Leeport

力豐（集團）有限公司

LEEPORT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0387)

CERTIFICATE NO. FS 84667
ISO 9001:2015

2021 ANNUAL REPORT

ADVANCED MANUFACTURING TECHNOLOGIES

Since 1967

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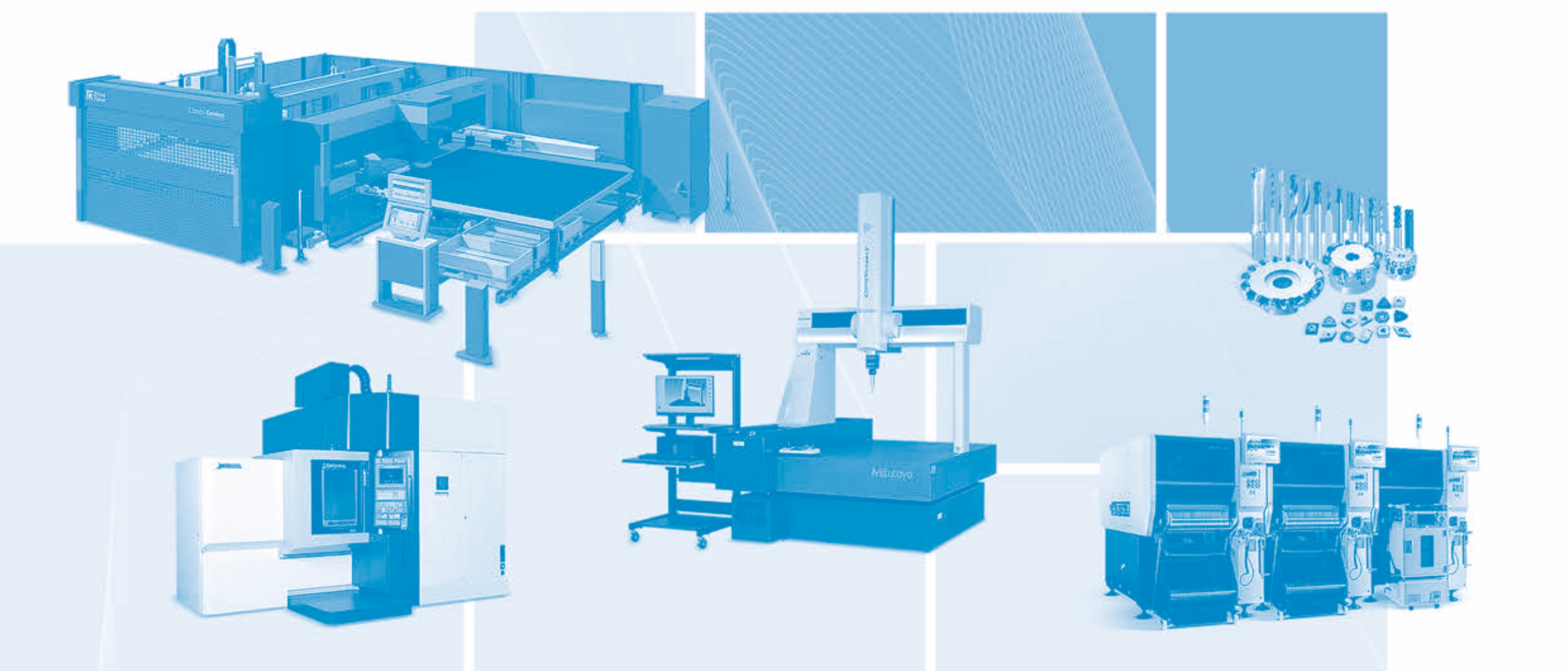

Corporate Information

DIRECTORS

Executive Directors

Mr. LEE Sou Leung, Joseph
(Chairman and Group Chief Executive Officer)
Mr. CHAN Ching Huen, Stanley
Mr. LEE Ee Sian

Independent Non-executive Directors

Mr. ZAVATTI Samuel Mario
Mr. FUNG Wai Hing
Mr. WONG Tat Cheong, Frederick

COMPANY SECRETARY

Mr. CHAN Ching Huen, Stanley

MEMBERS OF AUDIT COMMITTEE

Mr. WONG Tat Cheong, Frederick *(Chairman)*
Mr. ZAVATTI Samuel Mario
Mr. FUNG Wai Hing

MEMBERS OF REMUNERATION COMMITTEE

Mr. LEE Sou Leung, Joseph
Mr. FUNG Wai Hing *(Chairman)*
Mr. ZAVATTI Samuel Mario
Mr. WONG Tat Cheong, Frederick

MEMBERS OF NOMINATION COMMITTEE

Mr. LEE Sou Leung, Joseph *(Chairman)*
Mr. ZAVATTI Samuel Mario
Mr. FUNG Wai Hing
Mr. WONG Tat Cheong, Frederick

SOLICITORS

Stevenson, Wong & Co

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
BNP Paribas, Hong Kong Branch
KBC Bank NV
Hang Seng Bank 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

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, 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 2021, together with the comparative figures for the year ended 31st December 2020. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

The China market has recovered gradually after the successful containment of COVID-19 since 2020 and the economy maintained a steadily growth in 2021. The Group achieved significant increase in order intake in 2021 but on the other hand due to the global supply chain issue, the delivery cycle of most of the suppliers were seriously delayed. The invoiced amount for the year 2021 was exceedingly below expectation.

The total value of contracts signed in 2021 was HK$887,485,000, compared with HK$657,013,000 in 2020, representing an increase of 35.1%. The substantial increase in the number of contracts signed was due to the large growth in manufacturing investment in China.

The Group's sales amounted to HK$707,752,000 in 2021, compared with HK$617,937,000 in 2020, representing an increase of 14.5%. The Group's gross profit amounted to HK$100,918,000, compared with HK$92,934,000 in 2020, representing an increase of 8.6%. The gross profit was 14.3% of sales in 2021, compared with 15.0% in 2020.

Other Income and Gains – net

The total value of other income and gains was HK$10,221,000 in 2021, compared with HK$23,599,000 in 2020, representing a decrease of 56.7%.

Service income was HK$7,637,000 in 2021, compared with HK$7,089,000 in 2020, representing an increase of 7.7%. Commission income was HK$408,000 in 2021, compared with HK$1,506,000 in 2020, representing a decrease of 72.9%.

In 2021, the Group only received a subsidy of HK$456,000 from the Chinese Government while the Group received HK$5,010,000 from the Employment Support Scheme of the Hong Kong Government and a subsidy from the Chinese Government in 2020.

In 2021, the Group recorded a revaluation loss of investment properties of HK$292,000 while the Group recorded a revaluation gain of investment properties of HK$2,490,000 in 2020.

In 2021, the Group did not record management fee charged against Mitutoyo Leeport Metrology Corporation after the latter cancelled the operation in Hong Kong while the Group recorded a management fee charged against Mitutoyo Leeport Metrology Corporation of HK$1,115,000 in 2020.

Operating Expenses

Selling and distribution costs were HK$23,163,000 in 2021, compared with HK$17,691,000 in 2020, representing an increase of 30.9%. This was due mostly to an increase of exhibitions expenses, tendering expenses, delivery expenses and the commissions to salespeople.

Administrative expenses amounted to HK$96,607,000 in 2021, compared with HK$91,423,000 in 2020, representing an increase of 5.7%. The main reason for this increase was the exchange loss of HK$3,707,000 recognized in 2021 compared with exchange gain of HK$3,529,000 recognized in 2020. Also, a net provision for impairment of trade receivables of HK$457,000 made in 2021, compared with a net reversal of provision for impairment of trade receivable of HK$2,031,000 in 2020. The travelling expenses in 2021 amounted to HK$11,036,000 and was higher than the amount of HK$9,360,000 in 2020 by 17.9%.

Finance Expenses – Net

Finance expenses net of finance income were HK$2,973,000 in 2021, compared with HK$4,576,000 in 2020. Finance income in 2021 was HK$950,000, compared with HK$1,115,000 in 2020, representing a decrease of 14.8%. Interest income derived from the loan to OPS Ingersoll Funkenerosion GmbH was HK$822,000 in 2021, compared with HK$871,000 in 2020.

Finance expenses were HK$3,923,000 in 2021, compared with HK$5,691,000 in 2020, representing a decrease of 31.1%. This decrease was due to the lower interest rate in the market in 2021.

Share of post-tax losses/profits of associates

The business of OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited was recovered from the negative impact of the COVID-19 pandemic, and the companies recorded profit in 2021. The Group's share of post-tax profits of OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited in 2021 was HK$3,526,000, compared with share of post-tax losses of HK$6,777,000 in 2020.

Income Tax Expenses

Income tax expenses in 2021 were HK$4,625,000, compared with HK$4,132,000 in 2020, representing an increase of 11.9%.

Loss/Profit Attributable to Owners of the Company and Losses/Earnings Per Share

The loss attributable to owners of the Company was HK$38,984,000 in 2021, compared with the profit attributable to owners of the Company of HK$4,451,000 in 2020. The substantial increase in the loss attributable to owners of the Company was due mainly to the reclassification of the HK$26,343,000 cumulative amount of exchange reserve from equity to profit or loss on the dissolution of a subsidiary in Macao, namely Leeport Macao Commercial Offshore Limited, in compliance with the requirements of the Macao SAR government's law regarding the termination of all offshore business licences in Macao. The loss of HK$26,343,000 is a non-cash item and has had no impact on the business operations or cash position of the Group.

The operating loss for the trading business was HK$9,332,000 in 2021, compared with an operating profit of HK$9,175,000 in 2020.

The basic losses per share was HK16.94 cents in 2021, compared with a basic earnings per share of HK1.93 cents in 2020.

Total Comprehensive Income Attributable to Owners of the Company

The total comprehensive income attributable to owners of the Company was HK$19,330,000 in 2021, compared with the total comprehensive income attributable to owners of the Company of HK$32,248,000 in 2020. The decrease in the total comprehensive income attributable to owners of the Company mainly due to the Company recorded a loss for the year of 2021. The reclassification of the HK$26,343,000 cumulative amount of exchange reserve from equity to profit or loss on the dissolution of a subsidiary in Macao, namely Leeport Macao Commercial Offshore Limited, has no impact on the total comprehensive income attributable to owners of the Company.

DIVIDEND

The Directors recommend the payment of a final dividend of HK2.5 cents per ordinary share for the year ended 31st December 2021 totaling HK$5,752,000. Including the special interim dividend of HK2.5 cents per ordinary share paid on 24 September 2021, the total dividend for the year ended 31 December 2021 will amount to HK5.0 cents per share (in 2020, HK6.0 cents per share). This final dividend recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 29th June 2022. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 15th July 2022 to the shareholders of the Company whose names appear on the register of members on 7th July 2022.

BUSINESS REVIEW

Trading

The COVID-19 pandemic has continued to affect the whole world in 2021. China has successfully contained the pandemic and minimised its impact on the social and economic activities within the country. The economic achievement of China in 2021 outperformed the major economic entities in the world. The GDP growth rate in 2021 was 8.1%, the value of industrial production grew by 9.6%, and the value of exports grew by 21.2%.

Some of the manufacturing industries in China achieved a significant increase in value in 2021. For example, the value of the electric/hybrid-energy car, robot, integrated circuit and minicomputer industries increased by 145.6%, 44.9%, 33.3% and 22.3% respectively. Traditional industries such as the mobile phone, automotive and general equipment industries also grew to a certain degree in 2021.

The business of Leeport Group benefitted from the demand from companies that manufactured automotive and electronic products. The order intake for machine tools and electronic equipment was significantly higher than in 2020, and the business for the Cutting Tools Division also achieved steady growth in the year.

The value of the Group's order intake in 2021 was HK$887,485,000 compared with HK$657,013,000 in 2020, representing an increase of 35.1%. Unfortunately, due to the global issues of the shortage of computer chips and the chaos of the disruptions to freight shipping, the delivery cycles of most of our suppliers were seriously delayed. The invoiced amount in 2021 was significantly lower than our original expectations, so the financial result for the year was disappointing.

The value of outstanding orders at the end of February 2022 was HK$830,509,000, compared with HK$225,334,000 at the end of February 2021, representing an increase of 268.6%.

Investment

The business for both of the Group's associated companies, OPS Ingersoll Funkenerosion GmbH and Prima Power Suzhou Company Limited, improved in 2021 as compared with 2020. In Europe and China, the business of the two companies was better in 2021 than in 2020, with both of them making a profit in 2021. The share of post-tax profits of the associated companies in 2021 was HK$3,526,000, compared with a share of post-tax losses of HK$6,777,000 in 2020.

FUTURE PLANS AND PROSPECTS

The order intake of the Group has had a good start so far in 2022. The value of our order intake for the first two months was HK$587,839,000, mainly attributable to orders from a key customer in the automotive manufacturing industry.

The Chinese Government recently announced its target of 5.5% GDP growth in 2022. Given the current pandemic situation, this is an aggressive target. Furthermore, the outbreak of the Russian-Ukrainian war has caused uncertainty throughout the global economy, and China will certainly not be able to avoid the impact of that. The challenge of the global shortage of computer chips, the high cost of transportation, the disruptions in freight shipping and the rising cost of raw materials will also adversely affect the recovery of the global economy, including China.

On the other hand, China is still, without a doubt, the leading manufacturing centre in the world. In 2022, the prospect for exports is still promising, and the government's continued investment in infrastructure, its support of environmental and pollution-reduction initiatives, its reduction of taxes and fees, and its relaxation of the restrictions on property development are likely to have a positive effect on the economy. Although the economic situation is a bit uncertain at the moment, we believe the China market is still big enough for Leeport Group to grow its business in the year.

