

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention as modified by the revaluation of leasehold properties and investment properties.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power, has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

In accordance with Statements of Standard Accounting Practice ("SSAP") 30, "Business Combinations", goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.



Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(ii) Leasehold properties

Leasehold properties are interests in land and buildings other than investment properties and are stated at valuation, being open market value for existing use at the date of revaluation, less accumulated amortisation or depreciation. Independent valuations are performed periodically. In the intervening years, the directors review the carrying value of the leasehold properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Amortisation of leasehold land is calculated to write off its carrying cost over the unexpired periods of the leases on a straight-line basis.

Depreciation of leasehold buildings is calculated to write off on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 4% per annum.

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Investments securities

Investment securities held for long-term purpose are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all direct costs of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.



Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank loans which are within three months of maturity when acquired and bank overdrafts which are repayable on demand.

(j) 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a warranty provision for repairs or replacement of products still under warranty at the balance sheet date. The provision is calculated based on past history of the level of repairs and replacements.

(k) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.



Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Deferred taxation

Deferred taxation 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 accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

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

(n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.



Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(p) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income under service agreements is recognised on a straight-line basis over the life of the agreement. Other service income is recognised when the services are rendered.

Commission income is recognised when the services are rendered.

Operating lease rental income is recognised on a straight-line basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(q) Dividends

Dividends proposed or declared after the balance sheet date are disclosed as a post balance sheet event and are not recognised as a liability at the balance sheet date.

(r) Segmental reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Segment assets consist primarily of fixed assets, inventories, trade receivables and bills receivables, other receivables, prepayments and deposits, pledged bank deposits and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as taxation, deferred taxation, current portion of long-term liabilities, minority interests and long-term liabilities. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.



Notes to the Accounts

2 TURNOVER AND REVENUES

The Group is principally engaged in the trading, installation and after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment. Revenues recognised during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sale of goods, net of returns and discounts	661,266	519,675
Other revenues		
Service income	5,258	4,247
Commission income	7,929	6,620
Rental income	114	732
Interest income	471	262
Other income	105	95
	13,877	11,956
Total revenues	675,143	531,631

Notes to the Accounts

3 SEGMENT INFORMATION

(a) Primary reporting format – geographical segments

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

	2004			Total HK\$'000
	The PRC HK\$'000	Hong Kong HK\$'000	Southeast Asia and other countries HK\$'000	
Turnover	341,514	276,597	43,155	661,266
Segment results	27,572	20,983	1,627	50,182
Finance costs				(2,336)
Profit before taxation				47,846
Taxation				(3,217)
Profit after taxation				44,629
Minority interests				(1,178)
Profit attributable to shareholders				43,451
Segment assets	139,790	221,838	38,399	400,027
Segment liabilities	108,236	91,324	14,123	213,683
Unallocated liabilities				7,566
Minority interests				6,848
				228,097
Capital expenditure	2,654	2,629	319	5,602
Depreciation	2,107	4,031	484	6,622

Notes to the Accounts

3 SEGMENT INFORMATION (Continued)

(a) Primary reporting format – geographical segments (Continued)

	2003			
	The PRC HK\$'000	Hong Kong HK\$'000	Southeast Asia and other countries HK\$'000	Total HK\$'000
Turnover	236,762	228,606	54,307	519,675
Segment results	11,510	23,990	1,431	36,931
Finance costs				(2,715)
Profit before taxation				34,216
Taxation				(2,978)
Profit after taxation				31,238
Minority interests				(210)
Profit attributable to shareholders				31,028
Segment assets	95,946	189,211	43,406	328,563
Segment liabilities	75,847	69,524	19,406	164,777
Unallocated liabilities				16,013
Minority interests				5,670
				186,460
Capital expenditure	2,224	2,412	661	5,297
Depreciation	1,837	4,114	518	6,469

(b) Secondary reporting format – business segments

No business segment analysis is presented as the Group has been operating in a single business segment, which is the trading of machines, tools, accessories and measuring instruments, throughout the year.

