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**Leeport**

**LEEPOR (HOLDINGS) LIMITED**  
**力豐(集團)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 387)**

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO  
THE PROPOSED DISPOSAL OF  
49% ISSUED SHARE CAPITAL OF  
MITUTOYO LEEPOR METROLOGY CORPORATION**

**THE DISPOSAL**

On 13 November 2019 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares at the Consideration of HK\$100,000,000. The Sale Shares represent 49% of the entire issued share capital of the Target Company. As at the date of this announcement, the Target Company is beneficially owned as to 51% by the Purchaser and 49% by the Vendor, and the Target Company is accounted for as an associate of the Company in the financial statements of the Group. Upon Completion, the Company will cease to hold any interest in the Target Group.

**IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

## **GENERAL**

An SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 13 December 2019 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

**As Completion is subject to the fulfilment of the conditions precedent in the Sale and Purchase Agreement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **THE DISPOSAL**

On 13 November 2019 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares at the Consideration of HK\$100,000,000.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set forth below.

### **Date**

13 November 2019

### **Parties**

- (i) The Vendor; and
- (ii) The Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the issued shares of the Purchaser are owned as to (i) approximately 36.03% by Mr. Yoshiaki Numata and his family members; (ii) approximately 18.32% by several religious corporations established under the laws of Japan; (iii) approximately 17.29% by a group of employees under an employee's stock ownership

plan of the Purchaser, (iv) approximately 15.79% by two public interest incorporated foundations established under the laws of Japan; (v) approximately 10.15% by several educational corporations in Japan; (vi) approximately 1.79% by the Purchaser itself as treasury stock; and (vii) approximately 0.63% by two private corporations established under the laws of Japan. Save as the fact that the Purchaser is holding 51% issued share capital of the Target Company, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be disposed**

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, being 3,430,000 ordinary shares, representing 49% of the issued share capital of the Target Company.

Detailed information of the Target Group is included under the section headed “Information on the Target Group” in this announcement

### **Consideration**

Pursuant to the Sale and Purchase Agreement, the Consideration of HK\$100,000,000 shall be settled by cash on Completion.

### **Basis of the Consideration**

The Consideration was determined between the Vendor and the Purchaser after arm’s length negotiations and on normal commercial terms, taking into account the unaudited consolidated net asset value of the Target Group as at 30 June 2019 of approximately HK\$160,789,000 (“**Unaudited NAV**”). As part of the internal restructuring plan of the Purchaser group to further their business in the PRC, the Purchaser is desirous of obtaining 100% control of the Target Group and therefore agreed to pay a premium of approximately 26.9% over 49% of the Unaudited NAV for this transaction.

Based on the above, the Directors consider that the Consideration is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

## **Conditions Precedent**

Completion is conditional upon the following conditions being fulfilled:

- (a) the Company having despatched the circular in relation to the Disposal;
- (b) the Company having obtained the requisite Shareholders' approval and/or consent for the execution and implementation by the Vendor of the Sale and Purchase Agreement and other related documents in accordance with the Listing Rules; and
- (c) all necessary consent, authorisation, permission, waiver, exemption, or other approval required to be obtained under the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

If the conditions shall not have been satisfied on or before 31 January 2020 (the “**Long Stop Date**”), the parties may extend the Long Stop Date for an agreed upon period of ninety (90) days. If the Conditions shall not have been satisfied on or before the Long Stop Date (including the ninety (90) day extension), the Purchaser may by written notice to the Vendor elect to rescind the Sale and Purchase Agreement in which case all rights and obligations of the Parties thereunder (except for those specified otherwise) shall terminate and no Party shall have any claim against the other, but without prejudice to the accrued rights and obligations of the Parties before that termination.