Since last year, the Group has strengthened its sales force by adding more frontline sales staff and managers. The enhancement of the sales force will continue in 2022. One of the major customer segments into which the Group has put a great deal of effort is automotive manufacturing. With the addition of a sales team that is experienced in and knowledgeable about the automotive manufacturing industry, we are winning new customers in this segment. There is no doubt that the market for manufacturing equipment for the automotive industry is huge.

Leeport is facing challenges and also opportunities in 2022. Basically, the value of outstanding contracts on hand is high, i.e., HK$830,509,000, and the invoiced amount will be reflected in the year. But for the rest of the year, there is uncertainty about the political and economic situation, from a global perspective. However, we are cautiously optimistic about the financial performance of the Group in 2022.

Finally, I would like to express my gratitude to our shareholders, customers, suppliers, bankers, business associates and staff. I thank you all sincerely for your continued support and contribution in 2021.

LEE Sou Leung, Joseph
Chairman

25th March 2022

Management's Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash of the Group as at 31st December 2021 was HK$65,522,000 (31st December 2020: HK$92,591,000). The decrease of bank balance is due mainly to the deposit paid to suppliers as large orders were processed towards the end of year 2021, anyhow the Group still maintained a reasonable cash position.

The Group's inventory balance as at 31st December 2021 was HK$111,908,000 (31st December 2020: HK$76,798,000). The turnover days of inventory were 67 at the end of December 2021, compared with 53 at the end of December 2020. The increase of inventory was due mainly to some equipment delivered to customers have not completed final acceptance which was taken as inventory.

The balance of trade receivable and bills receivable was HK$109,980,000 as at 31st December 2021 (31st December 2020: HK$102,429,000). The turnover days of trade receivable were 57 and was slightly less than last year (31st December 2020: 61). The decrease of turnover days of trade receivable was due to the increase in the sales of cutting tools and measuring instruments of which the credit period for customers was shorter.

The balance of trade payable and bills payable was HK$111,331,000 as at 31st December 2021 (31st December 2020: HK$103,960,000). The higher balances trade payables as at 31st December 2021 were due to increase in shipment towards the end of year 2021.

The balance of short-term borrowings was HK$199,867,000 as at 31st December 2021 (31st December 2020: HK$161,472,000). A higher borrowing level in 2021 was required in order to satisfy the deposit payment for suppliers.

The Group's net gearing ratio was approximately 26.4% as at 31st December 2021 (31st December 2020: 12.5%). The net gearing ratio was higher than in 2020. The net gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent and restricted bank deposits. The net gearing ratio was higher due to the higher borrowing level.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2021, the Group had aggregate banking facilities of approximately HK$485,558,000, of which approximately HK$213,726,000 was utilized, bearing interest at prevailing market rates and secured by certain land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Mainland China, with an aggregate carrying amount of HK$259,520,000 (31st December 2020: HK$274,183,000). 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 ("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 14.3% in the year of 2021 (2020: 15.0%). The GP ratio is lower due to the gross profit of equipment business was decreased due to keen market competition. This indicates the Group should increase the business volume of equipment business to obtain more profit under current keen competition environment.

NP ratio measures how effectively the Group can convert sales into net income and the performance of the Group's associates. It 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 (5.6)% in the year of 2021 (2020: 0.4%). In view of the drop of NP ratio, it was due mainly to the one off reclassification of the HK$26,343,000 cumulative amount of exchange reserve from equity to profit or loss on the dissolution of a subsidiary in Macao. The Group still made a loss in 2021 after exclusion of above extraordinary adjustment. Thus, the Group should implement its progressive business development plan and enhance its sales income in the future.

ROE ratio measures the efficiency of the Group to utilize the fund from equity holders 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 (8.6)% for the year of 2021 (2020: 0.5%). The Group has obtained a negative ROE ratio in the year of 2021, which was due mainly to the one off reclassification of the HK$26,343,000 cumulative amount of exchange reserve from equity to profit or loss on the dissolution of a subsidiary in Macao. As the Group still made a loss after exclusion such extraordinary adjustment, the Group will streamline the operations process and minimize operational expenses to achieve substantial improvement of profit attributable to equity holders.

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 and restricted bank deposits. The Group's NG ratio was approximately 26.4% as at 31st December 2021 (31st December 2020: 12.5%). The NG ratio is increased since the Group increased bank borrowing level to satisfy the higher operating activities during the year.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

During the year 2021, the Group spent a total of HK$8,541,000 (31st December 2020:HK$122,000) in capital expenditure, primarily consisting of leasehold improvement and plant and equipment. As at 31st December 2021 and 31st December 2020, the Group had no capital commitment. In the meantime, a total of HK$3,676,000 (31st December 2020: HK$$6,964,000) 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 2021, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR1,115,000 for HKD10,057,000 and JPY373,680,000 for HKD25,786,000 (2020: buy GBP200,000 for HKD2,105,000 and JPY52,015,000 for HKD3,904,000).

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

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2021, certain land and buildings, investment properties and restricted bank deposits in Hong Kong, Mainland China and Singapore, with an aggregate carrying value of approximately HK$259,520,000 (31st December 2020: HK$274,183,000), were pledged to secure the banking facilities of the Group.

EMPLOYEES

As at 31st December 2021, the Group had 250 employees (31st December 2020: 262). Of these, 57 were based in Hong Kong, 181 were based in mainland China, and 12 were based in other offices around Asia and Germany. Competitive remuneration packages were structured to be commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, pension scheme contribution in different countries, the Group offered staff benefits including medical schemes, education subsidies and discretionary performance bonuses.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Sou Leung, Joseph, aged 78, 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 more than 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. Chan Ching Huen, Stanley, aged 64, also the Company Secretary and the Chief Financial Officer of the Group, is responsible for overseeing the Group's financial planning and control, and strategy investment. 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 Association of Chartered 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. Lee Ee Sian, aged 58, Managing Director of Leeport Machine Tool Company Limited. Mr. Lee graduated from the University of Malaysia with a Bachelor of Science Degree in Mathematics and Physics. He joined Sandvik Coromant in Malaysia in 1991, and was transferred to China in 1998. Mr. Lee was promoted to General Manager at Sandvik Coromant China and worked there for 15 years. In 2013, he was appointed as President of Sandvik Coromant Asia Pacific, covering not only China but also other Asian countries. Sandvik Coromant is a world-leading manufacturer of cutting tools for the metalworking industry. In 2016, he joined Festo South East Asia and Pacific Region as Managing Director. Festo is a worldwide leader in automation. He left Festo on 31st December 2020 to join Leeport group. Mr. Lee has been appointed as an executive director of the Company with effect from 1 January 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zavatti Samuel Mario, aged 75, is the founder of Sadella Advisory Services Limited. He has over 30 years of global experience in major financial institutions, providing managerial as well as executive advisory to management boards. Utilizing his financial expertise, he 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 taking on 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 had an extension 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.

Mr. Fung Wai Hing, aged 69, graduated from the Hong Kong Polytechnic in 1978 with an Associateship Diploma in Production an Industrial Engineering, and is an Awardee of ISE Distinguished Alumni Award 2012, granted by the Hong Kong Polytechnic University. In 1980, Mr. Fung obtained a Master of Science Degree in Industrial Management from the University of Birmingham, U.K., and in 1989, a MBA Degree from the University of Hong Kong. In 2016, he also obtained a Master of Arts degree, in Religious Studies from the Chinese University of Hong Kong. Mr. Fung was an employee of Leeport Machine Tools Company Ltd. between 1981 and 1996. He started as a Marketing Executive, and retired as the Area General Manager of the company. In 1997, he joined Lung Kee (Bermuda) Holding Limited, the world's largest mold base manufacturer and tool steel distributor, serving as an Executive Director of the company for 16 years. Mr. Fung has been very active in professional and community services. He was elected the President of the Institute of Industrial Engineers (HK Chapter) in 1992-93. He served as a member of the Metals Committee of the Industry & Technology Development Council, Industry Department, Hong Kong Government, during 1993-97, and as a member of the Technology Committee during 1995-97. He was Secretary General of the Hong Kong Die-casting Association during 2007-08; and later was Honorary President and Committee Member of the Hong Kong Die-casting & Foundry Association until 2014.

Mr. Wong Tat Cheong, Frederick, aged 66, is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts in Accountancy (with Honours) from the Hong Kong Polytechnic University and a Master of Public Administration (with Distinction) from the University of Hong Kong. Mr. Wong had extensive account and auditing experience in Hong Kong, Mainland China and United Kingdom. Mr. Wong was a former directorate civil servant of the HKSAR Government. He is currently a practicing Certified Public Accountant in Hong Kong.

SENIOR MANAGEMENT

Mr. Sa Wai Keung, aged 60, is the Director and General Manager of the metalforming machinery division of the Group. Mr. Sa has many years of experience in sales and marketing in the sheet-metal machinery trading industry. He holds a Higher Diploma in Mechanical Engineering from the Hong Kong Polytechnic (which was subsequently renamed the Hong Kong Polytechnic University). Mr. Sa joined the Group in 1988.

Mr. Chan Lai Ming, aged 63, 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 (which was subsequently renamed 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. Dirk Grassinger, aged 44. Since 2018 he has been the Managing Director of Grassinger Technologies GmbH in Germany, a member of the Leeport Group. He has 25 years' experience in the machine tool and automation industry. After finishing his education in Industrial Metal Engineering, Machine Tool Manufacturing and CNC Coding, Mr. Grassinger worked for about 10 years in Mainland China at MAG (now renamed as the FFG Group). In his role as Head of On Site Installation and Service Management, MAG IAS GmbH, he was responsible for international commissioning and installation teams for Chinese automotive manufacturers in Beijing, Chongqing and Harbin. Thereafter, he joined DMG MORI Systems as Head of Operations and was appointed Head of Global Service Milling/Head of Global Projects of the DMG MORI Group.

Mr. Leung Kwok Keung, Logan, aged 48, is the Financial Controller of the Group, responsible for managing the group's financial functions. He joined the Group in September 2007. Mr. Leung has many years of financial and accounting management experience in Hong Kong and in mainland China. He is an Associate Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants of the United Kingdom. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree in Accounting.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31st December 2021.

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 2021 are set out in the consolidated income statement on page 53.

The details of dividends paid and declared during the year are set out in Note 30 to the consolidated financial statements.

The Directors recommend the payment of a final dividend of HK2.5 cents per ordinary share for the year ended 31st December 2021 totaling HK$5,752,000. Including the special interim dividend of HK2.5 cents per ordinary share paid on 24 September 2021, the total dividend for the year ended 31 December 2021 will amount to HK5.0 cents per share (in 2020, HK6.0 cents per share). This final dividend recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 29th June 2022. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 15th July 2022 to the shareholders of the Company whose names appear on the register of members on 7th July 2022.

The dividend policy of the Group is set out on pages 28 to 29 to this report.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2021 is set out in the sections headed "Chairman's Statement" and "Management's Discussion and Analysis" on pages 3 to 10 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 35 to 44 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$27,000 were made by the Group during the year (2020: HK$28,000).

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2021 are set out in Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2021, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$92,025,000 (2020: HK$91,893,000).

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 140 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 2021 are set out in Note 21 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 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.

Pursuant to the Scheme, the Company can grant options to eligible participants for a consideration of HK$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) shall not exceed 10% of the shares in issue as at the date of such shareholder's approval.

The total number of shares of the Company issuable upon exercise of all options that may be granted under the Scheme and any other share option scheme of the Group is 12,546,406, representing 5.45% 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.

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

The Group has no legal or constructive obligation to repurchase or settle the options in cash. No share options were outstanding at the end of the year.

No share options were granted, exercised or lapsed during the year ended 31st December 2021 and 2020.

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

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. CHAN Ching Huen, Stanley
Mr. LEE Ee Sian (appointed with effect from 1st January 2022)

Independent Non-executive Directors

Mr. ZAVATTI Samuel Mario
Mr. FUNG Wai Hing
Mr. WONG Tat Cheong, Frederick

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

Mr. Lee Sou Leung Joseph, Mr. Chan Ching Huen Stanley and Mr. Lee Ee Sian 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.

Save as disclosed above, 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.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries 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 11 to 13.

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 2021, 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 and The Stock Exchange of Hong Kong Limited, were as follows:

		Number of ordinary shares of HK$0.10 each held					
Director		Personal Interests	Corporate interests	Other Interests	Share Option	Total	Percentage
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long Position	25,176,000 shares	500,000 (Note (b))	144,529,982 shares (Note (a))	Nil	170,205,982 shares	73.98%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long Position	1,104,000 shares	Nil	Nil	Nil	1,104,000 share	0.48%
Mr. ZAVATTI Samuel Mario ("Mr. Zavatti")	Long Position	110,000 shares	Nil	Nil	Nil	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. Ms. Tan is deemed to be interested in all the interests held by Mr. Lee, her husband.

(b) 500,000 shares are registered in the name of J AND LEM Limited which is wholly-owned by Mr. Lee. Mr. Lee is deemed to be interested in these shares under SFO.

SHARE OPTIONS

Other than as disclosed above, and other than those as disclosed in the Note 18 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.

No share options were granted, cancelled, exercised or lapsed during the review year.

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

At 31st December 2021, 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	41%
– five largest suppliers combined	72%

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.

USE OF PROCEEDS FROM DISPOSAL IN 2020

On 23rd January 2020, a subsidiary of the Group, Leeport Machine Tool Company Limited, disposed of 49% of the issued shares in an associate, Mitutoyo Leeport Metrology Corporation, a trader of measuring tools ("Disposal"), for a consideration of HK$100,000,000, and the net proceeds was amounted to approximately HK$99,000,000. Details of which have been disclosed in announcements dated 13th November 2019, 21st January 2020 and 23rd January 2020 and a circular dated 27th December 2019.

As at 31st December 2021, the net proceeds from Disposal has been utilised as follows:

Approximately HK$50,000,000 has been utilised to expand the Group's measuring instrument division in the PRC.

Approximately HK$31,457,000 has been utilised to invest in manufacturing equipment suppliers.

