square foot)	HK$1,536–HK$3,789 (HK$1,782)	The higher the weighted average sales price, the higher the fair value
Buildings in Singapore	Market unit sale price (per square foot)	HK$874 (HK$874)	The higher the weighted average sales price, the higher the fair value

Depreciation expense of HK$8,752,000 (2015: HK$9,354,000) has been charged in administrative expenses (Note 23).

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

	2016 HK$'000	2015 HK$'000
Cost	**51,643**	45,284
Accumulated depreciation	**(11,015)**	(10,035)
Net book amount	**40,628**	35,249

Bank borrowings are secured on land and buildings with a carrying amount of HK$174,917,000 (2015: HK$165,702,000) (Note 20).

8 INVESTMENT PROPERTY

At fair value	2016 HK$'000	2015 HK$'000
Opening balance at 1st January	**43,000**	40,400
Net gain from fair value adjustment (Note 22)	**–**	2,600
Closing balance at 31st December	**43,000**	43,000

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

	2016 HK$'000	2015 HK$'000
Rental income	**1,500**	1,346

As at 31st December 2016, the Group had no unprovided contractual obligations for further repairs and maintenance (2015: Nil).

The investment property is situated in Hong Kong and held on lease of between 10 to 50 years.

The investment property was revalued as at 31st December 2016 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The valuation was derived using the direct comparison approach, assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

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

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

8 INVESTMENT PROPERTY (CONTINUED)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
As at 31 December 2016			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$7,985 (HK$7,985)	The higher the weighted average sales price, the higher the fair value
As at 31 December 2015			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$7,985 (HK$7,985)	The higher the weighted average sales price, the higher the fair value

Bank borrowings are secured on an investment property with a carrying amount of HK$43,000,000 (2015: HK$43,000,000).

9 SUBSIDIARIES

The following is a list of principal subsidiaries at 31st December 2016:

Company name	Place of Incorporation and kind of legal entity	Principal activities and place of operation	Issued/ registered and fully paid capital	Percentage of equity interest attributable to the Company
Leeport Group Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$50,000	100%[1]
Leeport Machinery (Taiwan) Co., Ltd. (formerly known as "Formtek Machinery Company Limited") (Note (i))	Taiwan, limited liability company	Trading of metal forming machines and tools in Taiwan	NT$8,000,000	100%
Leeda Machinery Limited	Hong Kong, limited liability company	Inactive	HK$10,000	100%

9 SUBSIDIARIES (CONTINUED)

Company name	Place of Incorporation and kind of legal entity	Principal activities and place of operation	Issued/ registered and fully paid capital	Percentage of equity interest attributable to the Company
Leeport Cutting Tools Corporation (Note (i))	British Virgin Islands, limited liability company	Inactive	US$10,000	100%
Leeport Electronics Limited	Hong Kong, limited liability company	Trading of electronic equipment in Hong Kong	HK$2,000,000	100%
Leeport Machine Tool Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$10,000,000	100%
Leeport Macao Commercial Offshore Limited (Note (i))	Macau, limited liability company	Trading of machines, tools, accessories and measuring instruments in Macau	MOP100,000	100%
Leeport (Malaysia) Sdn. Bhd. (Note (i))	Malaysia, limited liability company	Inactive	RM350,000	100%
Leeport Machine Tool (Shenzhen) Company Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	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	RMB22,000,000	100%
Leeport (Singapore) Pte Ltd (Note (i))	Singapore, limited liability company	Trading of machine tools and related products in Singapore	S$1,000,000	100%
Leeport Machinery (Shanghai) Company Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	US$1,000,000	100%

9 SUBSIDIARIES (CONTINUED)

Company name	Place of Incorporation and kind of legal entity	Principal activities and place of operation	Issued/ registered and fully paid capital	Percentage of equity interest attributable to the Company
Leeport Metalforming Machinery Limited	Hong Kong, limited liability company	Trading of metalforming machines in Hong Kong	HK$500,000	100%
Leeport Precision Machine Tool Company Limited	Hong Kong, limited liability company	Trading of metalcutting machines in Hong Kong	HK$5,000,000	100%
Leeport Technology Limited	Hong Kong, limited liability company	Trading of Measuring instruments in Hong Kong	HK$1,000,000	100%
Leeport Tools Limited	Hong Kong, limited liability company	Trading of cutting tools in Hong Kong	HK$1,000,000	100%
Rapman Limited	Hong Kong, limited liability company	Trading of rapid prototypes in Hong Kong	HK$1,000,000	100%
Rapman (Dongguan) Limited (Note (i))	PRC, limited liability company	Inactive	HK$3,500,000	100%
World Leader Limited	Hong Kong, limited liability company	Investment and property holding in Hong Kong and the PRC	HK$1	100%
Leeport International (BVI) Company Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	HK$50,000	100%
Leeport International (Hong Kong) Company Limited (Note (i))	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$10,000	100%

