1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26th April 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

(i) The following standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1st January 2006 which are relevant to the Group's operations but did not result in substantial changes to the accounting policies of the Group.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) The following standards, amendments and interpretations to existing standards have been published but are not effective for 2006 and have not been early adopted:

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group has already commenced an assessment of the impact of the new standards, amendments and interpretations to existing standards but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have a significant impact to its results of operation and financial position.

2.2 Consolidation

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

(a) *Subsidiaries*

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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

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

(b) Transactions with minority interests

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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.

2.5 Property, plant and equipment

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within administrative expenses. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.7 Impairment of non-financial assets

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

2.8 Financial assets

The Group classifies its financial assets as available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.11.

2.9 Accounting for derivative financial instruments

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

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

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

2.10 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade and other receivables

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

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Trade payables

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

2.15 Borrowings

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.17 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Bonus plans*

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

(c) *Pension obligations*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (Continued)

(d) Share-based compensation

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

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

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

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.

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

2.20 Leases (as the lessee for operating leases)

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

2.21 Dividend distribution

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

2.22 Contingent liabilities

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 of more uncertain future events not wholly within the control of the Company. 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 consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk and cash flow and fair value interest rate risk.

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

(a) *Market risk*

Foreign exchange risk

The Group operates in different countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The executive Directors are responsible for managing the net position in each foreign currency by using external forward currency contracts.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history or made in cash. Collection of outstanding receivable balances and authorisation of credit limits to individual customers are closely monitored on an ongoing basis.

(c) *Liquidity risk*

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) *Cash flow and fair value interest rate risk*

As the Group had no significant interest-bearing assets, the income and operating cash flows of the Group were substantially independent of changes in market interest rates.

The interest rate risk of the Group arose from borrowings. Borrowings issued 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. During the year end, the borrowings of the Group at variable rates were denominated in foreign currencies and no borrowings were at fixed rate. The Group endeavoured to maintain the borrowings on a relatively short term basis which would be refinanced when considered as appropriate.

3.2 Fair value estimation

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

The nominal values less impairment provision of trade receivables and payables are a reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Income taxes

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Provision for impairment of trade and other receivables

Significant judgement is exercised in the assessment of the collectibility of trade and other receivables from customers. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment trend including subsequent payments and customers' financial position.

(c) Warranty provision

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

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

5 SEGMENT INFORMATION

(a) Primary reporting format – geographical segments

The Group is principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and 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 financial statements, excludes Hong Kong, the Republic of China ("Taiwan") and Macau.

	2006			
	The PRC HK$'000	Hong Kong HK$'000	Southeast Asia and other countries HK$'000	Total HK$'000
Sales	513,065	281,330	86,777	881,172
Segment results	28,020	13,796	4,605	46,421
Finance costs				(10,806)
Profit before income tax				35,615
Income tax expense				(4,376)
Profit for the year				31,239
Segment assets	244,248	324,135	39,434	607,817
Segment liabilities	152,196	198,406	19,365	369,967
Unallocated liabilities				10,822
				380,789
Capital expenditure	5,910	5,184	46	11,140
Depreciation of property, plant and equipment	3,693	7,698	376	11,767
Amortisation of leasehold land	149	243	64	456

5 SEGMENT INFORMATION (CONTINUED)

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

	2005			
	The PRC HK$'000	Hong Kong HK$'000	Southeast Asia and other countries HK$'000	Total HK$'000
Sales	409,149	325,175	65,889	800,213
Segment results	33,623	28,269	3,525	65,417
Finance costs				(7,647)
Profit before income tax				57,770
Income tax expense				(5,393)
Profit for the year				52,377
Segment assets	236,459	340,323	41,637	618,419
Segment liabilities	159,237	211,710	27,373	398,320
Unallocated liabilities				8,950
				407,270
Capital expenditure	19,342	7,181	179	26,702
Depreciation of property, plant and equipment	1,137	5,316	248	6,701
Amortisation of leasehold land	137	243	64	444

(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, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment, throughout the year.