Approximately HK$9,000,000 has been utilised to repay the Group's outstanding bank borrowings.

The remaining of approximately HK$8,543,000 will be utilised to invest in manufacturing equipment suppliers by year 2023, during which time the Group will continuously monitor the market condition and make the investment decision when the favorable market condition presents a good opportunity to the Group.

CORPORATE GOVERNANCE

During the year ended 31st December 2021, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

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

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

For the year ended 31st December 2021, 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 2021 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. WONG Tat Cheong, Frederick, Mr. ZAVATTI Samuel Mario and Mr. FUNG Wai Hing has reviewed the accounting principles and practices adopted by the Group with the management and has discussed risk management and internal control systems and financial reporting matters, including a review of the consolidated financial statements for the year ended 31st December 2021 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 25th March 2022.

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 an annual confirmation of his independence pursuant to rule 3.13 and the Company 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 2021 are set out in Note 25(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.

RELATED PARTY TRANSACTION

Details of the major related party transactions undertaken in the normal course of business are provided under note 32 to the consolidated financial statements of this annual report, and none of which constitutes a discloseable continuing connected transaction or connected transaction as defined under the Listing Rules.

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, 25th March 2022

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 2021, 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. CHAN Ching Huen, Stanley Mr. LEE Ee Sian
Independent Non-executive Directors:	Mr. ZAVATTI Samuel Mario Mr. FUNG Wai Hing Mr. WONG Tat Cheong, Frederick

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 2021, a total of 7 Board meetings and 1 annual general meeting ("2021 AGM") were held and the attendance of each director is set out as follows:

	Number of meetings attended in the year ended 31st December 2021	
Name of Director	**Board meetings**	**2021 AGM**
Mr. LEE Sou Leung, Joseph	7/7	1/1
Mr. CHAN Ching Huen, Stanley	7/7	1/1
Mr. ZAVATTI Samuel Mario	7/7	1/1
Mr. WONG Tat Cheong, Frederick	7/7	1/1
Mr. FUNG Wai Hing	7/7	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. The Board reviewed the Company's policies and practices on corporate governance as well as the Company's compliance with the corporate governance code.

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 Group Chief Executive Officer 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 Group Chief Executive Officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company.

The 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. The Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

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. 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 Institute of Directors and The Hong Kong Chartered Governance Institute 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.

The individual training record of each director received for the year ended 31st December, 2021 is summarized below:

	Attending seminar(s)/ forum(s)/ programme(s)/ conference(s) relevant to the business or directors' duties
Mr. LEE Sou Leung, Joseph	✓
Mr. CHAN Ching Huen, Stanley	✓
Mr. ZAVATTI Samuel Mario	✓
Mr. FUNG Wai Hing	✓
Mr. WONG Tat Cheong, Frederick	✓

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 6 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.

DIVIDEND POLICY

The Dividend Policy of the Company aims at enhancing transparency of the Company and facilitating the shareholders and investors to make informed investment decisions relating to the Company. Under the dividend policy, the Company does not have any pre-determined dividend payout ratio. The declaration, payment and amount of dividends are subject to the board of directors of the Company ("Board")'s discretion having regard to the following factors:

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(6) the contractual restrictions on the payment of dividends by the Company to its shareholders (if any);

(7) the statutory and regulatory restrictions on the payment of dividends by the Company; and

(8) any other factors that the Board deems relevant.

The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Act of Bermuda, any applicable laws, rule and regulations and the bye-laws of the Company.

Any declaration and payment of future dividends under the Dividend Policy are subject to the Board's determination that the same would be in best interests of the Group and the shareholders of the Company as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises of three independent non-executive directors, who have reviewed the financial statements for the year ended 31st December 2021. One member has accounting professional qualifications or related financial management expertise. Mr. Wong Tat Cheong, Frederick is the current 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. Two meetings were held during the year ended 31st December 2021. 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 2021
Mr. WONG Tat Cheong, Frederick	2/2
Mr. ZAVATTI Samuel Mario	2/2
Mr. FUNG Wai Hing	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. Mr. Fung Wai Hing is the current 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 then 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. One meeting was held during the year ended 31st December 2021. 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 2021
Mr. LEE Sou Leung, Joseph	1/1
Mr. FUNG Wai Hing	1/1
Mr. ZAVATTI Samuel Mario	1/1
Mr. WONG Tat Cheong, Frederick	1/1

The Company has adopted a 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 18 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.

The procedures for the election and appointment of director(s) are that the Nomination Committee may search for candidates for directors on an extensive scale in the Company, its subsidiaries and the job market, gather information of the preliminary candidates and then shall submit to the board of directors its recommendations on candidates for directors and relevant materials prior to the election of new directors.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 31st December 2021. 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 2021
Mr. LEE Sou Leung, Joseph	1/1
Mr. FUNG Wai Hing	1/1
Mr. ZAVATTI Samuel Mario	1/1
Mr. WONG Tat Cheong, Frederick	1/1

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.

The Board, the Group's internal audit department and management review the effectiveness of the internal control system of the Company and its subsidiaries. The Audit Committee, reviews the findings and opinions of the Group's internal audit department and management on the effectiveness of the Company's system of internal control, and reports to the Board on such reviews.

The internal audit department of the Group should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets. The main functions of the internal audit department are to audit the operating efficiencies of each of the operating units, to assist the Board in reviewing the effectiveness of the internal control systems of the Group and to review internal control of business processes and conduct project based auditing. Evaluation of the Group's internal controls covering financial, operational compliance controls and risk management functions will be conducted annually by the Board.

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 and the internal audit function for the year ended 31st December 2021 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 24 to the consolidated financial statements. The non-audit services are related to tax services. 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 2021.

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 2021, there had been no significant change in the Company's constitutional documents.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Leeport Group is pleased to present our Environmental, Social and Governance ("ESG") Report (the "Report") to outline our strategies and performance on our sustainable development.

REPORTING PERIOD AND SCOPE

Unless otherwise stated, the Report covers the business segments of trading of metalworking machinery, measuring instruments, cutting tools and electronics equipment in the PRC, Hong Kong and other countries and territories (principally Singapore, Germany, Malaysia, Indonesia and Taiwan) for the period form 1st January 2021 to 31st December 2021.

REPORTING STANDARD

The Report has been prepared in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

REPORTING PRINCIPLES

The reporting principles (namely materiality, quantitative, balance and consistency) outlined in the ESG Reporting Guide have been adopted during the preparation of the Report. Those reporting principles are applied in the Group as follows:

Reporting Principles	Our Application
Materiality	When identifying material sustainability issues of the Group, apart from considering our business nature and concerns of the Group, we also take into account the opinions of various key stakeholders.
Quantitative	The Group discloses its key environmental and social performance indicators with quantitative measures and to provide historical data for comparison.
Balance	The Group has identified and disclosed the ESG issues that have significant impact on the Group's business in this Report, which include our accomplishment and challenges.
Consistency	Consistent methodology has been use in the Report with necessary explanation on any changes to the methods used as compared to the previous year. Explanations have also been provided for changes in the reporting scope for the year.

EMPLOYEES

The Group complies strictly with all relevant, applicable local laws and regulations, including but not limited with 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 system. For example, it has implemented a performance appraisal system for all employees, and has established remuneration system based on position, capacity, attitude and performance.

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.

Employee Distribution

As at the 31 December 2021, we had a total of 250 employees, comparing 171 male and 79 female employees, of which 58 were full-time staff based in Hong Kong and 192 were full-time staff based in mainland China and others. The distribution of employees by gender employment type, age group and geographical region is outlined below:

By Gender	
Male	171
Female	79

Geographical region	
Hong Kong	58
Mainland China	180
Others	12

Employment type	
Senior management	7
Middle management	65
General employees	178

Age Group	
Aged Below 30	4%
between 30-50	74%
above 50	22%

Employee Turnover

Staff turnover rate	
Male	10%
Female	6%

Geographical region	
Hong Kong	5%
Mainland China	11%

Age Group	
Aged Below 30	1%
between 30-50	11%
above 50	4%

Employee Welfare

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 opened 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.

Health and Safety

In 2021, there is no occupational accident incurred and 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.

We maintained zero work-related fatalities among our staff. The number of lost days due to work injury in the past three years was as follows:

	No. of lost days		
	2021	2020	2019
No. of lost days	227*	365*	37

* This is only the case for one of our administrative staff who stretched a muscle and received a medical treatment from 2020 to 2021.

In order to have safety working environment, 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 Diseases 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 2021, we organized 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 organized 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 encourage them to pursue career opportunities within the Group.

	% of employees trained by gender
Female	31%
Male	69%

	% of employees trained by employment type
Senior management	8.6%
Middle management	25.7%
Below middle management	65.7%

	Training hours (Average)	
Female	8.3	total hours/total employee
Male	18.0	total hours/total employee
Senior management	2.3	total hours/total employee
Middle management	6.8	total hours/total employee
Below middle management	17.3	total hours/total employee

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.

PRODUCT RESPONSIBILITY

The Group is committed to provide an excellent customer experience and ensuring that our products and services are safe, user-friendly and environmentally friendly. We always think ahead on behalf 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 customized to meet our customers' requirements. We run a customized, online service systems, which improves the quality of our after-sales service, builds our corporate brand image, and increase 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 labeling. We strive to safeguard and protect intellectual property rights, and comply with local relevant privacy regulations.

In 2021, the Group was not involved in any material litigation or complaints due to product quality or service provision.

Quality assurance process and recall procedure

All disputes between the two parties in connection with contract or the execution thereof shall be settled through friendly negotiations. Where no settlement can be reached, the disputes shall be submitted for arbitration. The arbitration shall take place in Beijing and be conducted by China International Economic and Trade Arbitration Commission, Beijing Commission in accordance with its Rules of Arbitration. The decision of the Arbitration Commission shall be accepted as final and binding upon both parties. Neither party shall be seeking recourse to a law court or other authorities appeal for revision of the decision. Arbitration expense shall be borne by the losing party.

Customer Feedback

The Group believes the opinions from customers can drive our continuous improvement and are essential in our pursuit of excellence. We welcome the opinions from customers by establishing various communication channels with customers including email, Wechat, etc. After the completion of job, we will conduct a survey to find out what our customers think of our service and improvement to meet their needs.

Data Protection and Privacy

The Group places great importance on data protection of customers. We have strictly complied with the relevant provisions of the Personal Data (Privacy) Ordinance in Hong Kong. The Group stipulated the terms and conditions relating to confidentially of information in the employment contracts, requiring employees to undertake not to disclose any information to any third parties without written consent of the Group. Employee who breaches the terms is subject to instant dismissal without compensation or other legal actions necessary.

Labelling

Due to our business nature, the Group was not involved in product labelling.

ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING

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

We also provide channels for our stakeholders to report any suspicious case of corruption, fraud, dishonest practices and any similar matters in confidential manner, while every effort will be made to protect the whistle-blowers. All reported cased will be investigated thoroughly by a team led by department heads or senior management, and appropriate corrective, disciplinary or legal measures will be taken according to the investigation result.

No legal case regarding corruption has incurred in FY2021 and FY2020.

SUPPLY CHAIN MANAGEMENT

While the global supply chain was disrupted in the midst of COVID-19 pandemic, it also impact on our daily business operations because of shortage of chips and chaos in ocean shipping.

There are growing expectations of stakeholders (including the government, customers, shareholders, employees, etc.) to take responsibility for its supplier's environmental, social and ethical practices. Leeport is increasingly making responsible sourcing an integral part of its procurement and supply chain management processes to understand and manage these risks in the supply chain.

The Group has formulated the Group Purchasing Policy (GPP) to include responsible business in the various processes and criteria for suppliers' selection and management.

Supplier Selection and Monitoring

To enable us to continuously improve quality management in our procurement process and achieve the highest standard of business practices and service offering.

All the potential suppliers are evaluated under stringent evaluation procedures. Potential suppliers are required to complete the vendor registration form, which assesses the suppliers on various aspects, such as quality assurance and corporate governance. Upon completion of the form, our purchasing department investigates the background of the company, focusing on their financial credibility. The department also conducts an assessment of the supplier's quality of delivery, environmental and social compliance and internal control.

In 2021, 395 suppliers were based in mainland China, 47 were based in Hong Kong and 57 were based outside China.

THE ENVIRONMENT

The Group has made continuous efforts to build a more sustainable business and help address the threat of climate change. As such, the Group adhere strictly to local environment 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.

ENERGY, AIR AND GHG EMISSION

The source of our air, GHG emission and energy consumption mainly originates from purchased electricity consumed for daily office operations. Extreme climate events are significantly affect the globe. We recognize the importance of enhancing energy efficiency in our daily business operation through measures highlighted below:

- Turning off electrical appliances including lights, computers and printer before leaving office
- Setting the temperature of air conditioners at designated degrees
- Using LED lights
- Steadily phase out legacy equipment by using energy saving system
- Cleaning the filters of air-conditioners regularly to maintain the cooling performance in lower energy mode
- Using glass doors prevent cool air from spreading wastefully to other office area
- Our building in Shanghai has been designed to make good use of natural light and natural air

Use of Water

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

Waste Management

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 relate 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 optimized 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 minimize or prevent the generation of waster 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.

Environmental 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. 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 social responsible utilization 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.

Overview of Environmental Performance Data

Environmental Performance	Unit	Total 2021	Total 2020
Greenhouse Gas Emissions			
Carbon dioxide ("CO_2") equivalent emission for electricity consumption	tCO_2e	249	231
CO_2 equivalent emission for water used	tCO_2e	0.7	0.6
CO_2 equivalent emission for paper used	tCO_2e	3.1	3.0
Energy			
Electricity consumption	KWh	460,420	428,049
Electricity Intensity	KWh per staff day	5.2	4.8
Water			
Water Consumption	M^3	1,883	1,522
Water Intensity	M^3 per staff month	0.6	0.5
Waste			
Paper	Kg	3,343	3,227
Paper Intensity	Kg per staff month	1.1	1.1

OUR COMMUNITY

Leeport is committed to fostering harmonious relationships with the communities where we operate, and has consistently kept its responsibility to return to society and endeavored to achieve sharing and win-win relationship between the Group and its stakeholders. We participate in a variety of charitable events every year. During 2021, the Group donated approximate of HK$27,000 in total to various charitable and community causes.