[1] Shares held directly by the Company

Note:

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

10 INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2016 HK$'000	2015 HK$'000
At 1st January	**96,996**	81,482
Additions	**–**	6,823
Share of post-tax profits of associates	**11,279**	16,307
Share of other comprehensive income/(loss) of associates	**364**	(3,078)
Dividend received from an associate	**(6,768)**	(4,538)
At 31st December	**101,871**	96,996

Set out below are the associates of the Group as at 31st December 2016 and 2015. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Details of investment in associates as at 31st December 2016 and 2015 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest 2016	2015	Principal activities
Mitutoyo Leeport Metrology Corporation ("MLMC")	Hong Kong/British Virgin Islands	**49**	49	Trading of measuring tools
OPS-Ingersoll Funkenerosion GmbH ("OPS")	Germany/Germany	**22.34**	22.34	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd.	The PRC/The PRC	**30**	30	Manufacturing of metal forming machinery

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

10 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of a material associate, MLMC

Included in investments in associates is an investment in MLMC which has a carrying amount of HK$58,531,000 (2015: HK$58,140,000), which is material to the Group, set out below is the summarised financial information of MLMC.

Summarised balance sheet

	MLMC	
	2016 **HK$'000**	2015 HK$'000
Current		
Cash and cash equivalents	**106,632**	87,773
Other current assets (excluding cash)	**59,653**	80,920
	166,285	168,693
Financial liabilities (excluding trade payables)	**(54,471)**	(57,297)
Other current liabilities (including trade payables)	**(1,025)**	(1,776)
Total current liabilities	**(55,496)**	(59,073)
Non-current		
Assets	**1,696**	2,090
Liabilities	**(79)**	(102)
Net assets	**112,406**	111,608

10 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised Income Statement

	MLMC	
	2016 **HK$'000**	2015 HK$'000
Revenue	**254,048**	230,432
Depreciation and amortization	**(725)**	(545)
Interest income	**376**	981
Profit before income tax	**15,418**	30,445
Income tax expenses	**(4,614)**	(5,417)
Post-tax profit after tax	**10,804**	25,028
Other comprehensive income	**3,806**	(304)
Total comprehensive income	**14,610**	24,724
Dividends received from an associate	**6,768**	4,538

Reconciliation of summarised financial information presented to the carrying amount of MLMC is set out below:

	MLMC	
	2016 **HK$'000**	2015 HK$'000
Opening net assets 1st January	**111,608**	96,112
Profit for the year	**10,804**	25,028
Other comprehensive income	**3,806**	(304)
Dividend	**(13,812)**	(9,228)
Closing net assets 31st December	**112,406**	111,608
Interest in associates (49%)	**55,079**	54,688
Goodwill	**3,452**	3,452
Carrying value	**58,531**	58,140

11 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000	Available-for-sale HK$'000	Assets at fair value through profit & loss HK$'000	Total HK$'000
Assets as per consolidated balance sheet				
At 31st December 2016				
Derivative financial instruments (Note 13)	**–**	**–**	**429**	**429**
Trade receivables and bills receivables (Note 14)	**97,906**	**–**	**–**	**97,906**
Other receivables and deposits	**3,808**	**–**	**–**	**3,808**
Available-for-sale financial assets (Note 12)	**–**	**56,336**	**–**	**56,336**
Restricted bank deposits (Note 16)	**24,680**	**–**	**–**	**24,680**
Amount due from an associate	**213**	**–**	**–**	**213**
Cash and cash equivalents (Note 16)	**53,954**	**–**	**–**	**53,954**
Total	**180,561**	**56,336**	**429**	**237,326**
At 31st December 2015				
Derivative financial instruments (Note 13)	–	–	320	320
Trade receivables and bills receivables (Note 14)	115,055	–	–	115,055
Other receivables and deposits	4,681	–	–	4,681
Available-for-sale financial assets (Note 12)	–	34,016	–	34,016
Restricted bank deposits (Note 16)	24,151	–	–	24,151
Cash and cash equivalents (Note 16)	45,476	–	–	45,476
Total	189,363	34,016	320	223,699

11 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost HK$'000	Liabilities at fair value-through the profit & loss HK$'000	Total HK$'000
Liabilities as per consolidated balance sheet			
At 31st December 2016			
Borrowings (Note 20)	**145,863**	**–**	**145,863**
Derivative financial instruments (Note 13)	**–**	**1,150**	**1,150**
Trade payables and bills payables (Note 19)	**95,105**	**–**	**95,105**
Other payables	**18,015**	**–**	**18,015**
Total	**258,983**	**1,150**	**260,133**
At 31st December 2015			
Borrowings (Note 20)	134,175	–	134,175
Derivative financial instruments (Note 13)	–	458	458
Trade payables and bills payables (Note 19)	103,702	–	103,702
Other payables	15,871	–	15,871
Amount due to an associate	235	–	235
Total	253,983	458	254,441

