

# Leeport

## LEEPORT (HOLDINGS) LIMITED

### 力 豐 ( 集 團 ) 有 限 公 司 \*

(Incorporated in Bermuda with limited liability)

#### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2003

The directors (the “Directors”) of Leeport (Holdings) Limited (the “Company”) are pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2003 together with the comparative figures for the year ended 31st December 2002.

##### FINANCIAL PERFORMANCE

There was some slowdown in business in early 2003 due to the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome (“SARS”). However, the market became active in the second half of the year. Despite the unfavourable situation in the first half of the year, the turnover of the Group was HK\$519,675,000 (2002: HK\$451,967,000), representing an increase of 15% compared with Year 2002. The profit attributable to shareholders was HK\$31,028,000 (2002: HK\$28,204,000), representing an increase of 10% compared with Year 2002. The basic earnings per share was HK17.42 cents (2002: HK17.85 cents), representing a decrease of 2% compared with Year 2002. This was due to the increase in the number of issued shares of the Company after listing in Year 2003. The weighted average number of shares in Year 2003 (the year of listing) was 178,137,000 and the number of shares in Year 2002 was 158,000,000.

##### DIVIDENDS

The Directors recommended a final dividend of HK9 cents per ordinary share, totalling HK\$18,000,000. This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 6th May 2004. Upon the approval of shareholders, the final dividend will be payable on or before 10th May 2004 to shareholders of the Company whose names appear on the register of members on 6th May 2004.

##### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2003

	Note	2003 HK\$'000	As restated 2002 HK\$'000
Turnover	3	519,675	451,967
Cost of sales		(389,475)	(328,819)
Gross profit		130,200	123,148
Other revenues	3	11,956	8,291
Selling and distribution costs		(24,723)	(23,482)
Administrative expenses		(80,502)	(73,877)
Operating profit	5	36,931	34,080
Finance costs	6	(2,715)	(2,714)
Profit before taxation		34,216	31,366
Taxation	7	(2,978)	(3,162)
Profit after taxation		31,238	28,204
Minority interests		(210)	–
Profit attributable to shareholders		31,028	28,204
Dividends	8	26,000	15,000
Basic earnings per share	9	HK17.42 cents	HK17.85 cents
Diluted earnings per share	9	HK17.41 cents	HK17.85 cents

Notes:

##### 1. Group reorganisation

The Company was incorporated in Bermuda on 21st March 2003. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10th July 2003 (the “Listing Date”).

Pursuant to the group reorganisation (the “Reorganisation”) in preparation for the listing of the shares of the Company on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 16th June 2003. The Reorganisation involved companies under common control and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which consolidated accounts have been prepared as if the Company had been the holding company of the companies comprising the Group throughout the accounting years presented.

##### 2. 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 Society of Accountants (“HKSA”). The accounts are prepared under the historical cost convention as modified by the revaluation of leasehold properties and investment properties.

In the current year, the Group adopted Statements of Standard Accounting Practice (“SSAP”) No.12 “Income Taxes” issued by HKSA, which is effective for accounting periods commencing on 1st January 2003.

The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. In this connection, the Group’s deferred tax liabilities at 31st December 2002 have been increased by HK\$1,448,000. As a consequence, the opening retained earnings at 1st January 2002 and 2003 have been reduced by HK\$423,000 and HK\$727,000 respectively, and the opening other properties revaluation reserve at 1st January 2002 and 2003 have been reduced by HK\$969,000 and HK\$721,000 respectively. The change has reduced the profit for the year ended 31st December 2002 by HK\$304,000 (from HK\$28,508,000 to HK\$28,204,000).

##### 3. Turnover and revenues

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

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sale of goods, net of returns and discounts	519,675	451,967
Other revenues		
Service income	4,247	4,342
Commission income	6,620	2,709
Rental income	732	738
Interest income	262	427
Other income	95	75
	11,956	8,291
Total revenues	531,631	460,258

##### 4. Segmental 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 & electronics 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).

	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
	2002			
	The PRC HK\$'000	Hong Kong HK\$'000	Southeast Asia and other countries HK\$'000	Total HK\$'000
Turnover	188,002	226,846	37,119	451,967
Segment results	8,960	23,584	1,536	34,080
Finance costs				(2,714)
Profit before taxation				31,366
Taxation				(3,162)
Profit attributable to shareholders				28,204

###### (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 after sales service of metalworking machinery, measuring instruments, cutting tools and electronics equipment throughout the year.