– The Community Chest

– Love Teeth Day

– Association for the International Teaching, educational and Curriculum Exchange

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"), which are set out on pages 51 to 139, comprise:

- the consolidated balance sheet as at 31st December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, 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 judgement, 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 provision for inventories
- Assessment on provision for trade and bills receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on provision for inventories	
Refer to Notes 4(a) Critical accounting estimates and judgements and 16 Inventories to the consolidated financial statements As at 31st December 2021, the Group's gross inventories and provision for impairment of inventories amounted to HK$142.1 million and HK$30.2 million respectively. The directors consistently apply a provisioning methodology for slow moving inventory based on inventory ageing and make specific provision for obsolete inventories. The estimations used in applying this methodology are subject to a higher degree of estimation uncertainty and subjectivity in management's judgement in respect of changes of economy condition, technology advancement and customer needs.	We obtained an understanding of the management's internal control and assessment process of provision for inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with this accounting estimate. 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, and analysis and assessment made by management with respect to slow moving and obsolete inventories. We tested the accuracy of the ageing 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 ageing profile of the inventory as at 31st December 2021. We also discussed with management and validated management's assessment based on relevant evidence from external sources in relation to the specific provision on certain inventories which provision was made according to their view on latest economic condition, technology advancement and customer needs. Based on the procedures performed, we considered that management's judgements made in assessing the provision for inventories were supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on provision for trade and bills receivables	
Refer to Note 4(b) Critical accounting estimates and judgements and 15 Trade and bills receivables to the consolidated financial statements As at 31st December 2021, the Group's gross trade and bills receivables and provision for impairment of trade and bills receivables amounted to HK$113.0 million and HK$3.0 million respectively. Management applied judgement in assessing the expected credit losses. Trade and bills receivables relating to customers with known financial difficulties or significant doubt on collection of trade and bills receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining trade and bills receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the trade and bills receivables. We focused on this area due to the magnitude of the trade and bills receivables, the higher degree of estimation uncertainty and subjectivity in management's judgement involved in determining the expected credit loss allowance of the trade and bills receivables.	We obtained an understanding of the management's internal control and assessment process of provision for trade and bills receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with this accounting estimate. We 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 ageing profile on trade and bills receivables. We reviewed the ageing profile, focusing on the aged receivables. 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 addition, we inspected correspondence with the customers, evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers in order to assess whether any additional provision should be made. We obtained management's assessment on the expected credit loss allowance of trade and bills receivables. We validated management's assumptions and key inputs used in the assessment model including historical settlement pattern and the relevant forward-looking information such as macroeconomic factors. Based upon the above, we found that the estimation and judgement made by management in respect of the expected credit loss allowance were supportable by the available evidence.

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 THE AUDIT COMMITTEE 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.

The Audit Committee is 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 judgement 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th March 2022

Consolidated Balance Sheet

As at 31st December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	6	**11,893**	5,582
Right-of-use assets	6	**260,962**	261,465
Investment properties	7	**69,789**	70,205
Investments in associates	10	**63,009**	61,397
Loan to an associate	33(c)	**17,717**	19,166
Financial assets at fair value through other comprehensive income	13	**8,689**	9,289
		432,059	427,104
Current assets			
Inventories	16	**111,908**	76,798
Trade and bills receivables	15	**109,980**	102,429
Other receivables, prepayments and deposits	15	**42,596**	22,685
Financial assets at fair value through other comprehensive income	13	**110,865**	81,623
Derivative financial instruments	14	**25**	14
Tax recoverable		**–**	910
Restricted bank deposits	17	**10,917**	10,998
Cash and cash equivalents	17	**65,522**	92,591
		451,813	388,048
Assets classified as held for sale	11	**1,451**	31,377
Total current assets		**453,264**	419,425
Total assets		**885,323**	846,529
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	18	**23,007**	23,007
Other reserves	19	**303,644**	260,883
Retained earnings		**145,409**	182,645
		472,060	466,535
Non-controlling interests		**(5,315)**	(4,267)
Total equity		**466,745**	462,268

Consolidated Balance Sheet (Continued)

As at 31st December 2021

	Note	2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	20	**3,212**	5,212
Lease liabilities	8	**1,175**	2,301
Deferred income tax liabilities	22	**30,385**	35,034
		34,772	42,547
Current liabilities			
Trade and bills payables	20	**111,331**	103,960
Other payables, accruals and contract liabilities	20	**66,661**	71,431
Derivative financial instruments	14	**657**	–
Borrowings	21	**199,867**	161,472
Lease liabilities	8	**962**	1,495
Tax payable		**4,051**	3,356
		383,529	341,714
Liabilities directly associated with assets classified as held for sale	11	**277**	–
Total current liabilities		**383,806**	341,714
Total liabilities		**418,578**	384,261
Total equity and liabilities		**885,323**	846,529

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 51 to 139 were approved by the Board of Directors on 25th March 2022 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 2021

	Note	2021 HK$'000	2020 HK$'000
Sales	5	**707,752**	617,937
Cost of goods sold	24	**(606,834)**	(525,003)
Gross profit		**100,918**	92,934
Other income and gains – net	23	**10,221**	23,599
Selling and distribution costs	24	**(23,163)**	(17,691)
Administrative expenses	24	**(96,607)**	(91,423)
Net (impairment losses)/reversal of impairment losses on financial assets		**(701)**	1,756
Operating (loss)/profit		**(9,332)**	9,175
Finance income	26	**950**	1,115
Finance expenses	26	**(3,923)**	(5,691)
Finance expenses – net		**(2,973)**	(4,576)
Release of exchange reserve upon dissolution of a subsidiary	28	**(26,343)**	–
Share of post-tax profits/(losses) of associates	10	**3,526**	(6,777)
Gain on disposal of an associate	11	**–**	8,479
(Loss)/profit before income tax		**(35,122)**	6,301
Income tax expense	27	**(4,625)**	(4,132)
(Loss)/profit for the year		**(39,747)**	2,169
(Loss)/profit attributable to:			
Owners of the Company		**(38,984)**	4,451
Non-controlling interests		**(763)**	(2,282)
		(39,747)	2,169
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company			
Basic (losses)/earnings per share (Hong Kong cents)	29	**(HK16.94 cents)**	HK1.93 cents
Diluted (losses)/earnings per share (Hong Kong cents)	29	**N/A**	N/A

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2021

	Note	2021 HK$'000	2020 HK$'000
(Loss)/profit for the year		**(39,747)**	2,169
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of land and buildings	19	**6,774**	14,098
Movement of deferred tax	19	**4,649**	(2,363)
Change in value of financial assets at fair value through other comprehensive income, net of tax	13	**15,769**	(1,355)
		27,192	10,380
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Currency translation differences		**4,494**	9,593
Release of exchange reserve upon dissolution of a subsidiary		**26,343**	–
Release of exchange reserve upon disposal of an associate		**–**	8,147
		30,837	17,740
Other comprehensive income for the year, net of tax		**58,029**	28,120
Total comprehensive income for the year		**18,282**	30,289
Total comprehensive income attributable to owners of the company		**19,330**	32,248
Total comprehensive loss attributable to non-controlling interests		**(1,048)**	(1,959)
		18,282	30,289

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2021

	Attributable to owners of the Company					
	Share capital (Note 18) HK$'000	Other reserves (Note 19) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1st January 2021	23,007	260,883	182,645	466,535	(4,267)	462,268
Comprehensive loss						
Loss for the year	–	–	(38,984)	(38,984)	(763)	(39,747)
Other comprehensive income/(loss)						
Gain on revaluation of right-of-use assets	–	6,774	–	6,774	–	6,774
Movement of deferred tax	–	4,649	–	4,649	–	4,649
Change of value of financial assets at fair value through other comprehensive income	–	15,769	–	15,769	–	15,769
Currency translation differences	–	4,779	–	4,779	(285)	4,494
Release of exchange reserve upon dissolution of a subsidiary	–	43,100	(16,757)	26,343	–	26,343
Release of building revaluation reserve upon disposal of land and building	–	(29,451)	29,451	–	–	–
Total other comprehensive income/(loss), net of tax	–	45,620	12,694	58,314	(285)	58,029
Total comprehensive income/(loss)	–	45,620	(26,290)	19,330	(1,048)	18,282
Transfer of revaluation reserve to retained earnings on depreciation of right-of-use assets	–	(2,859)	2,859	–	–	–
Transaction with owners of the Company recognised directly in equity						
Transaction with non-controlling interests	–	–	–	–	–	–
Special dividend paid	–	–	(5,752)	(5,752)	–	(5,752)
Dividend paid relating to 2020	–	–	(8,053)	(8,053)	–	(8,053)
Total transaction with owners, recognised directly in equity	–	–	(13,805)	(13,805)	–	(13,805)
Balance at 31st December 2021	23,007	303,644	145,409	472,060	(5,315)	466,745

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st December 2021

	Attributable to owners of the Company					
	Share capital (Note 18) HK$'000	Other reserves (Note 19) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1st January 2020	23,007	236,347	180,623	439,977	(1,754)	438,223
Comprehensive income						
Profit for the year	–	–	4,451	4,451	(2,282)	2,169
Other comprehensive income/(loss)						
Gain on revaluation of right-of-use assets	–	14,098	–	14,098	–	14,098
Movement of deferred tax	–	(2,363)	–	(2,363)	–	(2,363)
Change of value of financial assets at fair value through other comprehensive income	–	(1,355)	–	(1,355)	–	(1,355)
Currency translation differences	–	9,270	–	9,270	323	9,593
Release of exchange reserve upon disposal of an associate	–	8,147	–	8,147	–	8,147
Total other comprehensive income/(loss), net of tax	–	27,797	–	27,797	323	28,120
Total comprehensive income/(loss)	–	27,797	4,451	32,248	(1,959)	30,289
Transfer of revaluation reserve to retained earnings on depreciation of right-of-use assets	–	(3,359)	3,359	–	–	–
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings (Note 13)	–	36	(36)	–	–	–
Transaction with owners of the Company recognised directly in equity						
Transaction with non-controlling interests	–	62	–	62	(554)	(492)
Special dividend paid	–	–	(5,752)	(5,752)	–	(5,752)
Total transaction with owners, recognised directly in equity	–	62	(5,752)	(5,690)	(554)	(6,244)
Balance at 31st December 2020	23,007	260,883	182,645	466,535	(4,267)	462,268

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 31st December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	31	**(53,695)**	23,540
Interest paid		**(3,923)**	(5,691)
Income tax paid		**(3,020)**	(1,812)
Net cash (used in)/generated from operating activities		**(60,638)**	16,037
Cash flows from investing activities			
Purchase of plant and equipment		**(8,541)**	(122)
Proceeds from sale of plant and equipment	31(a)	**–**	959
Purchase of financial assets at fair value through other comprehensive income		**(12,873)**	(19,501)
Disposal of financial assets at fair value through other comprehensive income		**–**	418
Interest received		**950**	964
Proceeds from sale of interest in an associate	11	**–**	100,000
Proceeds from sale of land and building	11	**29,500**	–
Net cash generated from investing activities		**9,036**	82,718
Cash flows from financing activities			
Proceeds from collateralised borrowings and bank loans	31(b)	**367,071**	77,452
Repayment of collateralised borrowings and bank loans	31(b)	**(328,022)**	(154,951)
Dividends paid to the Company's shareholders		**(13,805)**	(5,752)
Decrease in restricted bank deposits		**81**	–
Release of restricted bank deposits		**–**	15,746
Principal elements of lease liabilities	31(b)	**(1,465)**	(1,697)
Net cash generated from/(used in) financing activities		**23,860**	(69,202)
Net (decrease)/increase in cash and cash equivalents		**(27,742)**	29,553
Cash, cash equivalents and bank overdrafts at beginning of the year		**92,960**	60,768
Effect of the exchange rate for the year		**378**	2,639
Cash and cash equivalents at end of the year		**65,596**	92,960
Analysis of the balances of cash and cash equivalents			
Balance included in cash and cash equivalents	17	**65,522**	92,591
Balance included in assets classified as held for sale	11	**74**	369
		65,596	92,960

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

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 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 25th March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted 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. The financial statements are for the group consisting of Leeport (Holdings) Limited and its subsidiaries.

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 right-of-use assets, investment properties, financial assets through other comprehensive income, financial assets and financial liabilities through profit or loss (including derivative instruments) which are carried at fair value. Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(i) Amended standards adopted by the Group

The following amendments to standards are adopted by the Group for the financial year beginning on 1st January 2021.

Amendments to HKFRS 9, Hong Kong Accounting Standard ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions beyond 30 June 2021

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) The following standards, amendments and interpretations have been published but are not mandatory for 31st December 2021 reporting period and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
Annual improvement project (Amendments)	Annual Improvements to HKFRSs 2018–2021	1st January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1st January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1st January 2022
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1st January 2022
HKAS 8 (Amendments)	Definition of Accounting Estimates	1st January 2022
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1st January 2022
HKAS 16 (Amendment)	Proceeds before Intended Use	1st January 2022
HKAS 37 (Amendment)	Onerous Contracts – Costs of Fulfilling a Contract	1st January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1st January 2023
HKFRS 17	Insurance Contracts	1st January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Leeport (Holdings) Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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 or transferred to another category of equity as specified/permitted by applicable HKFRS.

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 are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

2.5 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.