Notes to the Accounts

4 GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

On 10th February 2004, the Group disposed of its investment property with carrying amount of HK\$16,000,000 as at the date of disposal to a third party company at a consideration of HK\$18,000,000. The total gain on disposal recognised in the profit and loss account for the year is HK\$4,668,000 comprising of HK\$2,668,000 which is released from the investment property revaluation reserve and HK\$2,000,000 which is the difference between the net sales proceeds and the carrying amount of the investment property as at the date of disposal.

5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004 HK\$'000	2003 HK\$'000
Crediting		
Gain on disposal of a subsidiary	–	186
Gain on disposal of fixed assets	33	–
Charging		
Auditors' remuneration	1,094	964
Cost of inventories sold	503,785	386,001
Deficit on revaluation of leasehold properties	–	802
Depreciation:		
Owned fixed assets	6,622	6,425
Leased fixed assets	–	44
Net exchange loss	437	78
Operating lease rentals in respect of land and buildings	2,460	2,445
Provision for slow moving inventories	1,327	43
Provision for bad and doubtful debts	403	829
Staff costs (including directors' remuneration) (note 11)	56,457	49,344

6 FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings:		
Wholly repayable within five years	2,336	2,297
Not wholly repayable within five years	–	405
Interest element of finance leases	–	13
	2,336	2,715

Notes to the Accounts

7 TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax		
– Current	3,399	2,819
– Under/(over)provision in previous years	211	(314)
	3,610	2,505
Overseas taxation		
– Current	193	120
– Overprovision in previous years	–	(23)
	193	97
Deferred taxation relating to the origination and reversal of temporary differences (note 25)	(575)	197
Deferred taxation resulting from a (decrease)/increase in tax rate (note 25)	(11)	179
	(586)	376
	3,217	2,978

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

Overseas taxation is mainly attributable to the subsidiary operating in Singapore. Singapore profits tax has been provided at the rate of 20% (2003: 22%) respectively on the estimated profit for the year.

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

Notes to the Accounts

7 TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	47,846	34,216
Calculated at a taxation rate of 17.5% (2003: 17.5%)	8,373	5,988
Effect of different taxation rates in other countries	(1,283)	(508)
Income not subject to taxation	(4,644)	(8,233)
Expenses not deductible for taxation purposes	2,935	6,639
Tax losses not recognised	311	10
Utilisation of previously unrecognised tax losses	(2,675)	(760)
Under/(over)provision of profits tax in prior years	211	(337)
(Decrease)/ increase in opening net deferred tax liabilities resulting from a (decrease)/ increase in tax rate	(11)	179
Taxation charge	3,217	2,978

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$28,008,000.

9 DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Special, paid, of HK \$8 per ordinary share (note (a))	–	8,000
Interim, paid, of HK 6 cents (2003: Nil) per ordinary share	12,000	–
Final, proposed, of HK 7 cents (2003: HK 9 cents) per ordinary share (note (b))	14,020	18,000
	26,020	26,000

Notes:

- (a) At a meeting on 12th June 2003, the directors of a subsidiary declared a special dividend of HK\$8 per ordinary share for the year ended 31st December 2003, which was paid on 19th June 2003. The dividend represented dividend declared by the Company's wholly owned subsidiary, Leepor Machine Tool Company Limited to its then shareholders prior to the Group's reorganisation.
- (b) At a board meeting held on 18th April 2005, the directors proposed a final dividend of HK 7 cents per ordinary share for the year ended 31st December 2004. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2004.

Notes to the Accounts

10 EARNINGS PER SHARE

The calculations of basic earnings and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$43,451,000 (2003: HK\$31,028,000).