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 **HK$'000**	2015 HK$'000
Non-current – at cost		
At the beginning of the year	**–**	–
Additions	**12,863**	–
At the end of the year	**12,863**	–
Current – at fair value		
At beginning of the year	**34,016**	22,122
Additions	**18,074**	14,355
Net fair value gain/(loss) transferred to equity (Note 18)	**4,246**	(2,461)
At the end of the year	**56,336**	34,016

Available-for-sale financial assets include the following:

	2016 **HK$'000**	2015 HK$'000
Unlisted securities:		
– Equity securities – Europe	**12,863**	–
Listed securities:		
– Equity securities – Europe	**56,336**	34,016

Available-for-sale financial assets are denominated in EUR.

None of these financial assets is either past due or impaired.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts – non-hedge instruments	**429**	**1,150**	320	458

Derivatives held for trading purpose are classified as a current asset or liability. As at 31st December 2016, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR2,387,000 for HKD19,815,000; JPY25,000,000 for RMB1,695,000; USD49,000 for RMB340,000 and JPY233,900,000 for HKD16,154,000 (2015: buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; RMB8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000).

Derivative financial instruments are presented within "operating activities" as part of changes in working capital in the cash flow statement.

Fair value gains and losses on derivative financial instruments are recorded in "other income and gains – net" in the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated balance sheet.

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

	2016 HK$'000	2015 HK$'000
Non-current assets		
Prepayment for property, plant and equipment	**391**	19,029
	391	19,029
Current assets		
Trade and bills receivables	**104,106**	121,860
Less: provision for impairment of receivables	**(6,200)**	(6,805)
Trade receivables and bills receivables – net	**97,906**	115,055
Other receivables, prepayments and deposits	**18,917**	20,236
	116,823	135,291
Total	**117,214**	154,320

The carrying amounts of trade and bills receivables, other receivables and deposits approximated their fair values.

At 31st December 2016 and 2015, the ageing analysis of trade and bills receivables by due dates are as follows:

	2016 HK$'000	2015 HK$'000
Current	**48,557**	77,365
1 – 3 months	**31,496**	18,633
4 – 6 months	**11,858**	4,810
7 – 12 months	**4,117**	9,071
Over 12 months	**8,078**	11,981
	104,106	121,860
Less: provision for impairment of receivables	**(6,200)**	(6,805)
	97,906	115,055

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

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

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

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

	2016 **HK$'000**	2015 HK$'000
EUR	**4,222**	3,195
HK$	**2,414**	2,313
JPY	**18,029**	31,342
USD	**5,932**	7,519
RMB	**63,867**	68,635
Other currencies	**3,442**	2,051
	97,906	115,055

As at 31st December 2016, trade receivables of HK$49,349,000 (2015: HK$37,690,000) 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 dates are as follows:

	2016 **HK$'000**	2015 HK$'000
1 – 3 months	**31,496**	18,633
4 – 6 months	**11,858**	4,810
7 – 12 months	**4,117**	9,071
Over 12 months	**1,878**	5,176
	49,349	37,690

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

As at 31st December 2016, trade receivables of HK$6,200,000 (2015: HK$6,805,000) were impaired and were fully provided for. The individually impaired receivables mainly relate to customers which were in financial difficulties. The ageing analysis of these non-recoverable receivables based on due dates are as follows:

	2016 **HK$'000**	2015 HK$'000
Over 12 months	**6,200**	6,805

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

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**6,805**	6,377
Write off of receivables	**(680)**	(52)
Provision for impairment of receivables	**87**	806
Recovery of impaired receivables	**–**	(85)
Exchange difference	**(12)**	(241)
At end of the year	**6,200**	6,805

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated income statement (Note 23). 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 values of each class of receivable mentioned above. The Group does not hold any collateral as security.

15 INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**60,595**	62,231

The provision for slow moving inventories charged to cost of goods sold amounted to HK$ 2,340,000 (2015: write back of provision for slow moving inventories amounted to HK$2,425,000) (Note 23).

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$575,606,000 (2015: HK$550,472,000) (Note 23).

16 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Restricted bank deposits (Note (a))	**24,680**	24,151
Cash at bank and in hand (Note (b))	**53,954**	45,476

(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 3.91% (2015: 3.2%) and these deposits have an average renewal period of 44 days (2015: 178 days). The carrying amounts of the Group's restricted bank deposits are mainly denominated in RMB (2015: RMB).