2.6 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (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 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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)

2.7 Plant and equipment

All 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.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

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 2.9).

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.

2.8 Investment properties

Investment properties, 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 properties are 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(i) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Change in the fair value of financial assets at fair value through profit or loss are recognised in "other income and gains – net" in the consolidated income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(iii) Impairment

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade and bills receivables, and
- other financial assets at amortised costs.

Trade and bills receivables

The Group applies the HKFRSs simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables.

Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(iii) Impairment (Continued)

Trade and bills receivables (Continued)

The Group categorises its trade and bills receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Other financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses associated with other financial assets at amortised costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.11 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 gains – net”.

2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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 allowance for impairment. See Note 2.10 for a description of the Group's impairment policies.

2.14 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.

2.15 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.

2.16 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)

2.17 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 consolidated 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.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated 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)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(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)

2.19 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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

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.

2.21 Revenue recognition

Sales of products

The Group principally derives revenue from trading of metalworking machinery, measuring instruments, cutting tools and electronic equipment. Sales of products is recognised at a point in time when control of the products is transferred, being when the Group has delivered the products to the customers and the customers have accepted the products. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the product. Delivery occurs when the products have been transported to the specified location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Dividend income

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

2.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets comprise mainly offices, warehouses, showrooms and directors' quarters. Right-of-use assets are shown at fair value, based on periodic valuations. 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.

Increases in the carrying amount arising on revaluation of right-of-use assets are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. 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 consolidated income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 right-of-use assets are sold, the amounts included in other reserves are transferred to retained earnings.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining a lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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.

2.25 Non-current assets (or disposal group) held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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. The functional currency of the entity should primarily be determined with reference to the primary economic environment in which an entity operates and this will normally be the one in which it primarily generates and expends cash.

The 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 HKD is mainly exposed to Japanese Yen ("JPY") and Renminbi ("RMB").

As at 31st December 2021, a 5% strengthening/weakening of the HKD against JPY and RMB, the post-tax loss of the year would have decreased/increased by HK$999,000 (2020: post-tax profit increased/decreased by HK$813,000), and decreased/increased by HK$1,527,000 (2020: post-tax profit increased/decreased by HK$2,587,000) 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 HKD.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

The foreign exposure of group entities with functional currency of EUR is mainly exposed to HK$.

As at 31st December 2021, a 5% strengthening/weakening of the EUR against HK$, post-tax loss of the year would have decreased/increased by HK$351,000 (2020: post-tax profit increased/decreased by HK$112,000), mainly as a result of foreign exchange gain/losses on translation of trade and other receivables, trade and other payables, 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 2021 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.

(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 21.

During the year end, the borrowings of the Group at variable rates were denominated in HK$, USD, EUR, JPY, GBP 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 impact on post-tax loss for the year of a 50 basis-point decrease/increase in interest rate would be an decrease/increase of HK$789,000 for the year ended 31st December 2021 (2020: post-tax profit for the year of a 50 basis-point decrease/increase in interest rate would be an increase/decrease of HK$628,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 12.

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.

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, trade, bills and other receivables, amounts due from associates, with a maximum exposure equal to the carrying amounts of these instruments.

(i) Credit risk of cash and cash equivalents

To manage this risk arising from bank balances, they are all placed with those reputable banks which are high-credit quality financial institutions.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Credit risk of trade and bills receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables.

Based on shared credit risk characteristics, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the expected loss rates are based on the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Measurement of expected credit loss in individual basis

The trade receivables relating to customers with known financial difficulties or with significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31st December 2021, the balance of loss allowance in respect of individually assessed receivables was HK$2,722,000.

Measurement of expected credit loss in collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for the likelihood of loss allowance for each group. Taking into account the ageing category, expected credit loss rates applied to the respective gross carrying amounts of the trade and bills receivables are as follows:

	Expected credit loss rate	Loss allowance HK$'000
Current	0.02%-0.07%	17
1 – 3 months	0.01%-0.89%	18
4 – 6 months	0.05%-7.41%	31
7 – 12 months	0.19%-100%	102
Over 12 months	100%	143
		311

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(iii) Credit risk of other receivables and loan to/amounts due from associates

For other receivables and loan to/amounts due from associates, the Group recognises a loss allowance equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses. During the year ended 31st December 2021, the impairment provision on other receivables and loan to an associate, determined based on the 12-month expected credit losses, were HK$359,000 (2020: HK$158,000) and HK$160,000 (2020: HK$117,000) respectively.

(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	
	2021	2020
	HK$'000	HK$'000
Banking facilities available	**485,558**	496,564
Banking facilities utilised	**(213,726)**	(170,874)
Undrawn banking facilities	**271,832**	325,690

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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.

	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 2021			
Trust receipt loans and interest payment	**79,449**	**–**	**–**
Term loan from bank and interest payment	**121,285**	**–**	**–**
Trade and bills payables (Note 20)	**111,331**	**–**	**–**
Other payables	**12,637**	**2,000**	**1,212**
Lease liabilities	**1,029**	**965**	**241**
	325,731	**2,965**	**1,453**
At 31st December 2020			
Trust receipt loans and interest payment	70,602	–	–
Term loan from bank and interest payment	91,610	–	–
Trade and bills payables (Note 20)	103,960	–	–
Other payables	17,007	2,036	3,243
Lease liabilities	1,617	1,106	1,302
	284,796	3,142	4,545

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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

	Less than 1 year HK$'000
At 31st December 2021	
Forward foreign exchange contracts – held for trading:	
Outflow	**35,843**
Inflow	**35,211**
At 31st December 2020	
Forward foreign exchange contracts – held for trading:	
Outflow	6,009
Inflow	6,023

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less restricted bank deposits and cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratio at 31st December 2021 and 2020 were as follows:

	As at 31st December	
	2021	2020
	HK$'000	HK$'000
Total borrowings (Note 21)	**199,867**	161,472
Less: restricted bank deposits (Note 17)	**(10,917)**	(10,998)
Less: cash and cash equivalents (Note 17)	**(65,522)**	(92,591)
Net debt	**123,428**	57,883
Total equity	**466,745**	462,268
Gearing ratio	**26.4%**	12.5%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including trade and bills receivables, other receivables, amounts due from an associate, 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 6 and 7 for disclosure of the right-of-use assets and investment properties that are measured at fair value.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The Group's financial assets and liabilities that are measured at fair values at 31st December 2021:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	**–**	**25**	**–**	**25**
Financial assets at fair value through other comprehensive income				
– listed securities	**110,865**	**–**	**–**	**110,865**
– unlisted securities	**–**	**–**	**8,689**	**8,689**
	110,865	**25**	**8,689**	**119,579**
Liabilities				
Derivative financial instruments	**–**	**657**	**–**	**657**

The Group's financial assets that are measured at fair values at 31st December 2020:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	–	14	–	14
Financial assets at fair value through other comprehensive income				
– listed securities	81,623	–	–	81,623
– unlisted securities	–	–	9,289	9,289
	81,623	14	9,289	90,926

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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 included in level 3. This is the case for unlisted equity securities. The fair value estimation of unlisted securities is disclosed in Note 13 to the consolidated financial statements.

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 inventories

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Provision for impairment of financial assets

The provision for impairment of financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forwardlooking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"), 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 Mainland China, Hong Kong and other countries.

The Group is principally engaged in the trading of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely Mainland China, Hong Kong and other countries (principally Singapore, Germany, Malaysia and Indonesia).

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 Mainland China. 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 2021			
	Mainland China HK$'000	HK HK$'000	Others HK$'000	Total HK$'000
Sales	667,811	27,518	12,423	707,752
Segment results	(9,264)	3,049	(3,117)	(9,332)
Finance income				950
Finance expenses				(3,923)
Share of post-tax profits of associates				3,526
Release of exchange reserve upon dissolution of a subsidiary				(26,343)
Loss before income tax				(35,122)
Income tax expenses				(4,625)
Loss for the year				(39,747)

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

5 SEGMENT INFORMATION (CONTINUED)

During the year ended 31st December 2021, there is no single customer whose revenue amounted to 10% or more of the Group's revenue (2020: Nil).

Contract liabilities of HK$46,543,000 (2020: HK$43,093,000) were classified within "other payables, accruals and contract liabilities". It represents advanced payments received from customers for goods that have not been transferred to the customers. During the year ended 31st December 2021, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue. Decrease in contract liabilities is mainly due to the decrease in sales orders with advanced payments.

The provision for slow moving inventories charged for the year ended 31st December 2021 are HK$3,686,000 (2020: HK$2,722,000).

The net impairment losses on financial assets charged for the year ended 31st December 2021 are HK$701,000 (2020: net reversal of impairment losses of HK$1,756,000).

The total depreciation of plant and equipment and right-of-use assets for the year ended 31st December 2021 are HK$9,400,000 (2020: HK$10,565,000).

Segment assets

	2021 HK$'000	2020 HK$'000
Segment assets:		
Mainland China	**404,247**	361,867
Hong Kong	**285,982**	304,483
Other countries and territories (Note (a))	**195,094**	180,179
	885,323	846,529

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

5 SEGMENT INFORMATION (CONTINUED)

Segment liabilities

	2021 HK$'000	2020 HK$'000
Segment liabilities:		
Mainland China	**302,960**	231,082
Hong Kong	**88,172**	97,864
Other countries and territories (Note (a))	**27,446**	55,315
	418,578	384,261

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

Capital expenditure:

	2021 HK$'000	2020 HK$'000
Capital expenditure:		
Mainland China	**1,130**	49
Hong Kong	**7,251**	19
Other countries and territories (Note (a))	**160**	54
	8,541	122

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

Capital expenditure comprises mainly additions to plant and equipment.

Note:

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

6 PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Right-of-use assets			Plant and equipment			
	Land and buildings HK$'000	Properties HK$'000	Total HK$'000	Leasehold improvements HK$'000	Plant, machinery furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2020							
Cost or valuation	290,289	4,324	294,613	36,076	46,830	1,755	84,661
Accumulated depreciation	–	–	–	(30,614)	(44,643)	(1,462)	(76,719)
Net book amount	290,289	4,324	294,613	5,462	2,187	293	7,942
Year ended 31st December 2020							
Opening net book amount	290,289	4,324	294,613	5,462	2,187	293	7,942
Exchange differences	1,379	375	1,754	130	65	1	196
Revaluation gain (Note 19)	14,098	–	14,098	–	–	–	–
Additions	–	951	951	–	122	–	122
Disposals	–	–	–	–	(404)	–	(404)
Depreciation (Notes 24)	(6,550)	(1,741)	(8,291)	(1,319)	(800)	(155)	(2,274)
Lease modification	–	(224)	(224)	–	–	–	–
Transfer to investment properties (Note 7)	(11,936)	–	(11,936)	–	–	–	–
Transfer to assets classified as held for sale (Note 11)	(29,500)	–	(29,500)	–	–	–	–
Closing net book amount	257,780	3,685	261,465	4,273	1,170	139	5,582
At 31st December 2020							
Cost or valuation	257,780	3,685	261,465	26,940	44,560	1,490	72,990
Accumulated depreciation	–	–	–	(22,667)	(43,390)	(1,351)	(67,408)
Net book amount	257,780	3,685	261,465	4,273	1,170	139	5,582

6 PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

	Right-of-use assets			Plant and equipment			
	Land and buildings HK$'000	Properties HK$'000	Total HK$'000	Leasehold improvements HK$'000	Plant, machinery furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31st December 2021							
Opening net book amount	257,780	3,685	261,465	4,273	1,170	139	5,582
Exchange differences	364	(183)	181	(28)	(21)	1	(48)
Revaluation gain (Note 19)	6,774	-	6,774	-	-	-	-
Additions	-	-	-	6,427	1,502	612	8,541
Disposals	-	-	-	(227)	(13)	-	(240)
Depreciation (Notes 24)	(5,981)	(1,477)	(7,458)	(1,358)	(441)	(143)	(1,942)
Closing net book amount	258,937	2,025	260,962	9,087	2,197	609	11,893
At 31st December 2021							
Cost or valuation	258,937	2,025	260,962	28,853	45,185	1,512	75,550
Accumulated depreciation	-	-	-	(19,766)	(42,988)	(903)	(63,657)
Net book amount	258,937	2,025	260,962	9,087	2,197	609	11,893

The Group's land and buildings were revalued at 31st December 2021 on the basis of an open market valuation performed 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 these land and buildings are categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

6 PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

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

Below is a summary of the key inputs to the valuation of land and buildings for own use:

	Significant unobservable inputs	Range per square foot (weighted average)	Relationship of unobservable inputs to fair value
As at 31st December 2021			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK3,140-HK$26,977 (HK$18,968)	The higher the price per square foot, the higher the fair value
Land and buildings in the PRC		HK$1,585-HK$3,869 (HK$2,396)	
Land and building in Indonesia		HK$1,901	
As at 31st December 2020			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$3,140-HK$26,977 (HK$16,211)	The higher the price per square foot, the higher the fair value
Land and buildings in the PRC		HK$1,562-HK$3,813 (HK$2,362)	
Land and building in Indonesia		HK$1,908	

The valuation of the Group's properties under right-of-use assets are estimated by making reference to market rates of similar leases and is also categorised into level 3 in the fair value hierarchy.

Depreciation expense of HK$9,400,000 (2020: HK$10,565,000) has been charged in administrative expenses (Note 24).

6 PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
Cost	68,198	67,916
Accumulated depreciation	(19,033)	(16,647)
Net book amount	49,165	51,269

Bank borrowings are secured on land and buildings with a carrying amount of HK$186,393,000 (2020: HK$163,480,000) (Note 21).