The basic earnings per share is based on the weighted average number of 200,001,000 (2003: 178,137,000) ordinary shares in issue during the year. The diluted earnings per share is based on 200,132,000 (2003: 178,172,000) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 131,000 (2003: 35,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

11 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2004 HK\$'000	2003 HK\$'000
Wages and salaries	53,527	46,758
Unutilised annual leave	–	148
Retirement benefit costs (note 13)	2,930	2,438
	56,457	49,344

12 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Executive		
Fee	–	–
Other emoluments	3,128	2,897
Discretionary bonuses	240	200
Retirement benefit scheme contributions	96	96
Independent non-executive		
Fee	225	130
	3,689	3,323

Apart from the emoluments paid by the Group as above, two of the leasehold properties of the Group in Hong Kong have been provided to two of the executive directors as their residency forming part of their emoluments.

None of the directors of the Company waived any emoluments paid by the Group during the year (2003: Nil).



Notes to the Accounts

12 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	2	2
	6	5

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two directors (2003: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: three) individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and allowances	2,424	1,880
Discretionary bonuses	2,268	2,278
Retirement benefit scheme contributions	81	76
	4,773	4,234

The emoluments of the remaining three individuals fell within the following bands:

	Number of individuals	
	2004	2003
Nil to HK\$1,000,000	1	—
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	1	—
	3	3

- (c) During the year, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Accounts

13 RETIREMENT BENEFIT COSTS

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 profit and loss account represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a ceiling of HK\$1,000 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the "MPF scheme") has been set up for employees in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance. Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the MPF scheme, and all new employees in Hong Kong are required to join the MPF scheme. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK\$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The MPF contributions charged to the profit and loss account represent the contributions payable to the funds by the Group.

Employees in the Company's PRC subsidiaries 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.

The details of pension scheme contributions for the directors and employees, net of forfeited contributions, which have been dealt with in the consolidated profit and loss account of the Group for the year, are as follows:

	2004 HK\$'000	2003 HK\$'000
Gross scheme contributions	2,930	2,438
Less: Forfeited contributions utilised to offset contributions for the year	—	—
Net scheme contributions	2,930	2,438

Notes to the Accounts

14 FIXED ASSETS

	Group					
	Investment properties HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Plant, machinery furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation						
At 1st January 2004	16,000	40,870	10,015	22,833	1,376	91,094
Exchange adjustments	–	216	11	59	–	286
Additions	–	–	62	4,692	848	5,602
Revaluation	–	20,215	–	–	–	20,215
Disposals	(16,000)	–	–	(121)	(493)	(16,614)
At 31st December 2004	–	61,301	10,088	27,463	1,731	100,583
Accumulated depreciation						
At 1st January 2004	–	801	4,269	9,941	905	15,916
Exchange adjustments	–	5	5	26	–	36
Charge for the year	–	1,076	894	4,387	265	6,622
Revaluation	–	(1,882)	–	–	–	(1,882)
Disposals	–	–	–	(121)	(493)	(614)
At 31st December 2004	–	–	5,168	14,233	677	20,078
Net book value						
At 31st December 2004	–	61,301	4,920	13,230	1,054	80,505
At 31st December 2003	16,000	40,069	5,746	12,892	471	75,178

Notes to the Accounts

14 FIXED ASSETS (Continued)

The analysis of cost or valuation at 31st December 2004 of the above assets is as follows:

	Group					
	Investment properties HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Plant, machinery furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	–	–	10,088	27,463	1,731	39,282
At 31st December 2004 professional valuation	–	61,301	–	–	–	61,301
	–	61,301	10,088	27,463	1,731	100,583

The analysis of cost or valuation at 31st December 2003 of the above assets is as follows:

At cost	–	–	10,015	22,833	1,376	34,224
At 31st March 2003 professional valuation	–	40,870	–	–	–	40,870
At 31st December 2003 professional valuation	16,000	–	–	–	–	16,000
	16,000	40,870	10,015	22,833	1,376	91,094

The Group's interests in leasehold land and buildings at their net book value are analysed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	43,900	43,303
Leases of between 10 to 50 years	12,401	7,813
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	5,000	4,953
	61,301	56,069