## **Completion**

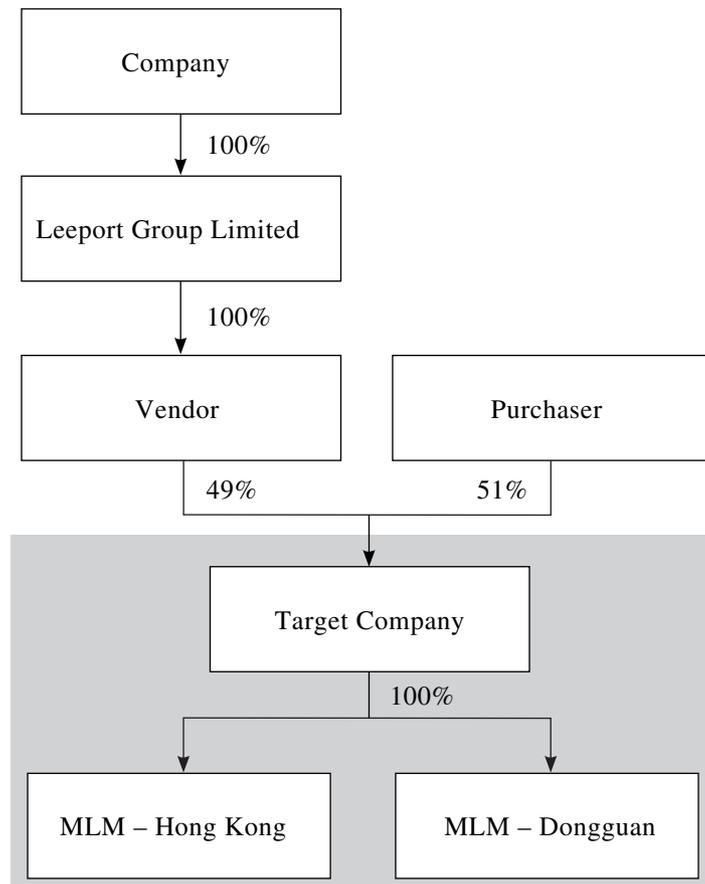
Completion shall take place on the fifth (5th) Business Day following the date on which the aforesaid conditions have been duly fulfilled provided this is on or before the Long Stop Date.

## **Termination**

The Purchaser is entitled to proceed to Completion or rescind the Sale and Purchase Agreement without liability of any kind on its part if any breach of a warranty or of any other provision of the Sale and Purchase Agreement becomes known to the Purchaser before Completion. Under such circumstances, the Vendor shall fully indemnify the Purchaser any costs, charges and expenses reasonably incurred by the Purchaser in connection with the Sale and Purchase Agreement, and each Party's further rights and obligations shall cease immediately upon rescission (except for those specified otherwise), save for a Party's accrued rights and obligations at the date of rescission.

## INFORMATION ON THE TARGET GROUP

The following diagram illustrates the shareholding structure of the Target Group as at the date of this announcement:



### Target Company

The Target Company was incorporated in the BVI with limited liability on 28 March 2003. It is engaged in investment holdings. As at the date of this announcement, the Target Company is owned as to 51% by the Purchaser and 49% by the Vendor.

### MLM – Hong Kong

MLM – Hong Kong was incorporated in Hong Kong with limited liability 15 May 2002. It is engaged in trading of precision measuring instruments and related equipment, as well as provision of product and application support. As at the date of this announcement, MLM-Hong Kong is wholly-owned by the Target Company.

## **MLM – Dongguan**

MLM – Dongguan is a wholly foreign owned enterprise established under the laws of the PRC with limited liability on 30 December 2001. It is engaged in, among others, installation, maintenance and wholesale of precision measuring instrument, as well as provision of technical support of precision measuring instrument. As at the date of this announcement, MLM-Dongguan is wholly-owned by the Target Company.

### **Financial information on the Target Group**

The Target Company is accounted for as an associate of the Company in the financial statements of the Group. Set out below is a summary of the audited financial information on the Target Group for the years ended 31 December 2017 and 2018.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit before taxation	<b>40,139</b>	38,873
Profit after taxation	<b>33,419</b>	32,273

The unaudited consolidated net asset value of the Target Group as at 30 June 2019 amounted to approximately HK\$160,789,000.

### **FINANCIAL EFFECTS OF THE DISPOSAL**

The Consideration of the Disposal is HK\$100,000,000. The unaudited consolidated net asset value of the Target Group as at 30 June 2019 was approximately HK\$160,789,000 and the transfer of the Sale Shares representing net asset value of approximately HK\$78,787,000. Based on the unaudited consolidated financial information of the Target Group as at 30 June 2019, and assuming the Completion has taken place, the Group is expected to record a gain (before tax and expenses) from the Disposal of not more than HK\$21,213,000, representing the difference between the Consideration of the Disposal received under the Sale and Purchase Agreement and the carrying value of the assets in the accounts of the Target Group. Shareholders should note that the actual gain from the Disposal to be recorded by the Company will depend on the carrying value of the assets of the Target Group as at the date of Completion, and therefore may be different from the amount mentioned above.

Upon Completion, the Company will cease to hold any interest in the Target Group, and the Target Company will cease to be an associate of the Company.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The principal activities of the Group comprise the distribution and maintenance of a wide range of machine tools, precision measuring instruments, cutting tools, electronics equipment, professional tools and other machinery for the manufacturing industry in Hong Kong, the PRC and Southeast Asia.

The Purchaser was established in 1934 and is one of the leading manufacturers for measuring instruments in the world, and has a long-standing relationship with the Group for over 50 years. The Company, through the Vendor, established the Target Company with the Purchaser in 2003 to provide a complete range of precision measuring instruments and related equipment to its customers in Hong Kong and the PRC. The Target Company has been an authorised distributor of the products of the Purchaser in Southern China.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, due to the keen competition in the measuring equipment market in Southern China in recent years, the Purchaser has decided to restructure its business in Southern China by, among others, consolidating its interests in the Target Group.