(b) Cash and cash equivalents for the purposes of the consolidated cash flow statement include the following:

	2016 HK$'000	2015 HK$'000
Cash at bank and in hand	**53,954**	45,476
Bank overdrafts	**(846)**	(248)
Cash and cash equivalents	**53,108**	45,228

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

The table below shows the bank deposits balance of the major counterparties as at 31st December 2016 and 2015.

	2016 HK$'000	2015 HK$'000
Secured restricted bank deposits		
– Listed financial institutions	**24,680**	24,151
Cash and cash equivalents		
Cash at banks and bank deposits		
– Listed financial institutions	**53,292**	45,185
– Non-listed financial institutions	**161**	85
	53,453	45,270
Cash in hand	**501**	206
Total	**53,954**	45,476

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

	2016 HK$'000	2015 HK$'000
EUR	**1,738**	4,280
HK$	**4,014**	4,228
JPY	**19,846**	7,196
USD	**2,244**	3,826
RMB	**25,243**	25,274
Other currencies	**869**	672
	53,954	45,476

Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

17 SHARE CAPITAL

	2016 HK$'000	2015 HK$'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:	221,934	22,193
At 1st January 2015		
Exercise of options	1,740	174
At 31st December 2015	223,674	22,367
Exercise of options	1,868	187
At 31st December 2016	225,542	22,554

Share options

The Company adopted a share option scheme (the "Old Scheme") at a special general meeting held on 17th June 2003. At the annual general meeting of shareholders held on 15th May 2013, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) shall not exceed 10% of the shares in issue as at the date of such shareholder's approval. At the date of this report, the total number of options that can be granted was 17,035,406 representing approximately 7.5% of the number of issued shares in issue as at the approval of the New Share Option Scheme.

17 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

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

Share options are granted to directors and to selected employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2016		2015	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1st January	**1.026**	**7,907**	1.13	1,740
Granted	**–**	**–**	1.026	7,907
Exercised	**1.026**	**(1,868)**	1.13	(1,740)
At 31st December	**1.026**	**6,039**	1.026	7,907

17 SHARE CAPITAL (CONTINUED)

Share options (Continued)

All the outstanding options as at 31st December 2016 and 2015 were exercisable. Option exercised in 2016 resulted in 1,868,000 shares (2015: 1,740,000 shares) being issued at HK$1.026 (2015: HK$1.13) each. The related weighted average share price at the time of exercise was HK$1.50 (2015: HK$2.07) each. No transaction costs has been borne by the Group.

Share options outstanding at 31st December 2016 and 2015 have the following expiry date and exercise price:

Expiry date	Exercise price in HK$ per share option	Number of share options (thousands)	
		2016	2015
16th June 2017	1.026	**6,039**	7,907

During the year ended 31st December 2015, the weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was approximately HK$0.19 per option. The significant inputs into the model were share price of HK$1.01 per share at the grant date, exercise price of HK$1.026 per share as shown above, volatility of 40.47%, dividend yield of 3.47%, an expected option life of 2.25 years, and an annual risk-free interest rate of 0.63%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See Note 24 for the total expense recognised in the income statement for share options granted to directors and employees for the year ended 31st December 2015.

18 OTHER RESERVES

	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 2016	**31,582**	**165,999**	**(61,301)**	**9,908**	**11,310**	**157,498**
Currency translation differences	**–**	**(51)**	**(5,921)**	**–**	**–**	**(5,972)**
Revaluation – gross (Note 7)	**–**	**17,449**	**–**	**–**	**–**	**17,449**
Revaluation – tax (Note 21)	**–**	**(1,494)**	**–**	**–**	**–**	**(1,494)**
Share of other comprehensive loss of associates (Note 10)	**–**	**–**	**364**	**–**	**–**	**364**
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	**–**	**(5,338)**	**–**	**–**	**–**	**(5,338)**
Net fair value gain in available-for-sale financial assets (Note 12)	**–**	**–**	**–**	**4,246**	**–**	**4,246**
Employee share option scheme:						
– exercise of options	**1,730**	**–**	**–**	**–**	**–**	**1,730**
Balance at 31st December 2016	**33,312**	**176,565**	**(66,858)**	**14,154**	**11,310**	**168,483**
Balance at 1st January 2015	29,790	159,641	(53,225)	10,861	11,310	158,377
Currency translation differences	–	(526)	(4,998)	–	–	(5,524)
Revaluation – gross (Note 7)	–	13,153	–	–	–	13,153
Revaluation – tax (Note 21)	–	(1,218)	–	–	–	(1,218)
Share of other comprehensive loss of associates (Note 10)	–	–	(3,078)	–	–	(3,078)
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(5,051)	–	–	–	(5,051)
Net fair vale loss in available-for-sale financial assets (Note 12)	–	–	–	(2,461)	–	(2,461)
Employee share option scheme:						
– value of services provided	–	–	–	1,508		1,508
– exercise of options	1,792	–	–	–	–	1,792
Balance at 31st December 2015	31,582	165,999	(61,301)	9,908	11,310	157,498

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

	2016 **HK$'000**	2015 HK$'000
Trade payables and bills payables	**95,105**	103,702
Other payables, accruals and deposits received (Note)	**57,382**	62,454
	152,487	166,156

Note: The balances mainly include deposit received from customers of HK$27,537,000 (2015: HK$36,800,000).