Notes to the Accounts

14 FIXED ASSETS (Continued)

- (a) Leasehold properties of the Group in Hong Kong were revalued as at 31st December 2004 on the basis of their open market values by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The leasehold properties of the Group outside Hong Kong were revalued as at 31st December 2004 on the basis of their open market values by Dickson Property Consultants Pte Ltd., an independent firm of professional valuers. The total revaluation surplus of the above leasehold properties for the year ended 31st December 2004 amounted to HK\$22,097,000 has been credited to other properties revaluation reserve (note 24). The effect of applicable deferred income taxes arising from the revaluation surplus has resulted in a decrease in other properties revaluation reserve at 31st December 2004 by HK\$3,867,000.
- (b) The carrying amount of leasehold properties of the Group would have been HK\$37,751,000 at 31st December 2004 (2003: HK\$38,792,000) had they been stated at cost less accumulated depreciation.
- (c) Certain properties of the Group with an aggregate net book value of approximately HK\$16,000,000 at 31st December 2004 (2003: HK\$55,170,000) have been pledged to banks to secure banking facilities granted to the Group (note 28).

15 INVESTMENT SECURITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Unlisted investment, at cost	1,172	1,172
Less: Provision for impairment losses	(1,172)	(1,172)
	-	-

16 INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	91,645	91,645
Amounts due from subsidiaries (note (b))	41,869	35,207
	133,514	126,852

Notes to the Accounts

16 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Investments in subsidiaries (Continued)

The following is a list of the subsidiaries at 31st December 2004:

Name	Principal activities and place of operation	Place of incorporation/ establishment	Issued/ registered and fully paid capital	Interest held
Leeport Group Limited (note(i))	Investment holding in Hong Kong	British Virgin Islands	50,000 ordinary shares of US\$1 each	¹ 100%
Formtek Machinery Company Limited (note (i))	Trading of metalforming machines and tools in Taiwan	Taiwan	800,000 ordinary shares of NT\$10 each	100%
Leeda Machinery Limited	Trading of machines in Hong Kong	Hong Kong	10,000 ordinary shares of HK\$1 each	100%
Leeport Electronics Limited	Trading of electronic equipment in Hong Kong	Hong Kong	200,000 ordinary shares of HK\$10 each	100%
Leeport Machine Tool Company Limited	Investment holding in Hong Kong	Hong Kong	1,000,000 ordinary shares of HK\$10 each	100%
Leeport Macao Commercial Offshore Limited (note (i))	Trading of machines, tools, accessories and measuring instruments in Macau	Macau	1 ordinary share of MOP100,000 each	100%
Leeport (Malaysia) Sdn. Bhd. (note (i))	Distribution and repair of machines and accessories in Malaysia	Malaysia	350,000 ordinary shares of RM1 each	100%
Leeport Machine Tool (Shenzhen) Company Limited (note (i))	Trading of machines, tools and measuring instruments in the PRC	The PRC, wholly owned foreign enterprise	Registered capital of HK\$3,200,000 and paid capital HK\$2,000,000	100%
Leeport (Singapore) Pte Ltd (note (i))	Trading of machines and related products in Singapore	Singapore	1,000,000 ordinary shares of S\$1 each	100%
Leeport Machinery (Shanghai) Company Limited (note (i))	Trading of machines, tools and measuring instruments in the PRC	The PRC	Registered and fully paid capital of US\$250,000	98%
Leeport Metalforming Machinery Limited	Trading of metalforming machines in Hong Kong	Hong Kong	50,000 ordinary shares of HK\$10 each	100%
Leeport Metrology Corporation	Investment holding in Hong Kong	British Virgin Islands	7,000,000 ordinary shares of US\$1 each	90%

Notes to the Accounts

16 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Investments in subsidiaries (Continued)