6 LEASEHOLD LAND

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

	Group	
	2006	2005
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**24,586**	24,783
Leases of between 10 to 50 years	**1,862**	1,908
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**7,743**	7,771
	34,191	34,462

Bank borrowings are secured on leasehold land for the carrying amount of HK$3,841,000 (2005: HK$3,950,000) (Note 17).

	Group	
	2006	2005
	HK$'000	HK$'000
Opening	**34,462**	29,213
Additions	**–**	5,737
Exchange differences	**185**	(44)
Amortisation	**(456)**	(444)
	34,191	34,462

7 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2005					
Cost or valuation	32,088	10,088	27,463	1,731	71,370
Accumulated depreciation	–	(5,168)	(14,233)	(677)	(20,078)
Net book amount	32,088	4,920	13,230	1,054	51,292
Year ended 31st December 2005					
Opening net book amount	32,088	4,920	13,230	1,054	51,292
Exchange differences	(76)	18	14	1	(43)
Revaluation surplus (Note 15)	7,229	–	–	–	7,229
Acquisition of a subsidiary	–	–	1,841	–	1,841
Additions	3,798	8,808	8,359	–	20,965
Disposals (Note 29)	–	–	(26)	–	(26)
Depreciation	(876)	(642)	(4,851)	(332)	(6,701)
Closing net book amount	42,163	13,104	18,567	723	74,557
At 31st December 2005					
Cost or valuation	42,163	18,921	37,542	1,733	100,359
Accumulated depreciation	–	(5,817)	(18,975)	(1,010)	(25,802)
Net book amount	42,163	13,104	18,567	723	74,557
Year ended 31st December 2006					
Opening net book amount	42,163	13,104	18,567	723	74,557
Exchange differences	405	343	235	8	991
Revaluation surplus (Note 15)	6,504	–	–	–	6,504
Additions	–	1,863	8,998	279	11,140
Disposals (Note 29)	–	–	(261)	–	(261)
Depreciation	(1,663)	(2,474)	(7,312)	(318)	(11,767)
Closing net book amount	47,409	12,836	20,227	692	81,164
At 31st December 2006					
Cost or valuation	47,409	21,175	46,381	2,022	116,987
Accumulated depreciation	–	(8,339)	(26,154)	(1,330)	(35,823)
Net book amount	47,409	12,836	20,227	692	81,164

7 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

The Group's buildings located in Hong Kong and the PRC were revalued as at 31st December 2006 on the basis of their open market values by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The Group's buildings located outside Hong Kong and the PRC were revalued as at 31st December 2006 on the basis of their open market values by Dickson Property Consultant Pte Ltd., an independent firm of professional valuers. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholders' equity (Note 15).

Depreciation expense of HK$11,767,000 (2005: HK$6,701,000) has been charged in administrative expenses.

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

	Group	
	2006	2005
	HK$'000	HK$'000
Cost	**17,649**	17,649
Accumulated depreciation	**(7,324)**	(6,733)
Net book amount	**10,325**	10,916

Bank borrowings are secured on buildings for the carrying amount of HK$19,199,000 (2005: HK$16,254,000) (Note 17).

The analysis of cost or valuation at 31st December 2006 of the above assets is as follows:

	Group				
	Buildings	**Leasehold improvements**	**Plant, machinery, furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
At cost	**–**	**21,175**	**46,381**	**2,022**	**69,578**
At 31st December 2006 professional valuation	**47,409**	**–**	**–**	**–**	**47,409**
	47,409	**21,175**	**46,381**	**2,022**	**116,987**

7 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

The analysis of cost or valuation at 31st December 2005 of the above assets is as follows:

	Group				
	Buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	18,921	37,542	1,733	58,196
At 31st December 2005 professional valuation	42,163	–	–	–	42,163
	42,163	18,921	37,542	1,733	100,359

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2006 HK$'000	2005 HK$'000
Non-current		
Unlisted shares, at cost	**91,645**	91,645
Current		
Amounts due from subsidiaries (note (b))	**52,510**	50,680
	144,155	142,325

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries

The following is a list of the subsidiaries at 31st December 2006:

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

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

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

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest held
Rapman Limited	Hong Kong, limited liability company	Manufacturing of rapid prototypes	100,000 ordinary shares of HK$10 each	100%
Rapman (Dongguan) Limited (note (i))	The PRC, limited liability company	Manufacturing of rapid prototypes	Registered and fully paid capital of HK$3,500,000	100%
World Leader Limited	Hong Kong, limited liability company	Property holding in the PRC	1 ordinary share of HK$1 each	100%

[1] Shares held directly by the Company

Note:

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

(b) Amounts due from subsidiaries

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

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted shares	**1,172**	1,172
Less: provision for impairment losses	**(1,172)**	(1,172)
	–	–

10 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2006		2005	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward foreign exchange contracts – non-hedge instruments	**145**	**(227)**	691	(368)

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables and bills receivables	**186,859**	225,749	**–**	–
Less: provision for impairment of receivables	**(7,775)**	(6,132)	**–**	–
Trade receivables and bills receivables – net	**179,084**	219,617	**–**	–
Other receivables, prepayments and deposits	**27,513**	23,803	**390**	360
	206,597	243,420	**390**	360

The carrying amounts of trade receivables and bills receivables – net, other receivables, prepayments and deposits approximate their fair values.

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

At 31st December 2006 and 2005, the ageing analysis of trade receivables and bills receivables was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current	**111,055**	119,318
1 - 3 months	**27,774**	68,675
4 - 6 months	**21,075**	11,621
7 - 12 months	**10,102**	17,707
Over 12 months	**16,853**	8,428
	186,859	225,749
Less: provision for impairment of receivables	**(7,775)**	(6,132)
	179,084	219,617

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

Certain subsidiaries of the Group transferred receivables balances amounting to HK$599,000 (2005: HK$12,449,000) to certain banks in exchange for cash during the year ended 31st December 2006. These transactions have been accounted for as collateralised borrowings (Note 17).

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

The Group has recognised a loss of HK$1,064,000 (2005: HK$104,000) for the impairment of its trade receivables and bills receivables during the year ended 31st December 2006. The loss has been included in administrative expenses in the consolidated income statement.

12 INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Merchandise	**147,793**	162,308

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$685,158,000 (2005: HK$607,664,000).

13 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Restricted bank deposits (note a)	**72,464**	70,725	**–**	–
Cash at bank and in hand (note b)	**62,764**	29,387	**6**	275
Short-term bank deposits (note c)	**2,699**	2,869	**–**	–
	65,463	32,256	**6**	275

Notes:

(a) Restricted bank deposits of the Group are pledges to secure banking facilities granted to the Group (Note 17). The effective interest rate on restricted bank deposits was 1.40% (2005: 0.49%) and these deposits have an average maturity of 8 days (2005: 7 days).

(b) The bank balances of the Group amounting to HK$12,068,000 (2005: HK$7,395,000) are placed with certain banks in the PRC. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

(c) The effective interest rate on short-term bank deposits was 4.40% (2005: 3.95%); these deposits have an average maturity of 8 days (2005: 7 days).

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**65,463**	32,256	**6**	275
Bank overdrafts (Note 17)	**(370)**	(429)	**–**	–
	65,093	31,827	**6**	275

14 SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
209,917,695 (2005: 203,880,000) ordinary shares of HK$0.10 each	**20,992**	20,388

	Ordinary shares at HK$0.10 each	
	Number of shares (thousands)	**HK$'000**
At 1st January 2005	200,284	20,028
Share option scheme		
– proceeds from shares issued (Note b)	3,596	360
At 31st December 2005	203,880	20,388
Issued as scrip dividends (Note a)	6,038	604
At 31st December 2006	209,918	20,992

Notes:

(a) Scrip dividends

During the year ended 31st December 2006, 6,037,695 new shares were issued for the settlement of 2006 interim scrip dividends, of which HK$604,000 is being recognised as share capital and the remaining amount of HK$9,793,000 is being recognised as share premium accordingly.

(b) Share options

The exercisable 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 share option scheme. Unless otherwise determined by the directors, the share option 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 of Hong Kong Limited's (the "HKEx") daily quotations sheet on the date of the offer; (ii) the average closing price of the Company's shares as stated in the HKEx'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.