At 31st December 2016 and 2015, the ageing analysis of trade payables and bills payables are as follows:

	2016 **HK$'000**	2015 HK$'000
Current	**87,720**	100,819
1 – 3 months	**2,553**	2,265
4 – 6 months	**1,225**	174
7 – 12 months	**3,541**	114
Over 12 months	**66**	330
	95,105	103,702

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

	2016 **HK$'000**	2015 HK$'000
JPY	**36,338**	37,725
EUR	**10,267**	10,391
USD	**5,587**	9,726
RMB	**40,481**	43,061
HK$	**90**	135
Others	**2,342**	2,664
	95,105	103,702

20 BORROWINGS

As at 31st December 2016 and 2015, the group's borrowings were repayable as follows:

	2016 HK$'000	2015 HK$'000
Non-current		
Portions of term loans from bank due for repayment after one year	**12,222**	–
Current		
Bank overdrafts	**846**	248
Trust receipt loans	**24,356**	33,488
Portions of term loans from banks due for repayment within one year	**102,883**	78,216
Portions of term loans from banks due for repayment after one year which contain a repayable on demand clause	**5,556**	22,223
	133,641	134,175
Total borrowings	**145,863**	134,175

As at 31st December 2016, certain land and buildings, leasehold land, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$244,301,000 (2015: HK$234,636,000) were pledged to secure the banking facilities of the Group.

The facilities expiring within one year are annual facilities subject to review at various dates during 2017.

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:

	2016 HK$'000	2015 HK$'000
Within 1 year		
– Term loans	**120,661**	100,439
– Others	**25,202**	33,736
	145,863	134,175

20 BORROWINGS (CONTINUED)

The carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.6% (2015: 2.1%) and are within level 2 of the fair value hierarchy.

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

	2016						2015					
	SGD	**HK$**	**US$**	**EUR**	**JPY**	**GBP**	SGD	HK$	US$	EUR	JPY	GBP
Bank overdrafts	**5.50%**	**–**	**–**	**–**	**–**	**–**	–	5.25%	–	–	–	–
Trust receipts loans	**–**	**–**	**3.01%**	**2.25%**	**1.85%**	**–**	–	–	2.53%	2.26%	2.21%	0.05%
Bank loans	**–**	**2.50%**	**–**	**–**	**–**	**–**	–	2.16%	–	–	–	–

The maturity of borrowings (without considering the "repayable on demand" clauses for 31st December 2016 and 2015) is as follows:

	2016	2015
	HK$'000	HK$'000
Within 1 year	**128,085**	111,952
Between 1 and 2 years	**12,222**	16,667
Between 2 and 5 years	**5,556**	5,556
	145,863	134,175

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

	2016	2015
	HK$'000	HK$'000
GBP	**–**	723
EUR	**4,189**	6,796
HK$	**120,661**	100,687
JPY	**804**	1,712
USD	**19,363**	24,257
SGD	**846**	–
	145,863	134,175

21 DEFERRED INCOME TAX

The movement in deferred income tax liabilities during the year is as follows:

Accelerated tax depreciation	2016 HK$'000	2015 HK$'000
At beginning of the year	**24,578**	23,315
(Credited)/debited to consolidated income statement (Note 26)	**(28)**	45
Debited directly to equity (Note 18)	**1,494**	1,218
At end of the year	**26,044**	24,578

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

	2016 HK$'000	2015 HK$'000
Land and building revaluation reserves in shareholders' equity (Note 18)	**1,494**	1,218

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$12,148,000 (2015: HK$12,771,000) in respect of losses amounting to HK$71,413,000 (2015: HK$74,057,000) that can be carried forward against future taxable income. All unrecognised tax loss have no expiry date (2015: HK$1,838,000 which expire in 2020).