Name	Principal activities and place of operation	Place of incorporation/ establishment	Issued/ registered and fully paid capital	Interest held
Leeport Metrology (Hong Kong) Limited	Trading of measuring instruments in Hong Kong	Hong Kong	1,000,000 ordinary shares of HK\$10 each	90%
Leeport Precision Machine Tool Company Limited	Trading of metalcutting machines in Hong Kong	Hong Kong	5,000,000 ordinary shares of HK\$1 each	100%
Leeport Technology Limited	Trading of rapid prototyping equipment and plastic injection machines in Hong Kong	Hong Kong	100,000 ordinary shares of HK\$10 each	100%
Leeport Tools Limited	Trading of cutting tools in Hong Kong	Hong Kong	10,000 ordinary shares of HK\$100 each	100%
Rapman Limited	Manufacturing of rapid prototypes	Hong Kong	100,000 ordinary shares of HK\$10 each	100%
Rapman (Dongguan) Limited (note (i))	Inactive	The PRC, wholly owned foreign enterprise	Registered capital of HK\$3,500,000 and paid capital HK\$1,330,000	100%
World Leader Limited	Inactive	Hong Kong	1 ordinary share of HK\$1 each	100%

¹ Shares held directly by the Company

Note:

- (i) PricewaterhouseCoopers Hong Kong is not the statutory auditors of these companies. The aggregate net assets of these subsidiaries amounted to approximately 14% of the Group's net assets.

(b) Amounts due from subsidiaries

The amounts are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Accounts

17 INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Merchandise	78,038	65,481

At 31st December 2004, the carrying amount of inventories held by the Group carried at net realisable value amounted to HK\$2,360,000 (2003: HK\$1,861,000).

18 TRADE RECEIVABLES AND BILLS RECEIVABLE

At 31st December 2004, the ageing analysis of trade receivables and bills receivable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current	70,588	80,365
1 – 3 months	49,970	36,649
4 – 6 months	7,380	8,791
7 – 12 months	4,806	2,387
Over 12 months	18,504	13,638
	151,248	141,830
Less: provision	(10,791)	(13,635)
	140,457	128,195

The Group generally grants credit terms of 30 to 120 days to its customers. Longer payment terms of approximately 180 days might be granted to those customers who have good payment history and long-term business relationship with the Group.

Notes to the Accounts

19 CASH AND BANK BALANCES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Restricted balances (note (a))	5,811	4,524
Unrestricted balances	73,415	48,653
Bank balances and cash	79,226	53,177

(a) These bank balances are denominated in Renminbi and placed with certain banks in the PRC. The remittance of these is subject to the foreign exchange control restrictions imposed by the PRC government.

20 TRADE PAYABLES AND BILLS PAYABLE

At 31st December 2004, the ageing analysis of trade payables and bills payable is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current	50,920	72,552
1 – 3 months	5,961	9,097
4 – 6 months	787	809
7 – 12 months	1,187	103
Over 12 months	342	192
	59,197	82,753

Notes to the Accounts

21 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

Included in other payables, accruals and deposits received is a warranty provision for repairs or replacement of products still under warranty at the balance sheet date. The Group normally provides one-year warranties on certain products and undertakes to repair items that fail to perform satisfactorily.

Movements in warranty provision are set out below:

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1st January	4,161	3,486
Additional provision	9,798	6,315
Less: Amounts utilised	(9,305)	(5,640)
At 31st December	4,654	4,161

22 LONG-TERM LIABILITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans – secured		
Not wholly repayable within five years (note (a))	–	11,832
Current portion of long-term liabilities		
Bank loans – secured	–	(1,114)
Long-term liabilities	–	10,718

(a) The Group's bank loans are repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	–	1,114
In the second year	–	1,148
In the third to fifth year	–	3,672
After the fifth year	–	5,898
	–	11,832



Notes to the Accounts

23 SHARE CAPITAL

	2004 HK\$'000	2003 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
200,284,000 (2003: 200,000,000) ordinary shares of HK\$0.10 each	20,028	20,000
	Number of shares	Share capital HK\$'000
Issued and fully paid:		
At the date of incorporation on 21st March 2003	—	—
Issue of shares arising from the Group's reorganisation	2,000,000	200
Issue of shares by placing and public offer	42,000,000	4,200
Capitalisation issue	156,000,000	15,600
At 31st December 2003 and at 1st January 2004	200,000,000	20,000
Exercise of share options (note (a))	284,000	28
At 31st December 2004	200,284,000	20,028