14 SHARE CAPITAL (CONTINUED)

Movements in the number of share options outstanding as at 31st December 2005 and their related weighted average exercise prices were as follows:

	2005	
	Average exercise price in HK$ per share	Number of options (thousands)
At 1st January	0.87	4,060
Exercised	0.87	(3,596)
Lapsed	–	(464)
At 31st December		–

No new share options were granted during the year ended 31st December 2006. The options exercised in 2005 resulted in 3,596,000 shares being issued at HK$0.87 each. The related weighted average share price at the time of exercise was HK$1.41 per share.

15 OTHER RESERVES

	Group				
	Share premium HK$'000	**Building revaluation reserve** HK$'000	**Exchange reserve** HK$'000	**Merger reserve** HK$'000	**Total** HK$'000
Balance at 1st January 2005	7,541	22,587	314	11,310	41,752
Issue of shares	2,769	–	–	–	2,769
Currency translation differences	–	(20)	(119)	–	(139)
Revaluation – gross (Note 7)	–	7,229	–	–	7,229
Revaluation – tax (Note 18)	–	(1,099)	–	–	(1,099)
Depreciation transfer on buildings	–	(63)	–	–	(63)
Balance at 31st December 2005	10,310	28,634	195	11,310	50,449
Balance at 1st January 2006	10,310	28,634	195	11,310	50,449
Issue of shares (Note 14(a))	9,793	–	–	–	9,793
Currency translation differences	–	20	2,013	–	2,033
Revaluation – gross (Note 7)	–	6,504	–	–	6,504
Revaluation – tax (Note 18)	–	(654)	–	–	(654)
Depreciation transfer on buildings	–	(1,072)	–	–	(1,072)
Balance at 31st December 2006	20,103	33,432	2,208	11,310	67,053

15 OTHER RESERVES (CONTINUED)

		Company	
	Share premium HK$'000	Contributed surplus HK$'000 (note (a))	Total HK$'000
Balance at 1st January 2005	7,541	91,445	98,986
Issue of shares	2,769	–	2,769
Balance at 31st December 2005	10,310	91,445	101,755
Balance at 1st January 2006	10,310	91,445	101,755
Issue of shares (Note 14(a))	9,793	–	9,793
Balance at 31st December 2006	20,103	91,445	111,548

Notes:

(a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the Group's reorganisation. Under the Companies Act 1981 of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(b) Distributable reserves of the Company at 31st December 2006 amounted to HK$103,424,000 (2005: HK$112,053,000).

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

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Trade payables and bills payables	**127,757**	116,233	**–**	–
Other payables, accruals and deposits received	**52,291**	49,682	**36**	200
	180,048	165,915	**36**	200

The carrying amounts of trade payables and bills payables, other payables, accruals and deposits received approximate their fair values.

16 TRADE PAYABLES AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED (CONTINUED)

At 31st December 2006 and 2005, the ageing analysis of trade payables and bills payables was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current	**101,513**	82,536
1 - 3 months	**9,521**	29,676
4 - 6 months	**11,433**	3,352
7 - 12 months	**4,833**	–
Over 12 months	**457**	669
	127,757	116,233

17 BORROWINGS, SECURED

	Group	
	2006	2005
	HK$'000	HK$'000
Current		
Bank overdrafts (Note 13)	**370**	429
Collateralised borrowings (Note 11)	**599**	12,449
Trust receipt loans	**82,888**	155,846
Short-term bank loans	**105,835**	63,313
Total borrowings	**189,692**	232,037

Total borrowings include secured liabilities (bank overdrafts, collateralised borrowings, trust receipt loans and short-term bank loans) of HK$189,692,000 (2005: HK$232,037,000). Bank overdrafts, trust receipt loans and short-term bank loans are secured by the leasehold land (Note 6), buildings (Note 7) and restricted bank deposits (Note 13(a)) of the Group. Collateralised borrowings are secured by trade receivables (Notes 11).

As at 31st December 2006, the Group has no non-current borrowing (2005: Nil).