##### 5. Operating profit

Operating profit is stated after crediting and charging the following:

	2003 HK\$'000	2002 HK\$'000
<b>Crediting</b>		
Gain on disposal of a subsidiary	186	–
Gain on disposal of fixed assets	–	25
<b>Charging</b>		
Auditors’ remuneration	964	437
Cost of inventories sold	386,001	325,319
Deficit on revaluation of leasehold properties	802	–
Depreciation:		
Owned fixed assets	6,425	4,780
Leased fixed assets	44	89
Exchange loss	78	94
Operating lease rentals in respect of land and buildings	2,445	3,209
Provision for slow-moving inventories	43	720
Provision for bad and doubtful debts	829	2,830
Staff costs (including directors’ remuneration)	49,344	46,232

##### 6. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings:		
Wholly repayable within five years	2,297	2,350
Not wholly repayable within five years	405	337
Interest element of finance leases	13	27
	2,715	2,714

##### 7. Taxation

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

	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
– Current	2,819	2,500
– Overprovision in previous years	(314)	(574)
	2,505	1,926
Overseas taxation		
– Current	120	373
– Overprovision in previous years	(23)	(20)
	97	353
Deferred taxation relating to the origination and reversal of temporary differences	197	883
Deferred taxation resulting from an increase in tax rate	179	–
	376	883
	2,978	3,162

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) 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 22% (2002: 22%) 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.

##### 8. Dividends

	2003 HK\$'000	2002 HK\$'000
Dividends paid or declared by a subsidiary to its then shareholders before the Reorganisation (note (a)):		
Interim, paid	–	10,000
Final, proposed	–	5,000
Special, paid	8,000	–
Dividends declared by the Company (note (b)):		
Final, proposed, of HK9 cents (2002: Nil) per ordinary share	18,000	–
	26,000	15,000

Note:

- (a) The dividend rates and the number of shares ranking for the dividends mentioned above are not presented, as such information is not considered meaningful for the purpose of these accounts.
- (b) At a board meeting held on 27th March 2004, the directors proposed a final dividend of HK9 cents per ordinary share for the year ended 31st December 2003, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

##### 9. 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\$31,028,000 (2002: HK\$28,204,000).

The basic earnings per share is based on the weighted average number of 178,137,000 (2002: 158,000,000) ordinary shares in issue during the year. The diluted earnings per share is based on 178,172,000 (2002: 158,000,000) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 35,000 (2002: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

##### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4th May 2004 to 6th May 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and for attending and voting at the 2004 annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s branch registrar in Hong Kong Tricor Investor Services Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30pm on 3rd May 2004.

##### MANAGEMENT DISCUSSION AND ANALYSIS

###### Business Review

Established in 1967, Leeport has been principally engaged in the distribution of advanced manufacturing equipment and precision tools for the manufacturing industry for 37 years. Year 2003 was a new era for the Group as the Company’s shares were listed on the Main Board of the Stock Exchange on 10th July 2003. The Group also formed a joint venture with Mitutoyo Corporation (“Mitutoyo”), the world’s leading measuring-instrument manufacturer. Leeport has had a relationship with Mitutoyo for 36 years, and it is a very important strategic partner.

In terms of geographical segments, the turnover from the PRC market, which was 46% of the total turnover of the Group, exceeded the turnover from Hong Kong market, which was 44% of the total turnover of the Group. The PRC market became the most important market for the Group. The business from Eastern China continued to show significant growth, increasing by 31% in the year, compared with Year 2002.

The strong Euro and Japanese Yen against the US Dollar and the keen competition in the market affected the gross margin of the business in the year. The overall gross margin was 25.1%, compared with 27.2% in the Year 2002.

The total for “Other Revenues” was HK\$11,956,000 (2002: HK\$8,291,000), consisting of two major income streams: Service Income of HK\$4,247,000 (2002: HK\$4,342,000) and Commission Income of HK\$6,620,000 (2002: HK\$2,709,000).

The Group continued to improve its performance in inventory management and account receivables management. The provision for stock obsolescence was HK\$43,000 in the year, compared with HK\$720,000 in Year 2002. The provision for bad debts was HK\$829,000 in the year, compared with HK\$2,830,000 in Year 2002. These are attributed to the strict inventory control and credit control policy, and also to the advantage gained by the installation of a new Enterprise Resources Planning Computer System.

The Customer Relationship Management Computer System was successfully implemented by the end of 2003. The Group is able to make use of the system to enhance customer service quality and to share customer information between business divisions.

##### Liquidity and Financial Resources and Capital Structure

The Group showed a very good liquidity position. The current ratio of the Group was 1.52 in the year; compared with 1.20 in Year 2002. The cash and cash equivalents on hand at the end of the year was HK\$48,987,000, compared with HK\$10,629,000 in Year 2002.