22 OTHER INCOME AND GAINS – NET

	2016 HK$'000	2015 HK$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value loss	**(2,810)**	(1,774)
Rental income	**1,625**	1,511
Service income	**8,735**	9,626
Commission income	**3,032**	2,030
Net fair value gain on an investment property	**–**	2,600
Other income	**5,162**	3,017
Management fee income from an associate	**1,505**	1,433
	17,249	18,443

23 EXPENSES BY NATURE

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

	2016 HK$'000	2015 HK$'000
Auditors' remuneration		
– Audit services	**2,640**	2,559
– Non-audit services	**449**	318
Cost of inventories sold	**575,606**	550,472
Depreciation on property, plant and equipment	**8,752**	9,354
Amortisation on leasehold land (Note 6)	**461**	309
Operating lease rentals	**1,319**	2,758
Provision for/(write back of) slow moving inventories	**2,340**	(2,425)
Net provision for impairment of trade and bills receivables	**87**	721
Foreign exchange loss	**3,447**	1,947
Employee benefits expenses (including directors' remuneration) (Note 24)	**57,769**	60,300
Other expenses	**63,518**	60,722
Total cost of goods sold, selling and distribution costs and administrative expenses	**716,388**	687,035

24 EMPLOYEE BENEFITS EXPENSES

	2016 HK$'000	2015 HK$'000
Wages and salaries, including other termination benefits HK$2,000 (2015: HK$22,000)	**51,295**	52,425
Pension costs – defined contribution plans (Note (a))	**6,474**	6,367
Share-based compensation	**–**	1,508
	57,769	60,300

24 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(a) Pensions – defined contribution plans

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 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$1,500 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.

Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the Mandatory Provident Fund Scheme ("MPF Scheme"), and all new employees in Hong Kong are required to join the MPF Scheme. Under the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,500 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. The MPF contributions charged to the income statement represent the contributions payable or paid to the funds by the Group.

Contributions totalling HK$45,000 (2015: HK$40,000) 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 (2015: Nil).

24 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2015: four) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining one (2015: one) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**975**	1,017
Discretionary bonuses	**81**	113
Pension costs – defined contribution plans	**45**	45
	1,101	1,175

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK dollar)		
HK$1,000,001 – HK$1,500,000	**1**	1
	1	1

25 FINANCE INCOME AND EXPENSES

	2016 HK$'000	2015 HK$'000
Finance expenses		
Interest expense on:		
– bank overdrafts, trust receipt loans and bank borrowings	**(3,507)**	(3,023)
Finance income		
Interest income on short-term bank deposits	**665**	1,572
Interest income on loan to an associate	**1,102**	1,228
	1,767	2,800
Finance expenses – net	**(1,740)**	(223)

26 INCOME TAX EXPENSE

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

	2016 HK$'000	2015 HK$'000
Current income tax		
– Hong Kong profits tax	**168**	104
– PRC and overseas taxation	**1,450**	644
– Under provision in previous years	**250**	221
Deferred income tax (Note 21)	**(28)**	45
	1,840	1,014

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 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% (2015: 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.

26 INCOME TAX EXPENSE (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Profit before income tax	**25,513**	22,472
Tax calculated at domestic tax rates applicable to profit in the respective countries	**4,821**	4,084
Income not subject to taxation	**(6,210)**	(6,359)
Expenses not deductible for taxation purposes	**2,186**	2,345
Tax losses for which no deferred income tax asset was recognised	**874**	1,504
Utilisation of previous unrecognised temporary difference	**(1,226)**	(781)
Under provision in previous years	**250**	221
Withholding tax	**1,145**	–
Income tax expense	**1,840**	1,014

27 REALISED AND UNREALISED FOREIGN EXCHANGE GAIN/LOSS

The realised exchange gain of HK$1,800,000 and unrealised exchange loss of HK$5,247,000 recognised in the consolidated income statement are included as administrative expenses for the year ended 31st December 2016 (2015: realised exchange loss of HK$4,037,000 and unrealised exchange gain of HK$2,090,000).

28 EARNINGS PER SHARE

(a) Basic

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

	2016	2015
Profit attributable to owners of the Company (HK$'000)	**23,673**	21,458
Weighted average number of ordinary shares in issue (in thousands)	**224,069**	222,930
Basic earnings per share attributable to equity owners of the Company (HK cents per share)	**10.57**	9.63

28 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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 share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**23,673**	21,458
Weighted average number of ordinary shares in issue (in thousands)	**224,069**	222,930
Adjustments for:		
– Share options (in thousands)	**1,397**	1,631
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**225,466**	224,561
Diluted earnings per share (HK cents)	**10.50**	9.56

29 DIVIDENDS

The dividends paid in 2016 and 2015 were HK$11,225,000 (HK5.0 cents per share) and HK$15,658,000 (HK7.0 cents per share) respectively. A final dividend in respect of the year ended 31st December 2016 of HK3.0 cents per share, amounting to a total dividend of HK6,813,000, is to be proposed at the annual general meeting on 12th June 2017. These financial statements do not reflect this dividend payable.