The maturity of all borrowings is within one year (2005: within one year).

17 BORROWINGS, SECURED (CONTINUED)

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

	2006					2005				
	HK$	**US$**	**EUR**	**JPY**	**Others**	HK$	US$	EUR	JPY	Others
Bank overdrafts	**8.50%**	**8.25%**	**–**	**–**	**–**	7.42%	–	–	–	–
Collateralised borrowings	**8.25%**	**7.10%**	**5.10%**	**–**	**–**	7.87%	6.29%	4.27%	1.89%	–
Trust receipt loans	**–**	**6.75%**	**4.95%**	**1.98%**	**8.28%**	8.25%	6.76%	5.33%	1.64%	–
Short-term bank loans	**5.22%**	**–**	**–**	**–**	**–**	5.15%	–	–	–	–

The carrying amounts of the borrowings approximate their fair values.

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

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	**106,658**	65,376
US dollar	**12,698**	26,305
EURO	**5,229**	13,035
Japanese Yen	**62,938**	127,321
Others	**2,169**	–
	189,692	232,037

The facilities expiring within one year are annual facilities subject to review at various dates during the year of 2007.

18 DEFERRED INCOME TAX

Deferred income tax are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

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

	Group	
	2006	2005
	HK$'000	HK$'000
At 1st January	**7,187**	6,320
Exchange differences	**(10)**	–
Deferred taxation charged to/(credited from) consolidated income statement (Note 24)	**328**	(232)
Taxation charged to equity (Note 15)	**654**	1,099
At 31st December	**8,159**	7,187

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

	Group	
	2006	2005
	HK$'000	HK$'000
Building revaluation reserve in shareholders' equity (Note 15)	**654**	1,099

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$11,849,000 (2005: HK$11,940,000) to carry forward against future taxable income.

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

Deferred income tax liabilities	Accelerated tax depreciation	
	2006	2005
	HK$'000	HK$'000
At 1st January	**7,187**	6,320
Charged to/(credited from) consolidated income statement	**328**	(232)
Charged to equity	**654**	1,099
Exchange differences	**(10)**	–
At 31st December	**8,159**	7,187

19 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

	Group	
	2006	2005
	HK$'000	HK$'000
At 1st January	**4,474**	4,654
Provision made during the year	**12,075**	10,003
Provision utilised during the year	**(12,106)**	(10,183)
At 31st December	**4,443**	4,474

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

20 OTHER GAINS – NET

	2006 HK$'000	2005 HK$'000
Derivative instruments – forward contract:		
– Realised and unrealised net fair value (loss)/gain	**(405)**	341
Interest income	**1,136**	782
Investment income	**731**	1,123
Service income	**13,221**	8,582
Commission income	**852**	8,290
Other income	**746**	560
	15,550	18,555

21 EXPENSES BY NATURE

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

	2006 HK$'000	2005 HK$'000
Auditor's remuneration	**1,980**	1,577
Cost of inventories sold	**685,158**	607,664
Depreciation of property, plant and equipment	**11,767**	6,701
Amortisation of leasehold land	**456**	444
Operating lease rentals in respect of land and buildings	**6,436**	4,339
Provision for slow moving inventories	**1,587**	2,106
Provision for impairment of trade receivables and bills receivables	**1,064**	104
Employee benefits expenses (including directors' remuneration) (note 22)	**71,673**	69,157
Other expenses	**70,180**	63,346
Total cost of goods sold, selling and distribution costs and administrative expenses	**850,301**	755,438

22 EMPLOYEE BENEFITS EXPENSES

	2006 HK$'000	2005 HK$'000
Wages and salaries, including directors' emolument	**66,065**	64,591
Pension costs – defined contribution plans (Note a)	**5,608**	4,566
	71,673	69,157

(a) Pensions – defined contribution plans

The Group operates a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified employees, including executive directors of the Company, in Hong Kong prior to 1st December 2000. The cost charged to the income statement represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a ceiling of HK$1,000 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

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

Employees in the subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the overseas subsidiaries follow the local statutory requirements of the respective countries. Contributions are made to the schemes based on a certain percentage of the applicable employee payroll.