As at 31st December 2003, the Group had net tangible assets of approximately HK\$142,103,000, comprising fixed assets of approximately HK\$75,178,000, net current assets of approximately HK\$86,356,000, minority interests of approximately HK\$5,670,000 and non-current liabilities of approximately HK\$13,761,000. On the same date, the total liabilities of the Group including minority interests amounted to approximately HK\$186,460,000. Of these liabilities, the total repayable after one year amounted to approximately HK\$13,761,000. On the other hand, the total assets of the Group were HK\$328,563,000. The gearing ratio, defined as the ratio of total liabilities to total assets of the Group was approximately 0.57 (2002: 0.65).

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2003, the Group has aggregate banking facilities of approximately HK\$418,000,000, of which approximately HK\$175,435,000 has been utilised and bear interest at prevailing market rates. The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

##### Future Plans and Prospects

The position of the PRC as a “World Production Centre” is the driver for the soaring investment in manufacturing facilities in the country. More and more world-class manufacturers have moved their production operations to the PRC. Furthermore, most of the existing customers of the Group also demonstrated their aggressive plans in expanding their production operations in the PRC. Since the second half of Year 2003, we have seen the continued growth in the demand for the machine tools and electronics equipment. The Group believes this growth trend will continue in Year 2004.

In order to expand our market share in the PRC market, new offices in Shenzhen, Suzhou, Wuhan and Dalian will open by the middle of Year 2004. We will probably also open one or two additional new offices later in Year 2004. The new offices will enhance our sales and marketing support and after-sales service to our customers. The Group will continue to expand its operations in Taiwan and Southeast Asia, as business in this part of the region will benefit from the recovery in the economy.

The fast-growing automobile industry in the PRC will provide enormous growth opportunities for the Group. Our wide range of product lines, including CNC machining centres and lathes, cutting tools, measuring instruments, product design and electronics equipment etc., are suitable for the making of metal parts, moulds, electronics components etc. for the automobile industry.

The formation of strategic alliances with suppliers is our long-term direction. In addition to our joint venture with Mitutoyo in Year 2003, the world’s leading measuring-instrument manufacturer, we will continue to explore other forms of co-operation with other suppliers. The Group will also explore the possibility of equipment manufacturing in co-operation with our suppliers. The advantages of equipment manufacturing in the region are that we are closer to the market, and the cost of production is lower. This will enhance the competitiveness of the products the Group represents in the region. Furthermore, the Group will continue to source new products in manufacturing technology for our customers and develop new business divisions.

The Group pursues continuous improvement in management quality. More resources will be invested in the upgrading of customer service, staff training, people development, and information technology.

Given the strong economy in the region, we are confident that the Group’s business will reach new heights in the coming years.

##### Contingent Liabilities

As at 31st December 2003, the Group had contingent liabilities in respect of letters of guarantees given to customers and bills of exchange discounted with recourse of approximately HK\$13,270,000 and HK\$10,257,000 respectively.

##### Exposure to Fluctuations in Exchange Rates and Related Hedges

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

As at 31st December 2003, the Group had commitments for forward currency forward contracts amounting to approximately HK\$45,037,000 (2002: HK\$50,042,000).

##### Pledge of Assets

As at 31st December 2003, certain properties in Hong Kong and in Singapore with an aggregate carrying value of approximately HK\$55,170,000 (2002: HK\$56,574,000) and pledged bank deposits of approximately HK\$1,000,000 (2002: HK\$3,201,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

##### Employees

As at 31st December 2003, the Group had 286 employees (2002: 207), of whom 161 were based in Hong Kong, 103 were based in the PRC, and the remaining 22 were based in other offices around Asia. Competitive remuneration packages were structured to commensurate with our employees’ individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies, discretionary performance bonuses and share options.

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentive and reward for their continued contribution to the Group. During the year, options in respect of a total of 4,412,000 shares were granted to employees under the share option scheme.

##### PURCHASES, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

##### COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange at any time since the Listing Date.

##### AUDIT COMMITTEE

The Company established an audit committee on 17th June 2003 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The audit committee comprises the two independent non-executive Directors, Dr. LUI Sun Wing and Mr. PIKE Mark Terence. Two meetings were held during the year to review and discuss the financial reporting process and internal controls of the Group.

##### PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement of the Group for the year ended 31st December 2003 containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**Lee Sou Leung, Joseph**  
Chairman

Hong Kong, 27th March 2004

\* For identification purpose

# Leeport

## LEEPORT (HOLDINGS) LIMITED

### 力豐 (集團) 有限公司\*

(Incorporated in Bermuda with limited liability)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of members of Leeport (Holdings) Limited (the "Company") will be held at Chater Room II, Function Room Level, The RITZ Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on 6th May, 2004 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31st December, 2003;
2. To declare a final dividend for the year ended 31st December, 2003;
3. To elect directors and to authorise the board of directors to fix directors' remuneration;
4. To appoint auditors and to authorise the board of directors to fix their remuneration;
5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**"THAT**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with additional shares ("Shares") in the capital of the Company or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities, and to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in this resolution, otherwise than pursuant to:

- (i) a Rights Issue (as defined below); or
  - (ii) the exercise of rights of subscription or conversion attaching to any warrants of the Company or any securities which are convertible into Shares; or
  - (iii) the exercise of any option under the share option scheme or any other share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares of the Company; or
  - (iv) scrip dividends or under similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; and
  - (v) a specific authority granted by the shareholders of the Company,
- shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly;

- (d) for the purpose of this resolution:

"Relevant Period" means the period from (and including) the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or by any applicable laws to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied or renewed by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of Shares of the Company or issue of options, warrants or other securities giving the right to subscribe for Shares of the Company open for a period fixed by the Directors to the holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer on the relevant register) on a fixed record date in proportion to their then holdings of such Shares or, where appropriate, such other securities as at that date (subject in all cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company);"

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**"THAT**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with additional shares ("Shares") in the capital of the Company or securities convertible into Shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose ("Recognised Stock Exchange"), subject to and in accordance with the Companies Act 1981 of Bermuda, all other applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or those of any other Recognised Stock Exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares and securities convertible into Shares which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the approval pursuant to paragraph (a) of this resolution shall be limited accordingly;
- (c) for the purpose of this resolution, "Relevant Period" means the period from (and including) the date of the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; or
  - (iii) the date on which the authority set out in this resolution is revoked or varied or renewed by an ordinary resolution of the shareholders of the Company in general meeting."
7. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:
- "THAT subject to the passing of the resolutions numbered 5 and 6 as set out in the notice (the "Notice") convening this meeting, the general mandate granted to the directors of the Company ("Directors") to exercise the powers of the Company to allot, issue and otherwise deal with shares ("Shares") in the capital of the Company pursuant to the resolution numbered 5 as set out in the Notice be and the same is hereby extended (as regards the aggregate nominal amount of share capital thereby limited) by adding thereto of the aggregate nominal amount of the share capital of the Company as purchased by the Company under the authority granted pursuant to the resolution numbered 6 as set out in the Notice provided that such additional amount shall not exceed the 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution."

8. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

"That the existing bye-laws of the Company be and are hereby amended in the following manner:—

- (A) By adding the following new definition in the existing Bye-law 1 after the definition of "Act":
- ""associate" the meaning attributed to it in the rules of the Designated Stock Exchange"
- (B) By re-numbering the existing Bye-law 76 as Bye-law 76(1) and adding the following new Bye-law 76(2) thereafter:
- "(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted."
- (C) By deleting the words "not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting" from 6th to 8th line in the existing Bye-law 88 and substituting therefor the following:—
- "provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such Notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting."
- (D) By deleting the existing Bye-law 103 in its entirety and substituting therefor the following:—
- "103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:
- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
  - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest and/or that of any of his associates is derived); or
  - (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors (or their associate(s)) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associate(s), (either directly or indirectly) are the holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board."

By order of the Board  
**Leeport (Holdings) Limited**  
**Lee Sou Leung, Joseph**  
*Chairman*

Hong Kong, 27th March 2004

*Head office and principal place of business in Hong Kong:*

1st Floor, Block 1  
Golden Dragon Industrial Centre  
152-160 Tai Lin Pai Road  
Kwai Chung  
New Territories  
Hong Kong

**Notes:**

- (1) A member of the Company entitled to attend and vote at the aforesaid meeting is entitled to appoint one proxy or (if holding two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong branch share registrars of the Company, Tricor Investor Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting at the aforesaid meeting.
- (4) The register of members will be closed from 4th May 2004 to 6th May 2004 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and for attending and voting at the aforesaid meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Investor Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 3rd May 2004.
- (5) An explanatory statement containing further details regarding the proposed resolution nos. 5 to 7 above will be sent to shareholders shortly together with the 2003 annual report containing this notice of meeting.
- (6) The proposed resolution no. 8 above is made to reflect the corresponding changes in the Company's existing Bye-laws required by the amendments to the Appendix 3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd with effect from 31st March, 2004.
- (7) The Chinese translation of this notice (including the contents of the proposed resolutions set out therein) is for reference only. In case of inconsistency, the English version shall prevail.

\* For identification purposes only