Notes to the Accounts

23 SHARE CAPITAL (Continued)

- (a) During the year, 284,000 ordinary shares of HK\$0.10 each of the Company were issued under the share option scheme to the share option holders on the exercise of their share options at a total cash consideration of approximately HK\$247,000. A summary of the Company's share option scheme is set out in note (b).
- (b) Pursuant to the written resolution passed by all the then shareholders of the Company on 17th June 2003, the Company had adopted a share option scheme. The movements in the number of share options outstanding during the year are as follows:

Date of grant	Exercise Price HK\$	Number of share options				Exercise period
		At beginning of year	Granted/ (lapsed) during the year	Exercised during the year	At end of year	
19th December 2003	0.87	4,412,000	(68,000)	(284,000)	4,060,000	19th December 2004 to 18th December 2005

Each option entitles the holder to subscribe for one share of HK\$0.1 each in the Company at the predetermined exercise price.

During the year, 68,000 options were lapsed upon resignation of employees who were share option holders.

Notes to the Accounts

24 RESERVES

	Group							
	Share premium	Share issuance costs	Investment properties revaluation reserve	Other properties revaluation reserve	Exchange reserve	Merger reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003	–	(2,711)	1,268	5,352	(358)	11,310	78,592	93,453
Issue of shares	31,080	–	–	–	–	–	–	31,080
Capitalisation issue	(15,600)	–	–	–	–	–	–	(15,600)
Share issuance costs	–	(5,447)	–	–	–	–	–	(5,447)
Transfer	(8,158)	8,158	–	–	–	–	–	–
Exchange differences on translation of properties revaluation reserve of a foreign subsidiary	–	–	–	32	(32)	–	–	–
Exchange differences on translation of accounts of foreign subsidiaries	–	–	–	–	158	–	–	158
Disposal of a subsidiary	–	–	–	–	(9)	–	–	(9)
Revaluation surplus of an investment property	–	–	1,400	–	–	–	–	1,400
Revaluation deficit of leasehold properties	–	–	–	(983)	–	–	–	(983)
Transfer of revaluation reserve realised through depreciation to retained earnings	–	–	–	(41)	–	–	41	–
Movement of deferred taxes	–	–	–	23	–	–	–	23
Profit attributable to shareholders	–	–	–	–	–	–	31,028	31,028
Dividends paid	–	–	–	–	–	–	(13,000)	(13,000)
At 31st December 2003	7,322	–	2,668	4,383	(241)	11,310	96,661	122,103

Representing:

2003 final dividend

proposed

Others

18,000

78,661

Retained earnings as at

31st December 2003

96,661

Notes to the Accounts

24 RESERVES (Continued)

	Group						
	Share premium	Investment properties revaluation reserve	Other properties revaluation reserve	Exchange reserve	Merger reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004	7,322	2,668	4,383	(241)	11,310	96,661	122,103
Issue of shares (note 23)	219	–	–	–	–	–	219
Exchange differences on translation of properties revaluation reserve of a foreign subsidiary	–	–	5	(5)	–	–	–
Exchange differences on translation of accounts of foreign subsidiaries	–	–	–	560	–	–	560
Disposal of an investment property	–	(2,668)	–	–	–	–	(2,668)
Revaluation surplus of leasehold properties	–	–	22,097	–	–	–	22,097
Transfer of revaluation reserve realised through depreciation to retained earnings	–	–	(38)	–	–	38	–
Movement of deferred taxes	–	–	(3,860)	–	–	–	(3,860)
Profit attributable to shareholders	–	–	–	–	–	43,451	43,451
2003 final dividend paid	–	–	–	–	–	(18,000)	(18,000)
2004 interim dividend paid	–	–	–	–	–	(12,000)	(12,000)
At 31st December 2004	7,541	–	22,587	314	11,310	110,150	151,902
Representing:							
2004 final dividend proposed						14,020	
Others						96,130	
Retained earnings as at 31st December 2004						110,150	