7 INVESTMENT PROPERTIES

At fair value	2021 HK$'000	2020 HK$'000
Opening balance at 1st January	70,205	55,674
Transfer from right-of-use assets (Note 6)	–	11,936
Net (loss)/gain from fair value adjustment (Note 23)	(292)	2,490
Exchange difference	(124)	105
Closing balance at 31st December	69,789	70,205

(a) Amounts recognised in consolidated income statement for investment properties

	2021 HK$'000	2020 HK$'000
Rental income	2,629	2,087

The direct operating expenses from investment properties was not significant for the years ended 31st December 2021 and 2020.

As at 31st December 2021, the Group had no unprovided contractual obligations for further repairs and maintenance (2020: nil).

7 INVESTMENT PROPERTIES (CONTINUED)

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

The investment property located in Hong Kong was revalued as at 31st December 2021 and 2020 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The investment property of the Group located in Singapore was revalued as at 31st December 2021 by Dickson Property Consultants Pte Ltd. (2020: Dickson Property Consultants Pte Ltd.), an independent firm of professional valuers.

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

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

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

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

	Significant unobservable inputs	Price per square foot	Relationship of unobservable inputs to fair value
As at 31st December 2021			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$3,652-HK$9,192 (HK$8,060)	The higher the price per square foot, the higher the fair value
Land and buildings in Singapore	Market unit sale price (per square foot)	HK$897	The higher the price per square foot, the higher the fair value
As at 31st December 2020			
Land and buildings in Hong Kong	Market unit sale price (per square foot)	HK$3,652-HK$9,192 (HK$8,060)	The higher the price per square foot, the higher the fair value
Land and buildings in Singapore	Market unit sale price (per square foot)	HK$946	The higher the price per square foot, the higher the fair value

Bank borrowings are secured on investment properties with a carrying amount of HK$62,210,000 (2020: HK$70,205,000) (Note 21).

8 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

As a lessee	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Land and buildings	**258,937**	257,780
Properties	**2,025**	3,685
	260,962	261,465
Lease liabilities		
Current	**962**	1,495
Non-current	**1,175**	2,301
	2,137	3,796

The additions to the right-of-use assets for the year was HK$Nil (2020: HK$951,000).

(ii) Amounts recognised in the consolidated income statement show the following amount related to leases:

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets:		
Land and buildings	**5,981**	6,550
Properties	**1,477**	1,741
	7,458	8,291
Expenses relating to short term lease	**300**	1,060
Interest expenses on lease liabilities	**108**	138

For the year ended 31st December 2021, the total cash outflow for leases amounted to HK$1,873,000 (2020: HK$2,895,000).

8 LEASES (CONTINUED)

(iii) The Group's leasing activities

The Group leases various offices, warehouses, showrooms, car park spaces and staff quarters. Rental contracts for properties and land and buildings are typically made for fixed periods of 1-5 years and 30-68 years respectively.

Lease terms for properties are negotiated of an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

9 SUBSIDIARIES

The following is a list of principal subsidiaries at 31st December 2021:

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	
				2021	2020
Leeport Group Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$50,000	**100%[1]**	100%[1]
Leeport Machinery (Taiwan) Co., Limited (Note (i))	Taiwan, limited liability company	Trading of metal forming machines and tools in Taiwan	NT$8,000,000	**100%**	100%
Leeda Machinery Limited	Hong Kong, limited liability company	Inactive	HK$10,000	**100%**	100%
Leeport Cutting Tools Corporation (Note (i))	British Virgin Islands, limited liability company	Inactive	US$10,000	**100%**	100%
Leeport Electronics Limited	Hong Kong, limited liability company	Trading of electronic equipment in Hong Kong	HK$2,000,000	**100%**	100%
Leeport Machine Tool Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$10,000,000	**100%**	100%
Leeport Macao Commercial Offshore Limited (Note (i) & (iii))	Macau, limited liability company	Trading of machines, tools, accessories and measuring instruments in Macau	MOP100,000	**–**	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	
				2021	2020
Leeport (Malaysia) Sdn. Bhd. (Note (i))	Malaysia, limited liability company	Inactive	RM350,000	**100%**	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%**	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%**	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%**	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%**	100%
Leeport Metalforming Machinery Limited	Hong Kong, limited liability company	Trading of metalforming machines in Hong Kong	HK$500,000	**100%**	100%
Leeport Precision Machine Tool Company Limited	Hong Kong, limited liability company	Trading of metalcutting machines in Hong Kong	HK$1,000,000	**100%**	100%
Leeport Technology Limited	Hong Kong, limited liability company	Trading of Measuring instruments in Hong Kong	HK$5,000,000	**100%**	100%
Leeport Tools Limited	Hong Kong, limited liability company	Trading of cutting tools in Hong Kong	HK$1,000,000	**100%**	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	
				2021	2020
Rapman Limited	Hong Kong, limited liability company	Trading of rapid prototypes in Hong Kong	HK$1,000,000	100%	100%
World Leader Limited	Hong Kong, limited liability company	Property holding in Hong Kong and the PRC	HK$1	100%	100%
Leeport International (BVI) Company Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	HK$50,000	100%	100%
Leeport International (Hong Kong) Company Limited (Note (i))	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$10,000	100%	100%
Leeport Automation Company Limited (Note (i))	Hong Kong, limited liability company	Investment holdings in Hong Kong	HK$1	100%	100%
Grassinger Technologies GmbH (Note (i))	Germany, limited liability company	Provision of automation solutions and process and handling solutions in engineering and manufacturing	EUR25,000	80%	80%
Screw & Fastener (Hong Kong) Co., Ltd (Note (ii))	Hong Kong, limited liability company	Trading of screw and machine cutting tools in Hong Kong	HK$10,000	100%	100%
Screw & Fastener International Ltd	Hong Kong, limited liability company	Investment Holdings	HK$5,000,000	100%	100%
昌賢威國際貿易(上海)有限公司 (Note (i) & (iii))	PRC, limited liability company	Trading of screw and machine cutting tools in PRC	RMB1,034,562	–	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	
				2021	2020
深圳市螺總機械設備有限公司 (Note (i))	PRC, limited liability company	Trading of screw and machine cutting tools in PRC	RMB2,000,000	**100%**	100%
PT. Leeport Indonesia (Note (i))	Indonesia, limited liability company	Investment Holdings in Indonesia	Rp4,050,900,000	**100%**	100%
Ricoseiki Limited (Note (i))	Hong Kong Limited liability company	Inactive	HK$10,000	**75%**	75%
德勝格科技(深圳)有限公司 (Note (i))	PRC, limited liability company	Inactive	HK$1,000,000	**100%**	100%

[1] Shares held directly by the Company

Notes:

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

(ii) Transaction with non-controlling interests

On 6th July 2020, the Group acquired an additional 49% of the issued shares of Screw & Fastener (Hong Kong) Co., Ltd for HK$492,000, which is included in “other payables, accruals and contract liabilities” in the consolidated balance sheet. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interests in Screw & Fastener (Hong Kong) Co., Ltd was HK$554,000. The Group recognised a decrease in non-controlling interests of HK$554,000 and an increase in equity attributable to owners of the parent of HK$62,000. The effect on the equity attributable to the owners of the Group during the year is summarised as follows:

	HK$'000
Carrying amount of the non-controlling interests acquired	554
Consideration	(492)
Amount recognised in the transactions with non-controlling interests reserve within equity	62

(iii) During the year ended 31 December 2021, the directors resolved to dissolve Leeport Macao Commercial Offshore Limited and 昌賢威國際貿易(上海)有限公司. The process of deregistration was completed on 15 January 2021 and 9 December 2021 respectively.

10 INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2021 HK$'000	2020 HK$'000
At 1st January	**61,397**	63,895
Share of post-tax profits/(losses) of associates	**3,526**	(6,777)
Currency translation difference	**(1,914)**	4,279
At 31st December	**63,009**	61,397

Set out below are the associates held by the Group. The associates as listed below have share capital consisting solely of ordinary shares.

Details of investment in associates as at 31st December 2021 and 2020 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest 2021	Effective % of ownership interest 2020	Principal activities and place of operation
Mitutoyo Leeport Metrology Corporation ("MLMC") (Note 11)	Hong Kong/ British Virgin Islands	**–**	–	Trading of measuring tools
OPS-Ingersoll Holding GmbH ("OPS")	Germany/Germany	**33.84**	33.84	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd. ("Prima")	The PRC/The PRC	**30**	30	Manufacturing of metal forming machinery

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

Summarised financial information of associates

Set out below is the summarised financial information of OPS and Prima, which in the opinion of the directors, are material to the Group during the year ended 31st December 2021.

10 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised Balance Sheet

	OPS		Prima	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets	**203,111**	189,820	**256,212**	300,332
Non-current assets	**81,192**	94,442	**90,985**	90,384
Current liabilities	**(139,137)**	(136,380)	**(247,176)**	(298,827)
Non-current liabilities	**(24,485)**	(24,447)	**(71)**	(330)
Non-controlling interests	**(42,232)**	(43,208)	**–**	–
Net assets	**78,449**	80,227	**99,950**	91,559
Group's share of net assets	**26,550**	27,152	**29,985**	27,468
Goodwill	**4,273**	4,607	**2,201**	2,170
Carrying amount	**30,823**	31,759	**32,186**	29,638

Summarised Income Statement

	OPS		Prima	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue	**278,265**	241,551	**293,589**	167,037
Profit/(loss) for the year attributable to equity holders	**4,267**	(14,471)	**6,940**	(6,265)
Group's share of profit/(loss) for the year	**1,444**	(4,898)	**2,082**	(1,879)

11 ASSETS CLASSIFIED AS HELD FOR SALE

(i) Land and building classified as held for sale

In December 2020, the directors decided to sell a warehouse in Hong Kong, which was originally classified as right-of-use assets. The provisional sales and purchase agreement was signed 0n 16th December 2020 at a consideration of HK$29,500,000.

As at 31st December 2020, right-of-use assets of HK$29,500,000 has been classified as held for sale in the consolidated balance sheet.

Bank borrowings are secured on land and building held for sale with a carrying amount of HK$29,500,000 (Note 21). The security had been released subsequent to the balance sheet date before the completion of the sale.

(ii) Assets and liabilities of disposal group classified as held for sale

In May 2020, the Group entered into a sale and purchase agreement for sale of a subsidiary, Screw & Fastener International Ltd, at a consideration of HK$4,754,000. The associated assets and liabilities were consequently presented as held for sale in the consolidated balance sheet. The transaction is expected to complete in 2022.

The following assets and liabilities were reclassified as held for sale in relation to the disposal group held for sale as at 31st December 2021:

	2021 HK$'000
Assets classified as held for sale	
Trade receivables	–
Other receivables, prepayments and deposits	1,377
Cash and cash equivalents	74
Total assets of disposal group held for sale	1,451
Liabilities directly associated with assets classified as held for sale	
Other payables and accruals	277

The cumulative foreign exchange gains recognised in other comprehensive income in relation to the disposal group as at 31st December 2021 were HK$309,000 (2020: HK$290,000).

11 ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

(iii) Investment in an associate classified as held for sale

MLMC, a former 49% owned associate of the Group, has been presented as held for sale following the signing of sale and purchase agreement for a consideration of HK$100,000,000 and approval by the Stock Exchange of Hong Kong Limited in December 2019.

As at 23rd January 2020, a subsidiary of the Group, Leeport Machine Tool Company Limited, disposed 49% of the issued shares in MLMC.

	2020 HK$'000
Consideration	100,000
Carrying amount of investment in MLMC	(83,374)
	16,626
Release of accumulated exchange reserve	(8,147)
Gain on disposal of an associate	8,479

12 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost HK$'000	Financial assets at FVOCI HK$'000	Financial asset at FVPL HK$'000	Total HK$'000
Assets as per consolidated balance sheet				
At 31st December 2021				
Derivative financial instruments (Note 14)	**–**	**–**	**25**	**25**
Trade and bills receivables (Note 15)	**109,980**	**–**	**–**	**109,980**
Other receivables and deposits	**39,502**	**–**	**–**	**39,502**
Loan to an associate	**17,717**	**–**	**–**	**17,717**
Financial assets at fair value through other comprehensive income (Note 13)	**–**	**119,554**	**–**	**119,554**
Restricted bank deposits (Note 17)	**10,917**	**–**	**–**	**10,917**
Cash and cash equivalents (Note 17)	**65,522**	**–**	**–**	**65,522**
Total	**243,638**	**119,554**	**25**	**363,217**
Assets as per consolidated balance sheet				
At 31st December 2020				
Derivative financial instruments (Note 14)	–	–	14	14
Trade and bills receivables (Note 15)	102,429	–	–	102,429
Other receivables and deposits	17,685	–	–	17,685
Loan to an associate	19,166	–	–	19,166
Financial assets at fair value through other comprehensive income (Note 13)	–	90,912	–	90,912
Restricted bank deposits (Note 17)	10,998	–	–	10,998
Cash and cash equivalents (Note 17)	92,591	–	–	92,591
Total	242,869	90,912	14	333,795

12 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Liabilities at amortised cost HK$'000	Liability at FVPL HK$'000	Total HK$'000
Liabilities as per consolidated balance sheet			
At 31st December 2021			
Borrowings (Note 21)	**199,867**	**–**	**199,867**
Derivative financial instruments (Note 14)	**–**	**657**	**657**
Trade and bills payables (Note 20)	**111,331**	**–**	**111,331**
Other payables	**15,849**	**–**	**15,849**
Lease liabilities	**2,137**	**–**	**2,137**
Total	**329,184**	**657**	**329,841**
Liabilities as per consolidated balance sheet			
At 31st December 2020			
Borrowings (Note 21)	161,472	–	161,472
Trade and bills payables (Note 20)	103,960	–	103,960
Other payables	22,711	–	22,711
Lease liabilities	3,796	–	3,796
Total	291,939	–	291,939

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income ("FVOCI") comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. The equity investments at FVOCI comprise the following investments:

	2021 **HK$'000**	2020 HK$'000
Listed securities:		
– Equity securities – Europe	**110,865**	81,623
Unlisted securities		
– Equity securities – Europe	**8,689**	9,289

All of these investments were also held in the previous year. During the year ended 31st December 2020, the Group has sold certain portion its share in the listed equity securities. The shares are sold for fair value of HK$418,000 and the Group realised a loss of HK$36,000 which had already been included in the other comprehensive income. This loss has been transferred to retained earnings (Note 19).