Contributions totalling HK$267,000 (2005: HK$179,000) were payable to the funds at the year end.

There is no forfeited contributions utilised during the year (2005: Nil), leaving nil balance available at the year end (2005: Nil) to reduce future contributions.

22 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2006 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits[(a)] HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Lee Sou Leung, Joseph	–	1,300	100	174	60	1,634
Lisa Marie Tan	–	579	–	–	27	606
Chan Ching Huen, Stanley	–	922	100	280	12	1,314
Non-executive directors						
Lui Sun Wing	100	–	–	–	–	100
Pike Mark Terence	100	–	–	–	–	100
Nimmo, Walter Gilbert Mearns	100	–	–	–	–	100

The remuneration of every director for the year ended 31st December 2005 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits[(a)] HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Lee Sou Leung, Joseph	–	1,300	300	185	60	1,845
Lisa Marie Tan	–	549	–	–	25	574
Chan Ching Huen, Stanley	–	898	150	265	12	1,325
Non-executive directors						
Lui Sun Wing	100	–	–	–	–	100
Pike Mark Terence	100	–	–	–	–	100
Nimmo, Walter Gilbert Mearns	100	–	–	–	–	100

Note:

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

22 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,410**	1,942
Discretionary bonuses	**1,369**	2,534
Pension costs – defined contribution plans	**94**	87
	3,873	4,563

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
HK$1,000,001 – HK$1,500,000	**3**	2
HK$2,000,001 – HK$2,500,000	**–**	1

23 FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest expense on:		
– bank overdrafts, collateralised borrowings, trust receipt loans and short-term bank loans wholly repayable within one year	**10,806**	7,647

24 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	2006 HK$'000	2005 HK$'000
Current income tax		
– Hong Kong profits tax	**3,230**	4,675
– Overseas taxation	**643**	492
Under-provision in previous years		
– Hong Kong profits tax	**175**	455
– Overseas taxation	**–**	3
Deferred income tax (Note 18)	**328**	(232)
	4,376	5,393

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable taxation rate in Hong Kong of 17.5% (2005: 17.5%) as follows:

	2006 HK$'000	2005 HK$'000
Profit before income tax	**35,615**	57,770
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**6,233**	10,110
Effect of different taxation rates in other countries	**(1,447)**	(217)
Income not subject to taxation	**(2,194)**	(5,420)
Expenses not deductible for taxation purposes	**1,625**	1,595
Tax losses not recognised	**413**	339
Utilisation of previously unrecognised tax losses	**(429)**	(1,472)
Under-provision of profits tax in previous years	**175**	458
Income tax expense	**4,376**	5,393

25 NET FOREIGN EXCHANGE GAINS

The net exchange gains recognised in the consolidated income statement are included as administrative expenses for the year ended 31st December 2006 amounted to HK$4,982,000 (2005: net foreign exchange gains of HK$4,865,000).

26 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$25,011,000 (2005: HK$33,046,000).

27 EARNINGS PER SHARE

(a) Basic

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

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**30,858**	51,118
Weighted average number of ordinary shares in issue (in thousands)	**205,319**	203,088
Basic earnings per share (HK cents per share)	**15.03**	25.17

(b) Diluted

Diluted earnings per share has not been presented for the year ended 31st December 2006 as there were no potentially dilutive shares outstanding.

Diluted earnings per share for the year ended 31st December 2005 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had only one category of dilutive potential ordinary shares: share options. A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

27 EARNINGS PER SHARE (CONTINUED)

The calculation of diluted earnings per share for the year ended 31st December 2005 was as follows:

	2005
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	51,118
Weighted average number of ordinary shares in issue (in thousands)	203,088
Adjustment for	
– share options (in thousands)	204
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	203,292
Diluted earnings per share (HK cents per share)	25.15

28 DIVIDENDS

The dividends paid during the year ended 31st December 2006 and 2005 were HK$33,640,000 (HK9 cents per share for 2005 final dividends and HK7.5 cents for 2006 interim dividends) and HK$28,508,000 (HK7 cents per share for 2004 final dividends and HK7 cents per share for 2005 interim dividends) respectively. A final dividend in respect of 2006 of HK4.5 cents per share, amounting to a total dividend of HK$9,446,000 was proposed at the board meeting held on 26th April 2007. These financial statements do not reflect this dividend payable, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2006.