Notes to the Accounts

24 RESERVES (Continued)

	Company			
	Share premium HK\$'000	Contributed surplus HK\$'000 (note (a))	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2003	–	–	–	–
Issue of shares	31,080	–	–	31,080
Capitalisation issue	(15,600)	–	–	(15,600)
Contributed surplus arising on the Group's reorganisation	–	91,445	–	91,445
Share issuance costs	(8,158)	–	–	(8,158)
Profit attributable to shareholders	–	–	18,062	18,062
At 31st December 2003	7,322	91,445	18,062	116,829
Representing:				
2003 final dividend proposed			18,000	
Others			62	
Retained earnings as at 31st December 2003			18,062	
At 1st January 2004	7,322	91,445	18,062	116,829
Issue of shares	219	–	–	219
Profit attributable to shareholders (note 8)	–	–	28,008	28,008
2003 final dividend paid	–	–	(18,000)	(18,000)
2004 interim dividend paid	–	–	(12,000)	(12,000)
At 31st December 2004	7,541	91,445	16,070	115,056
Representing:				
2004 final dividend proposed			14,020	
Others			2,050	
Retained earnings as at 31st December 2004			16,070	

Notes to the Accounts

24 RESERVES (Continued)

Notes:

- (a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the Group's reorganisation. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (b) Distributable reserves of the Company at 31st December 2004 amounted to HK\$107,515,000 (2003: HK\$109,507,000).

25 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1st January	3,043	2,686
Exchange differences	3	4
Deferred taxation (credited from)/charged to consolidated profit and loss account (note 7)	(586)	376
Taxation charged to/(credited from) equity	3,860	(23)
At 31st December	6,320	3,043

The deferred taxation charged to/(credited from) equity during the year is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Fair value reserves in shareholders' equity		
– properties (note 24)	3,860	(23)

Notes to the Accounts

25 DEFERRED TAXATION (Continued)

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$18,414,000(2003: HK\$31,923,000) to carry forward against future taxable income.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities	Accelerated tax depreciation and total	
	2004 HK\$'000	2003 HK\$'000
At 1st January	3,043	2,686
(Credited from)/charged to consolidated profit and loss account	(586)	376
Charged to/(credited from) equity	3,860	(23)
Exchange differences	3	4
As at 31 December	6,320	3,043

Deferred tax assets	Tax losses and total	
	2004 HK\$'000	2003 HK\$'000
At 1st January	—	—
Charged to consolidated profit and loss account	—	—
Credited from equity	—	—
Exchange differences	—	—
As at 31 December	—	—

Notes to the Accounts

25 DEFERRED TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	—	—
Deferred tax liabilities	6,320	3,043
	6,320	3,043
The amounts shown in the consolidated balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	—	—
Deferred tax liabilities to be settled after more than 12 months	6,320	3,043

26 COMMITMENTS

(a) Capital commitments

- (i) Commitments for investment securities:

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted obligations for investment securities	775	775

- (ii) Commitments for investment in subsidiaries:

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted obligations for investment in subsidiaries in the PRC	3,370	—

Notes to the Accounts

26 COMMITMENTS (Continued)

(b) Commitments under operating leases

(i) As lessor

At 31st December 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	–	712
Later than one year but not later than five years	–	–
	–	712

(ii) As lessee

At 31st December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	2,603	1,220
Later than one year but not later than five years	3,034	108
	5,637	1,328

(c) Commitments for foreign currency forward contracts

	Group	
	2004 HK\$'000	2003 HK\$'000
Commitments for foreign currency forward contracts	38,420	45,037

Notes to the Accounts

27 CONTINGENT LIABILITIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Letters of guarantee given to customers	11,934	13,270
Bills of exchange discounted with recourse	8,657	10,257
	20,591	23,527

28 BANKING FACILITIES

As at 31st December 2004, the Group's banking facilities totalling approximately HK\$465 million (2003: HK\$418 million) were secured by the following:

- (a) fixed deposits of the Group amounting to nil (2003: HK\$1,000,000);
- (b) certain properties held by the Group with net book value of approximately HK\$16,000,000 (2003: HK\$55,170,000) (note 14(c)); and
- (c) corporate guarantees given by the Company.