Unlisted equity securities were included in level 3 in the fair value hierarchy.

As at 31st December 2021, valuations were undertaken by APAC Appraisal and Consulting Limited, an independent qualified professional valuer. The revaluation gains or losses are included in other comprehensive income in the consolidated statement of comprehensive income.

The Group's policy is to recognise transfers in/(out) of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There was no transfer between levels 1, 2 and 3 during the year.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The following table presents the changes in unlisted securities with fair value measurements using significant unobservable inputs (level 3) for the years ended 31st December 2021 and 2020.

	2021 **HK$'000**	2020 HK$'000
Opening balance	**9,289**	8,489
Additions	**831**	–
Net (loss)/gain from fair value adjustment	**(1,431)**	800
Closing balance	**8,689**	9,289

Valuation process of the Group

The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purposes. The finance department reports directly to the CODM. Discussions of valuation processes and results are held between the CODM, finance department and the independent valuer annually. At each financial year end the finance department:

– Verifies all major inputs to the independent valuation report;

– Assesses valuations movements when compared to the prior year valuation report; and

– Holds discussions with the independent valuer.

Changes in level 3 fair values are analysed at each reporting date between the CODM, finance team and the independent valuer.

Valuation techniques

Fair values of unlisted securities of the Group are generally determined by the market approach, using the quoted market prices of comparable companies in the market existed at balance sheet date. The key unobservable data includes price-to-revenue ratios of the comparable companies and discount for lack of marketability.

14 DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts				
– non-hedge instruments	**25**	**657**	14	–

Derivatives held for trading purpose are classified as a current asset or liability. As at 31st December 2021, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR1,115,000 for HK$10,057,000; JPY373,680,000 for HK$25,786,000 (2020: buy GBP200,000 for HK$2,105,000; JPY52,015,000 for HK$3,904,000).

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

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

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

	2021 HK$'000	2020 HK$'000
Current assets		
Trade and bills receivables	**113,013**	104,949
Less: provision for impairment (Note 3.1(c))	**(3,033)**	(2,520)
Trade and bills receivables – net	**109,980**	102,429
Other receivables, prepayments and deposits	**42,955**	22,843
Less: provision for impairment (Note 3.1(c))	**(359)**	(158)
Other receivables, prepayments and deposits – net	**42,596**	22,685
	152,576	125,114

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

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

As at 31st December 2021 and 2020, the ageing analysis of trade and bills receivables by invoice date are as follows:

	2021 **HK$'000**	2020 HK$'000
Within 3 months	**90,742**	77,752
4– 6 months	**8,360**	8,285
7– 12 months	**6,412**	9,121
Over 12 months	**7,499**	9,791
	113,013	104,949
Less: provision for impairment (Note 3.1(c))	**(3,033)**	(2,520)
	109,980	102,429

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.

Retention receivables of HK$16,634,000 are included in trade and bills receivables, which are expected to be recovered within 12 months. Retention receivables are settled in accordance with the terms of respective contracts. The terms and condition in relation to the release of retention vary from contract to contract, which is subject to the expiry of the defect liability period or a pre-agreed time period.

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

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

	2021 HK$'000	2020 HK$'000
EUR	**11,479**	15,537
HK$	**11,971**	6,924
JPY	**13,208**	10,681
USD	**12,887**	3,579
RMB	**98,242**	83,398
Other currencies	**4,789**	4,995
	152,576	125,114

As at 31st December 2021, trade receivables of HK$3,033,000 (2020: HK$2,520,000) were provided for impairment. Movements of provision for impairment of trade and bills receivables are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the year	**2,520**	5,568
Write off of receivables	**–**	(1,122)
Provision for impairment of receivables	**479**	385
Reversal of provision for impairment of trade receivables	**(22)**	(2,416)
Exchange difference	**56**	105
At end of the year	**3,033**	2,520

The creation and release of provision for impaired receivables has been included in the consolidated income statement. 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.

16 INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	142,067	103,203
Less: provision for impairment of inventories	(30,159)	(26,405)
Inventories, net	111,908	76,798

The provision for slow moving inventories charged to cost of goods sold amounted to HK$3,686,000 (2020: HK$2,722,000) (Note 24).

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$602,246,000 (2020: HK$521,930,000) (Note 24).

17 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Restricted bank deposits (Note (a))	10,917	10,998
Cash at bank and in hand (Note (b))	65,522	92,591

(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 0.02% (2020: 0.22%) and these deposits have an average renewal period of 90 days (2020: 63 days). The carrying amounts of the Group's restricted bank deposits are mainly denominated in EUR and HK$ (2020: EUR and HK$).

(b) The table below shows the bank deposits balance by major counterparties as of 31st December 2021 and 2020.

	2021 HK$'000	2020 HK$'000
Restricted bank deposits		
– Listed financial institutions	10,917	10,998
Cash and cash equivalents		
Cash at banks and bank deposits	65,352	92,434
Cash in hand	170	157
Total	65,522	92,591

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

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

	2021 HK$'000	2020 HK$'000
EUR	**5,432**	1,977
HK$	**14,210**	7,904
JPY	**3,078**	6,445
USD	**758**	4,798
RMB	**40,990**	69,765
Other currencies	**1,054**	1,702
	65,522	92,591

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.

18 SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000

	Number of shares (in thousand)	Share capital HK$'000
Issued and fully paid:		
At 1st January 2020 and 31st December 2020 and 2021	230,076	23,007

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.

18 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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 eligible participants (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 12,546,406 representing approximately 5.45% of the number of issued shares in issue as at the approval of the New Share Option Scheme.

Subscription price in relation to each option pursuant to the New Scheme shall not be less than the highest 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:

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

No share options were granted, exercised or lapsed during the year ended 31st December 2021 and 2020.

19 OTHER RESERVES

	Share premium HK$'000	Revaluation reserve HK$'000	Exchange Reserve (Note) HK$'000	Other reserve HK$'000	Merger reserve HK$'000	Total HK$'000
Balance at 1st January 2020	37,510	253,614	(64,490)	(1,597)	11,310	236,347
Currency translation differences	–	403	8,867	–	–	9,270
Revaluation of right-of-use assets (Note 6)	–	14,098	–	–	–	14,098
Movement of deferred tax (Note 22)	–	(2,363)	–	–	–	(2,363)
Transfer of revaluation reserve to retained earnings on depreciation of right-of-use assets	–	(3,359)	–	–	–	(3,359)
Net fair value loss in financial asset at fair value through other comprehensive income (Note 13)	–	–	–	(1,355)	–	(1,355)
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings (Note 13)	–	–	–	36	–	36
Release of exchange reserve on disposal of an associate	–	–	8,147	–	–	8,147
Transaction with non-controlling interests	–	–	–	62	–	62
Balance at 31st December 2020	37,510	262,393	(47,476)	(2,854)	11,310	260,883

19 OTHER RESERVES (CONTINUED)

	Share premium HK$'000	Revaluation reserve HK$'000	Exchange Reserve (Note) HK$'000	Other reserve HK$'000	Merger reserve HK$'000	Total HK$'000
Balance at 1st January 2021	37,510	262,393	(47,476)	(2,854)	11,310	260,883
Currency translation differences	–	121	4,658	–	–	4,779
Revaluation of right-of-use assets (Note 6)	–	6,774	–	–	–	6,774
Movement of deferred tax (Note 22)	–	4,649	–	–	–	4,649
Transfer of revaluation reserve to retained earnings on depreciation of right-of-use assets	–	(2,859)	–	–	–	(2,859)
Net fair value loss in financial asset at fair value through other comprehensive income (Note 13)	–	–	–	15,769	–	15,769
Release of exchange reserve on dissolution of a subsidiary	–	–	43,100	–	–	43,100
Release of building revaluation reserve upon disposal of land and building	–	(29,451)	–	–	–	(29,451)
Balance at 31st December 2021	37,510	241,627	282	12,915	11,310	303,644

Note: As at 31st December 2021, exchange reserve of HK$309,000 (2020: HK$290,000) was accumulated in equity which was related to the assets classified as held-for sale.

20 TRADE AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Non-current liabilities		
Other payables	**3,212**	5,212
Current liabilities		
Trade and bills payables	**111,331**	103,960
Other payables, accruals and contract liabilities (Note)	**66,661**	71,431
	177,992	175,391
	181,204	180,603

The carrying amounts of trade and bill payables, other payables, accruals and contract liabilities approximate their fair values.

Note: Contract liabilities of HK$46,543,000 (2020: HK$43,093,000) were classified within "other payables, accruals and contract liabilities". It represents advanced payments received from customers for goods that have not been transferred to the customers.

At 31st December, the ageing analysis of trade and bills payables based on suppliers' invoice dates are as follows:

	2021 HK$'000	2020 HK$'000
Current	**87,454**	85,367
1–3 months	**13,265**	10,608
4–6 months	**1,991**	1,448
7–12 months	**114**	1,181
Over 12 months	**8,507**	5,356
	111,331	103,960

20 TRADE AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES (CONTINUED)

The carrying amounts of the trade and bills payables, other payables, accruals and contract liabilities are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
JPY	**22,990**	24,066
EUR	**20,102**	15,337
USD	**11,838**	11,786
RMB	**101,412**	101,284
HK$	**23,629**	26,972
Others	**1,230**	1,158
	181,201	180,603

21 BORROWINGS

As at 31st December 2021, the Group's borrowings were repayable as follows:

	2021 HK$'000	2020 HK$'000
Current		
Trust receipt loans	**78,936**	70,072
Term loans from banks due for repayment within one year	**120,931**	91,400
Total borrowings	**199,867**	161,472

As at 31st December 2021, certain land and buildings, investment properties and restricted bank deposits in Hong Kong, Mainland China and Singapore with an aggregate carrying value of approximately HK$259,520,000 (2020: HK$274,183,000) were pledged to secure the banking facilities of the Group.

21 BORROWINGS (CONTINUED)

The facilities expiring within one year are annual facilities subject to review at various dates during 2022.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are all within one year.

The fair values of the Group's borrowings approximate their carrying amounts at each balance sheet date.

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

	2021						2020					
	HK$	**US$**	**EUR**	**JPY**	**GBP**	**RMB**	HK$	US$	EUR	JPY	GBP	RMB
Trust receipts loans	**2.07%**	**2.69%**	**–**	**2.47%**	**–**	**–**	2.33%	1.93%	4.25%	2.50%	2.60%	2.02%
Bank loans	**2.24%**	**–**	**–**	**–**	**–**	**3.85%**	2.43%	–	–	–	–	–

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

	2021	2020
	HK$'000	HK$'000
EUR	**–**	6,572
HK$	**176,367**	140,500
JPY	**13,273**	9,325
USD	**2,897**	1,934
GBP	**–**	1,125
RMB	**7,330**	2,016
	199,867	161,472

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31st December 2021 and 2020.

22 DEFERRED INCOME TAX

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 the same tax jurisdiction. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

The deferred income tax assets and liabilities are to be recovered/settled as follows:

	2021 HK$'000	2020 HK$'000
Deferred income tax liabilities to be settled after more than 12 months	**(30,385)**	(35,034)

The movement of net deferred income tax assets/(liabilities) is as follows:

	2021 HK$'000	2020 HK$'000
At 1st January	**(35,034)**	(32,399)
Debited to consolidated income statement (Note 27)	**–**	(272)
Debited directly to equity (Note 19)	**4,649**	(2,363)
At 31st December	**(30,385)**	(35,034)

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

Deferred income tax assets

	Tax loss HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
At 1st January 2020	982	1,561	2,543
Debited to consolidated income statement	(67)	(494)	(561)
At 31st December 2020	915	1,067	1,982
Debited to consolidated income statement	–	(460)	(460)
At 31st December 2021	915	607	1,522

22 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Accelerated depreciation HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1st January 2020	(982)	(33,960)	(34,942)
(Debited)/credited to consolidated income statement	(205)	494	289
Debited directly to equity (Note 19)	–	(2,363)	(2,363)
At 31st December 2020	**(1,187)**	**(35,829)**	**(37,016)**
Credited to consolidated income statement	**–**	**460**	**460**
Credited directly to equity (Note 19)	**–**	**4,649**	**4,649**
At 31st December 2021	**(1,187)**	**(30,720)**	**(31,907)**

The deferred income tax credited/(debited) to equity during the year is as follows:

	2021 HK$'000	2020 HK$'000
Revaluation of land and building	**(211)**	(2,363)
Disposal of land and building classified as held for sale	**4,860**	–
	4,649	(2,363)

22 DEFERRED INCOME TAX (CONTINUED)

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$29,209,000 (2020: HK$26,821,000) in respect of losses amounting to HK$150,501,000 (2020: HK$137,632,000) that can be carried forward against future taxable income.

	2021 **HK$'000**	2020 HK$'000
With no expiry date	**150,501**	137,632

23 OTHER INCOME AND GAINS – NET

	2021 **HK$'000**	2020 HK$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value (loss)/gain	**(647)**	229
Rental income	**2,629**	2,087
Service income	**7,637**	7,089
Commission income	**408**	1,506
Net fair value (loss)/gain on investment properties (Note 7)	**(292)**	2,490
Other income	**30**	914
Reversal of other financial liabilities	**–**	3,159
Government grants (Note)	**456**	5,010
Management fee income from a former associate	**–**	1,115
	10,221	23,599

Note: Government grants of HK$5,010,000 for the year ended 31 December 2020 is received by the Group. This is primarily related to subsidies from the Hong Kong Government under the Anti-epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of these subsidies.