	2016 HK$'000	2015 HK$'000
Interim, paid, of HK3.5 cents (2015: HK3.5 cents) per ordinary share	**7,870**	7,829
Final, proposed, of HK3.0 cents (2015: HK1.5 cents) per ordinary share	**6,813**	3,355
	14,683	11,184

30 CASH GENERATED FROM OPERATIONS

	2016 HK$'000	2015 HK$'000
Profit before income tax	**25,513**	22,472
Adjustments for:		
– Share-based compensation (Note 24)	**–**	1,508
– Depreciation of property, plant and equipment (Note 7)	**8,752**	9,354
– Amortisation on leasehold land (Note 6)	**461**	309
– Loss on sale of property, plant and equipment (see Note (a) below)	**245**	548
– Fair value gain of investment property	**–**	(2,600)
– Fair value loss on derivative financial instruments (Note 22)	**2,810**	1,774
– Interest income	**(1,767)**	(2,800)
– Interest expense	**3,507**	3,023
– Unrealised exchange loss/(gain)	**5,247**	(2,090)
– Provision for/(write back of) slow moving inventories (Note 15)	**2,340**	(2,425)
– Net impairment losses for trade receivables (Note 14)	**87**	721
– Share of profits of associates (Note 10)	**(11,279)**	(16,307)
– Dividend income from available-for-sale financial assets	**(690)**	(346)
Operating cash inflow before working capital changes:	**35,226**	13,141
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– Inventories	**(3,162)**	19,875
– Trade receivables and bills receivables, other receivables, prepayments and deposits	**15,332**	(12,028)
– Trade payables and bills payables, trust receipt loans, other payables, accruals and deposits received	**(19,096)**	(10,413)
Cash generated from operations	**28,300**	10,575

Note:

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

	2016 HK$'000	2015 HK$'000
Net book amount (Note 7)	**258**	4,197
Loss on sale of property, plant and equipment	**(245)**	(548)
Proceeds from sale of property, plant and equipment	**13**	3,649

31 CONTINGENT LIABILITIES

	2016 HK$'000	2015 HK$'000
Letters of guarantee given to customers	**25,090**	23,870

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.

32 COMMITMENTS

(a) Commitments under operating leases

As lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2016 HK$'000	2015 HK$'000
Not later than one year	**474**	661

(b) Capital commitment

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2016 HK$'000	2015 HK$'000
Property, plant and equipment	**168**	2,004

33 RELATED PARTY TRANSACTIONS

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 64.08% of the Company's shares. The remaining 35.92% of the shares are widely held.

In addition to those disclosed elsewhere in the financial statements, the following transactions were care:

(a) Key management compensation

Key management includes directors (executive and non-executive) and members of executive committee. The compensation paid or payable to key management for employee services is shown below:

	2016 HK$'000	2015 HK$'000
Salaries and other short-term employee benefits	**9,601**	9,905
Pension costs – defined contribution plans	**308**	311
Share-based compensation	**–**	909
	9,909	11,125

(b) Sales and purchases of goods and services:

	2016 HK$'000	2015 HK$'000
Purchase of goods from associates		
– MLMC	**427**	2,483
– Prima	**50,932**	38,891
	51,359	41,374
Management fee income from an associate (Note 22)		
– MLMC	**1,505**	1,433
Customer referral fee from an associate		
– MLMC	**1,742**	–
– OPS	**–**	185

The transactions were conducted in the normal course of business at price and terms mutually agreed between both parties.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balance arising from sales and purchase of goods/services

	2016 **HK$'000**	2015 HK$'000
Receivables from an associate		
– MLMC	**213**	–
Payable to an associate		
– MLMC	**–**	235

(d) Loan to an associate

The balance represents a loan made to an associate – OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months but within five years from the reporting date. During the year, interest received from OPS amounted to HK$1,102,000 (2015: HK$1,228,000).

As at 31st December 2016, the carrying value of the loan to an associate was HK$16,593,000 (2015: HK$25,430,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31st December	
		2016	2015
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**92,327**	92,327
Amounts due from subsidiaries		**50,521**	49,104
		142,848	141,431
Current assets			
Amounts due from subsidiaries		**15,000**	11,000
Other receivables and prepayments		**314**	323
Cash and cash equivalents		**15**	5
		15,329	11,328
Total assets		**158,177**	152,759
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,554**	22,367
Other reserves	Note (a)	**127,563**	125,833
Retained earnings	Note (a)	**8,013**	4,344
Total equity		**158,130**	152,544
LIABILITIES			
Current liabilities			
Other payables		**35**	215
Tax payable		**12**	–
Total liabilities		**47**	215
Total equity and liabilities		**158,177**	152,759

The balance sheet of the Company was approved by the Board of Directors on 24th March 2017 and were signed on its behalf.