Notes to the Accounts

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	Group	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	47,846	34,216
Depreciation of fixed assets	6,622	6,469
Deficit on revaluation of leasehold properties	–	802
Gain on disposal of fixed assets	(33)	–
Gain on disposal of a subsidiary	–	(186)
Gain on disposal of investment property	(4,668)	–
Interest income	(471)	(262)
Interest expense	2,336	2,715
Effect of foreign exchange rates	300	149
Operating profit before working capital changes	51,932	43,903
Increase in inventories	(12,557)	(10,258)
Increase in trade receivables and bills receivable, other receivables, prepayments and deposits	(28,531)	(25,612)
Increase in trade payables and bills payable, trust receipt loans, other payables, accruals and deposits received	48,366	15,486
Movement in amount due from a director	–	149
Cash generated from operations	59,210	23,668
Interest received	471	262
Interest paid	(2,336)	(2,702)
Interest element of finance leases	–	(13)
Dividends paid	(30,000)	(13,000)
Hong Kong profits tax paid	(2,911)	(1,359)
Overseas taxation paid	(781)	(446)
Net cash inflow from operating activities	23,653	6,410

Notes to the Accounts

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(b) Analysis of changes in financing during the year

	Share capital including share premium HK\$'000	Share issuance costs HK\$'000	Minority interests HK\$'000	Bank loans HK\$'000	Obligation under finance leases HK\$'000
At 1st January 2003	200	(2,711)	–	12,911	77
Minority interests' share of profit	–	–	210	–	–
Cash inflows/(outflows) from financing, net	35,280	(5,447)	5,460	(1,079)	(77)
Transfers	(8,158)	8,158	–	–	–
At 31st December 2003	27,322	–	5,670	11,832	–
At 1st January 2004	27,322	–	5,670	11,832	–
Minority interests' share of profit	–	–	1,178	–	–
Cash inflows/(outflows) from financing, net	247	–	–	(11,832)	–
At 31st December 2004	27,569	–	6,848	–	–



Notes to the Accounts

30 RELATED PARTY TRANSACTIONS

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

	Note	Group	
		2004 HK\$'000	2003 HK\$'000
Rental paid to a director, Mr LEE Sou Leung, Joseph	(a)	144	168

- (a) Two of the subsidiaries of the Group have entered into lease agreements with a director, Mr LEE Sou Leung, Joseph to lease office spaces for the period from 1st January 2004 to 31st October 2004 amounted to HK\$120,000; and one of the subsidiaries of the Group has entered into lease agreement with the director to lease office spaces for the period from 1st November 2004 to 31st December 2004 amounted to HK\$24,000. In the opinion of the directors, the Group transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.
- (b) On 17th June 2004, the Company has entered into a deed of guarantee with UFJ Bank Limited whereby the Company guarantees in favour of UFJ Bank Limited to secure the repayment of various banking facilities granted to the Company's wholly-owned subsidiary, Leeport Machine Tool Company Limited ("LMTCL") and the Company's non-wholly-owned subsidiary, Leeport Metrology (Hong Kong) Limited ("LMHK") in the total amount of HK\$30 million. The Company holds 90% equity interests indirectly in LMHK while the remaining 10% equity interests are held by a third party minority shareholder. These guarantees provided by the Company have the effect of granting financial assistance to LMHK as a non-wholly owned subsidiary and the minority shareholder of LMHK has not provided guarantees in proportion to its equity interests in LMHK. The aforesaid banking facilities guaranteed by the Company will be used for general corporate purpose and as general working capital of LMTCL and LMHK (as the case may be). The directors consider that the aforesaid guarantees are provided upon normal commercial terms and are in the interest of the Company and of its shareholders as a whole.

31 SUBSEQUENT EVENT

On 4th February 2005, the Group acquired from independent third parties a leasehold property in the PRC at a consideration of approximately HK\$8,841,000.

32 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18th April 2005.