24 EXPENSES BY NATURE

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

	2021 HK$'000	2020 HK$'000
Auditors' remuneration		
– Audit services	**1,800**	1,986
– Non-audit services	**351**	353
Cost of inventories sold	**602,246**	521,930
Depreciation on plant and equipment	**1,942**	2,274
Depreciation on right-of-use assets	**7,458**	8,291
Short-term leases	**300**	1,060
Provision for slow moving inventories	**3,686**	2,722
Foreign exchange loss/(gain)	**3,707**	(3,529)
Employee benefits expenses (including directors' remuneration) (Note 25)	**56,756**	60,787
Other expenses	**48,358**	38,243
Total cost of goods sold, selling and distribution costs and administrative expenses	**726,604**	634,117

25 EMPLOYEE BENEFITS EXPENSES

	2021 HK$'000	2020 HK$'000
Wages and salaries, including other termination benefits of HK$1,000 (2020: HK$114,000)	**49,075**	55,494
Pension costs – defined contribution plans (Note (a))	**7,681**	5,293
	56,756	60,787

(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.

25 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(a) Pensions – defined contribution plans (Continued)

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

No contributions (2020: Nil) were payable to the funds at the year end.

Employees in the subsidiaries operating in the Mainland China 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 (2020: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2020: three) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining three (2020: two) individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**3,194**	2,335
Pension costs – defined contribution plans	**65**	78
	3,259	2,413

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands (in HK dollar)		
Not more than HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**2**	2
	3	2

26 FINANCE INCOME AND EXPENSES

	2021 HK$'000	2020 HK$'000
Finance expenses		
Interest expense on:		
– bank overdrafts, trust receipt loans and bank borrowings	**(3,815)**	(5,553)
– lease liabilities	**(108)**	(138)
	(3,923)	(5,691)
Finance income		
Interest income on short-term bank deposits	**128**	244
Interest income on loan to an associate	**822**	871
	950	1,115
Finance expenses – net	**(2,973)**	(4,576)

27 INCOME TAX EXPENSE

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

	2021 HK$'000	2020 HK$'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC and overseas taxation	**4,625**	3,698
– Under provision in prior years	**–**	162
Deferred income tax (Note 22)	**–**	272
	4,625	4,132

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 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% (2020: 17%) on the estimated assessable profit for the year.

27 INCOME TAX EXPENSE (CONTINUED)

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.

The tax on the Group's profit/(loss) 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:

	2021 HK$'000	2020 HK$'000
(Loss)/profit before income tax	**(35,122)**	6,301
Share of post-tax (profits)/losses of associates	**(3,526)**	6,777
Adjusted (loss)/profit before income tax	**(38,648)**	13,078
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(4,219)**	1,432
Income not subject to taxation	**(595)**	(2,824)
Expenses not deductible for taxation purposes	**4,307**	474
Tax losses for which no deferred income tax asset was recognised	**3,209**	5,144
Utilisation of previous unrecognised temporary difference	**(236)**	(2,626)
Withholding tax	**2,159**	2,370
Tax concession (Note)	**–**	–
Under provision in prior years	**–**	162
Income tax expense	**4,625**	4,132

Note: Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department ("IRD") from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 31st December 2021 is subject to tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%.

28 RELEASE OF EXCHANGE RESERVE UPON DISSOLUTION OF A SUBSIDIARY

The Group completed the dissolution of a subsidiary during the year, which has a functional currency of JPY since its incorporation. The Company changed its functional currency from JPY to HK$ with effect from 1st July 2014 and the subsidiary became a foreign operation of the Company. Upon dissolution of the subsidiary, exchange reserve of approximately HK$16,757,000 that was accumulated in respect of the subsidiary before 1st July 2014 is transferred to retained earnings. Cumulative translation difference of approximately HK$26,343,000 was reclassified from exchange reserve to the consolidated income statement, as a loss on dissolution of the subsidiary.

29 (LOSSES)/EARNINGS PER SHARE

(a) Basic

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

	2021	2020
(Loss)/profit attributable to owners of the Company (HK$'000)	(38,984)	4,451
Weighted average number of ordinary shares in issue (in thousands)	230,076	230,076
Basic (losses)/earnings per share attributable to equity owners of the Company (HK cents per share)	(16.94)	1.93

(b) Diluted

Diluted (losses)/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 (losses)/earnings per share. There are no share options issued/outstanding during the year ended 31st December 2020 and 2021, hence no diluted (losses)/earnings per share was presented.

30 DIVIDENDS

The dividends paid in 2021 and 2020 were HK$13,805,000 (HK6.0 cents per share) and HK$5,752,000 (HK2.5 cents per share) respectively.

A final dividend in respect of the year ended 31st December 2021 at HK2.5 cents per share, amounting to a total dividend of HK$5,752,000, is to be proposed at the annual general meeting on 29th June 2022. These financial statements do not reflect this dividend payable.

30 DIVIDENDS (CONTINUED)

	2021 HK$'000	2020 HK$'000
Special dividend, paid, of HK2.5 cents (2020: HK2.5 cents) per ordinary share	**5,752**	5,752
Final dividend, proposed, of HK2.5 cents (2020: HK3.5 cents) per ordinary share	**5,752**	8,053

31 CASH GENERATED (USED IN)/FROM OPERATIONS

	2021 HK$'000	2020 HK$'000
(Loss)/profit before income tax	**(35,122)**	6,301
Adjustments for:		
– Depreciation of plant and equipment (Note 6)	**1,942**	2,274
– Depreciation of right-of-use assets (Note 6)	**7,458**	8,291
– Loss/(gain) on disposal of plant and equipment (see Note (a) below)	**240**	(555)
– Fair value loss/(gain) of investment properties (Note 7)	**292**	(2,490)
– Release of exchange reserve upon dissolution of a subsidiary	**26,343**	–
– Fair value loss/(gain) on derivative financial instruments (Note 23)	**647**	(229)
– Interest income	**(950)**	(1,115)
– Interest expense	**3,923**	5,691
– Unrealised exchange loss/(gain)	**4,147**	(2,698)
– Provision for slow moving inventories (Note 16)	**3,686**	2,722
– Net impairment losses/(reversal of impairment losses) on financial assets	**701**	(1,756)
– Share of (profits)/losses of associates (Note 10)	**(3,526)**	6,777
– Gain on disposal of an associate	**–**	(8,479)
Operating cash inflow before working capital changes:	**9,781**	14,734
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– Inventories	**(38,895)**	12,980
– Trade and bills receivables, other receivables, prepayments and deposits	**(28,685)**	4,921
– Trade and bills payables, other payables, accruals and contract liabilities	**4,104**	(9,095)
Cash generated (used in)/from operations	**(53,695)**	23,540

31 CASH GENERATED (USED IN)/FROM OPERATIONS (CONTINUED)

Note:

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

	2021 HK$'000	2020 HK$'000
Net book amount (Note 6)	240	404
(Loss)/gain on sale of plant and equipment	(240)	555
Proceeds from sale of plant and equipment	–	959

(b) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for each of the years presented.

	Lease liabilities HK$'000	Borrowing due within 1 year HK$'000	Total HK$'000
As at 1st January 2021	3,796	161,472	165,268
Interest	108	3,815	3,923
Cash flows– operating activities	(108)	(3,815)	(3,923)
Cash flows– financing activities	(1,465)	39,049	37,584
Exchange difference	(194)	(654)	(848)
As at 31st December 2021	2,137	199,867	202,004

	Lease liabilities HK$'000	Borrowing due within 1 year HK$'000	Total HK$'000
As at 1st January 2020	4,384	239,094	243,478
Addition	951	–	951
Lease modification	(224)	–	(224)
Interest	138	5,553	5,691
Cash flows– operating activities	(138)	(5,553)	(5,691)
Cash flows– financing activities	(1,697)	(77,499)	(79,196)
Exchange difference	382	(123)	259
As at 31st December 2020	3,796	161,472	165,268

32 CONTINGENT LIABILITIES

	2021 HK$'000	2020 HK$'000
Letters of guarantee given to customers	**3,676**	6,964

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.

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 senior management. The compensation paid or payable to key management for employee services is shown below:

	2021 HK$'000	2020 HK$'000
Salaries and other short-term employee benefits	**7,694**	8,502
Pension costs – defined contribution plans	**119**	168
	7,813	8,670

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Sales and purchases of goods and services:

	2021 HK$'000	2020 HK$'000
Purchase of goods from associates		
– Prima	**18,584**	15,901
Management fee income from a former associate (Note 23)		
– MLMC	**–**	1,115

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

(c) Loan to an associate

The balance represents a loan made to an associate – OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months but within two years from the reporting date. During the year, interest received from OPS amounted to HK$822,000 (2020: HK$871,000).

As at 31st December 2021, the carrying value of the loan to an associate was HK$17,717,000 (2020: HK$19,166,000). Expected credit loss of HK$160,000 (2020: HK$117,000) was recognised as of 31st December 2021.

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31st December	
		2021	2020
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**92,327**	92,327
Amounts due from subsidiaries		**48,911**	63,062
		141,238	155,389
Current assets			
Amounts due from subsidiaries		**14,000**	–
Other receivables and prepayments		**279**	214
Tax recoverable		**–**	–
Cash and cash equivalents		**40**	20
		14,319	234
Total assets		**155,557**	155,623
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**23,007**	23,007
Other reserves	Note (a)	**131,761**	131,761
Retained earnings	Note (a)	**580**	448
Total equity		**155,348**	155,216
LIABILITIES			
Current liabilities			
Other payables		**209**	407
Total liabilities		**209**	407
Total equity and liabilities		**155,557**	155,623

The balance sheet of the Company was approved by the Board of Directors on 25th March 2022 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 2020	37,510	91,445	(1,676)	4,482	6,246	138,007
Loss for the year	–	–	–	–	(46)	(46)
Special dividend paid	–	–	–	–	(5,752)	(5,752)
At 31st December 2020	37,510	91,445	(1,676)	4,482	448	132,209
At 1st January 2021	**37,510**	**91,445**	**(1,676)**	**4,482**	**448**	**132,209**
Profit for the year	**–**	**–**	**–**	**–**	**13,937**	**13,937**
Special dividend paid	**–**	**–**	**–**	**–**	**(5,752)**	**(5,752)**
Dividend payable relating to 2020	**–**	**–**	**–**	**–**	**(8,053)**	**(8,053)**
At 31st December 2021	**37,510**	**91,445**	**(1,676)**	**4,482**	**580**	**132,341**

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 2021

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 and Group Chief Executive Officer							
Lee Sou Leung, Joseph	-	1,560	-	1,767	-	-	3,327
Executive Director							
Chan Ching Huen, Stanley	-	1,338	-	360	18	-	1,716
Independent Non-Executive Directors							
ZAVATTI Samuel Mario	150	-	-	-	-	-	150
Fung Wai Hing	150	-	-	-	-	-	150
Wong Tat Cheong, Frederick	150	-	-	-	-	-	150
Total	450	2,898	-	2,127	18	-	5,493

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 2020

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 and Group Chief Executive Officer							
Lee Sou Leung, Joseph	–	741	–	1,821	–	–	2,562
Executive Directors							
Chu Weiman (Note d)	–	1,308	–	–	18	–	1,326
Chan Ching Huen, Stanley	–	1,109	–	360	18	–	1,487
Wong Man Shun, Michael (Note c)	–	720	–	–	9	–	729
Independent Non-Executive Directors							
ZAVATTI Samuel Mario	150	–	–	–	–	–	150
Fung Wai Hing	150	–	–	–	–	–	150
Wong Tat Cheong, Frederick	150	–	–	–	–	–	150
Total	450	3,878	–	2,181	45	–	6,554

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: accommodation provided by the Group.

(c) Resigned on 1st July 2020.

(d) Resigned on 1st January 2021.

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 (2020: Nil). None of the directors have waived any of the emoluments during the year ended 31st December 2021 and 2020.

(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 (2020: Nil).

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits under defined benefit scheme during the year (2020: Nil).

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2020: Nil).

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

During the year ended 31st December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: 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 2021, 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 (2020: 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:

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Results					
Sales	**707,752**	617,937	690,896	814,836	614,370
(Loss)/profit before income tax	**(35,122)**	6,301	(43,720)	25,172	32,901
Income tax expense	**(4,625)**	(4,132)	(2,357)	(5,395)	(4,870)
(Loss)/profit for the year	**(39,747)**	2,169	(46,077)	19,777	28,031
(Loss)/profit attributable to equity shareholders	**(38,984)**	4,451	(43,413)	19,210	28,031
Non-controlling interest	**(763)**	(2,282)	(2,664)	567	–
Assets					
Leasehold land	**–**	–	–	14,175	15,056
Property, plant and equipment	**11,893**	5,582	7,942	242,684	226,154
Right-of-use assets	**260,962**	261,465	294,613	–	–
Prepayments	**–**	–	–	–	1,132
Financial assets at fair value through other comprehensive income	**8,689**	9,289	8,489	8,089	–
Available for sale financial assets	**–**	–	–	–	12,863
Investments in associates	**63,009**	61,397	63,895	155,300	126,525
Loan to an associate	**17,717**	19,166	17,690	18,158	18,970
Current assets	**451,813**	388,048	365,451	438,676	414,071
Investment properties	**69,789**	70,205	55,674	55,611	54,658
Assets classified as held for sale	**1,451**	31,377	83,374	–	–
Total assets	**885,323**	846,529	897,128	932,693	869,429
Liabilities					
Current liabilities	**383,529**	341,714	423,540	446,060	315,053
Non-current liabilities	**34,772**	42,547	35,365	41,215	35,365
Liabilities directly associated with assets classified as held for sale	**277**	–	–	–	–
Total liabilities	**418,578**	384,261	458,905	487,275	350,418
Net assets	**466,745**	462,268	438,223	445,418	519,011