LEE Sou Leung, Joseph
Director

CHAN Ching Huen, Stanley
Director

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Retained earnings HK'000	Total HK'000
At 1st January 2016	**31,582**	**91,445**	**(1,676)**	**4,482**	**4,344**	**130,177**
Profit for the year	**–**	**–**	**–**	**–**	**14,894**	**14,894**
Employee share option scheme						
– Exercise of share options	**1,730**	**–**	**–**	**–**	**–**	**1,730**
Dividend paid relating to 2015	**–**	**–**	**–**	**–**	**(3,355)**	**(3,355)**
Dividend paid relating to 2016	**–**	**–**	**–**	**–**	**(7,870)**	**(7,870)**
At 31st December 2016	**33,312**	**91,445**	**(1,676)**	**4,482**	**8,013**	**135,576**
At 1st January 2015	29,790	91,445	(1,676)	2,974	8,328	130,861
Profit for the year	–	–	–	–	11,674	11,674
Employee share option scheme						
– Value of services provided	–	–	–	1,508	–	1,508
– Exercise of share options	1,792	–	–	–	–	1,792
Dividend paid relating to 2014	–	–	–	–	(7,829)	(7,829)
Dividend paid relating to 2015	–	–	–	–	(7,829)	(7,829)
At 31st December 2015	31,582	91,445	(1,676)	4,482	4,344	130,177

35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

The remuneration of every director is set out below:

For the year ended 31st December 2016

Name of Director	Fees	Salary (Note a)	Discretionary bonuses	Allowances and benefits in kind (Note b)	Employer's contribution to retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman							
Lee Sou Leung, Joseph	-	1,560	120	1,887	72	-	3,639
Executive directors							
Chu Weiman (Note c)	-	1,360	210	-	18	-	1,588
Chan Ching Huen, Stanley	-	1,222	120	338	18	-	1,698
Wong Man Shun, Michael	-	1,365	353	-	63	-	1,781
Independent Non-executive directors							
Pike, Mark Terence	150	-	-	-	-	-	150
Lee Tai-chiu	150	-	-	-	-	-	150
ZAVATTI Samuel	150	-	-	-	-	-	150
Total	450	5,507	803	2,225	171	-	9,156

35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31st December 2015

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name of Director	Fees HK$'000	Salary (Note a) HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind (Note b) HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Chairman							
Lee Sou Leung, Joseph	–	1,560	100	2,067	72	–	3,799
Executive directors							
Chu Weiman (Note c)	–	1,200	130	191	16	–	1,537
Chan Ching Huen, Stanley	–	1,196	100	539	18	–	1,853
Wong Man Shun, Michael	–	1,349	308	191	62	–	1,910
Independent Non-executive directors							
Pike, Mark Terence	150	–	–	21	–	–	171
Lee Tai-chiu	150	–	–	21	–	–	171
ZAVATTI Samuel	150	–	–	21	–	–	171
Total	450	5,305	638	3,051	168	–	9,612

35 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

(a) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

(b) Includes housing allowances and sundry expenses borne by the Group and estimated value of other non-cash benefits: share options and accommodation provided by the Group.

(c) Appointed on 1st February 2015.

There was no remuneration paid or receivable in respect of accepting office as director and director's other services in connection with the management of the affairs of the Company during the year (2015: Nil). None of the directors have waived any of the emoluments during the year ended 31st December 2016 and 2015.

(b) Directors' material interests in transactions, arrangement or contracts

No significant transactions, arrangements and contracts in related to the Company's business 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 (2015: Nil).

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits under defined benefit scheme during the year (2015: Nil).

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2015: Nil).

(e) Consideration provided to third parties for making available directors' services

During the year ended 31st December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31st December 2016, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2015: 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:

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Results					
Sales	**715,113**	674,980	678,215	745,599	946,295
Profit before income tax	**25,513**	22,472	23,563	4,819	16,846
Income tax (expense)/credit	**(1,840)**	(1,014)	(998)	1,674	(1,150)
Profit for the year	**23,673**	21,458	22,565	6,493	15,696
Profit attributable to					
Equity shareholders	**23,673**	21,458	22,565	6,493	15,134
Non-controlling interest	**–**	–	–	–	562
Assets					
Property, plant and equipment	**211,102**	190,522	187,168	178,433	225,134
Leasehold land	**16,473**	8,332	8,895	9,359	6,856
Prepayments	**391**	19,029	7,449	1,705	–
Available for sale financial assets	**12,863**	–	–	–	–
Investments in associates	**101,871**	96,996	81,482	69,205	62,182
Loans to an associate	**16,593**	25,430	28,281	32,148	30,805
Current assets	**313,030**	301,842	345,613	421,674	502,678
Investment property	**43,000**	43,000	40,400	37,700	–
Total assets	**715,323**	685,151	699,288	750,224	827,655
Liabilities					
Current liabilities	**288,820**	301,294	326,840	387,274	438,808
Non-current liabilities	**38,266**	24,578	23,315	22,188	25,662
Total liabilities	**327,086**	325,872	350,155	409,462	464,470
Net assets	**388,237**	359,279	349,133	340,762	363,185