	2006 **HK$'000**	2005 HK$'000
Interim, paid, of HK7.5 cents (2005: HK7 cents) per ordinary share (Note (a) below)	**15,291**	14,488
Final, proposed, of HK4.5 cents (2005: HK9 cents) per ordinary share	**9,446**	18,349
	24,737	32,837

Note (a): HK$10,397,000 of the total interim dividend paid were settled by the issue of scrip.

29 CASH GENERATED FROM OPERATIONS

	Group	
	2006	2005
	HK$'000	HK$'000
Profit before income tax	**35,615**	57,770
Adjustments for:		
– Depreciation of property, plant and equipment (Note 7)	**11,767**	6,701
– Amortisation of leasehold land (Note 6)	**456**	444
– (Profit)/loss on sale of property, plant and equipment (see Note (a) below)	**(7)**	23
– Excess of fair value of net assets acquired over cost of acquisition of a subsidiary	**–**	(2,087)
– Fair value loss/(gain) on derivative financial instruments (Note 20)	**405**	(341)
– Interest income (Note 20)	**(1,136)**	(782)
– Interest expense (Note 23)	**10,806**	7,647
– Effect of foreign exchange rate	**847**	(52)
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– Decrease/(increase) in inventories	**14,515**	(83,872)
– Decrease/(increase) in trade receivables and bills receivables, other receivables, prepayments and deposits	**36,823**	(80,892)
– (Decrease)/increase in trade payables and bills payables, trust receipt loans, other payables, accruals and deposits received	**(58,825)**	112,793
Cash generated from operations	**51,266**	17,352

29 CASH GENERATED FROM OPERATIONS (CONTINUED)

Note:

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

	Group	
	2006	2005
	HK$'000	HK$'000
Net book amount (Note 7)	**261**	26
Profit/(loss) on sale of property, plant and equipment	**7**	(23)
Proceeds from sale of property, plant and equipment	**268**	3

30 CONTINGENT LIABILITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Letters of guarantee given to customers	**9,962**	8,850

31 COMMITMENTS

(a) Capital commitments

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

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted obligations for – available-for-sale financial assets	**775**	775

(ii) Commitments for investment in subsidiaries:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted obligations for investment in subsidiaries in the PRC	**–**	10,542

31 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

(i) As lessee

At 31st December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**4,450**	4,388
Later than one year but not later than five years	**1,949**	3,670
	6,399	8,058

(c) Commitments for foreign currency forward contracts

	Group	
	2006	2005
	HK$'000	HK$'000
Commitments for foreign currency forward contracts	**25,927**	98,922

32 RELATED PARTY TRANSACTIONS

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 66.47% of the Company's shares. The remaining 33.53% of the shares are widely held.

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

		Group	
	Note	**2006**	2005
		HK$'000	HK$'000
Rental paid to a director, Mr LEE Sou Leung, Joseph	(a)	**144**	144

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) One of the subsidiaries of the Group have entered into lease agreements with a director, Mr LEE Sou Leung, Joseph to lease office spaces for the year ended 31st December 2006 amounted to HK$144,000. In the opinion of the directors, such transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.

(b) Key management compensation

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**11,558**	12,725
Pension costs – defined contribution plans	**324**	321
	11,882	13,046

(c) The Company has entered into a deed of guarantee with UFJ Bank Limited, DBS Bank (Hong Kong) Limited and Dah Sing Bank, Limited on 12th June 2006, 22nd June 2006 and 23rd November 2005 respectively whereby the Company guarantees to secure the repayment of various banking facilities granted to the Company's wholly-owned subsidiary, Leeport Machine Tool Company Limited ("LMTCL") and the Company's non-wholly-owned subsidiary, Leeport Metrology (Hong Kong) Limited ("LMHK") in the total amount of HK$114 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.