As an incentive for the Group to dispose of its interests in the Target Company, the Purchaser has also agreed to appoint the Group as its preferred distributor in Southern China after the Disposal. Given that the Group is already the authorised distributor for the Purchaser's products in Central and Northern China, the aforesaid preferential treatment would enable the Group to expand its distribution business in the PRC. Furthermore, after cessation of the cooperation arrangement with the Purchaser in the Target Company upon Completion, the Group would be able to develop and expand its own measuring instrument business in the PRC without any contractual restriction.

In addition, the proceeds generated from the Disposal would allow the Group to reduce its indebtedness level, explore and pursue new business opportunities and allocate its resources to expand its existing business. The intended use of proceeds from the Disposal is set out in the section headed "Intended Use of Proceeds" below.

Based on the above, the Directors consider that the Disposal contemplated by the Sale and Purchase Agreement is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INTENDED USE OF PROCEEDS**

Upon Completion, the gross proceeds and net proceeds of the Disposal will be HK\$100,000,000 and approximately HK\$99,000,000, respectively. The Board intends to apply the net proceeds from the Disposal in the following manner:

### **Expansion of the business of the Group's measuring instrument division in the PRC**

Approximately HK\$50,000,000, representing approximately 50.51% of the net proceeds, will be applied to expand the Group's measuring instrument division in the PRC. For the year ended 31 December 2018, the measuring instrument division of the Group recorded revenue of approximately HK\$101,098,000. The Group will continue to invest in the distribution of the Purchaser's (Mitutoyo) products in the PRC. Appointment of the Group by the Purchaser as its preferred distributor in Southern China after the Disposal would provide an opportunity for the Group to gain market share in the market of measuring instruments. The Group will also continue to identify, develop and source advanced products complementary to Mitutoyo products to diversify its product portfolio and enhance its competitiveness in the market. The Group will strengthen its after-sales services such as installation, repairing, maintenance and calibration services, as well as other value-added services. In achieving such expansion, more salespersons, service technicians and engineers will be recruited. The Group will also raise the level of stock of its products in the measuring instrument division to cope with the potential extra demand for its products as a result of its business expansion.

### **Investment in manufacturing equipment suppliers**

Approximately HK\$40,000,000, representing approximately 40.40% of the net proceeds, will be applied to invest in manufacturing equipment suppliers. The Directors are of the view that further investment in the manufacturing equipment suppliers aligns with the Group's vision as a leading international company specialising in manufacturing technology. The Group is especially interested in the sheet metal machinery manufacturers because of its well-established business in the PRC and Southeast Asia. It is expected that the Group would benefit from the return from investment in these companies from a global perspective, especially in the PRC market.

### **Repaying certain outstanding bank loans of the Group**

Approximately HK\$9,000,000, representing approximately 9.09% of the net proceeds, will be applied to repay the Group's outstanding bank borrowings, comprising mainly revolving loans to rollover on a monthly basis and term loans repayable within one and a half years. This will reduce the level of indebtedness of the Group and save certain interest expenses.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

## **GENERAL**

An SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the date of this announcement, no Shareholder is materially interested in the transactions contemplated under the Sale and Purchase Agreement, no Shareholder is therefore required to abstain from voting in respect of the proposed ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. To the best of the knowledge, information and belief of the Directors having made all enquiries, the Purchaser and its associates do not have any interests in the issued share capital of the Company.

A circular containing, among others, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 13 December 2019 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

**As Completion is subject to the fulfilment of the conditions precedent in the Sale and Purchase Agreement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (not being a Saturday or Sunday) when banks generally are open in Hong Kong and Japan for the transaction of general banking business
“BVI”	the British Virgin Islands
“Company”	Leeport (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 387)
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$100,000,000 payable by the Purchaser to the Vendor for the Disposal pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MLM – Dongguan”	Mitutoyo LEEPOT Metrology (Dongguan) Limited* (三豐力豐量儀(東莞)有限公司), a company established in the PRC with limited liability, which is wholly-owned by the Target Company
“MLM – Hong Kong”	Mitutoyo LEEPOT Metrology (Hong Kong) Limited, a company incorporated under the laws of Hong Kong with limited liability, which is wholly-owned by the Target Company
“Parties”	collectively, the Vendor and the Purchaser, being the parties to the Sale and Purchase Agreement, and each a “Party”
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Mitutoyo Corporation, a company incorporated under the laws of Japan
“Sale and Purchase Agreement”	the sale and purchase agreement in respect of the sale and purchase of 49% issued share capital of the Target Company dated 13 November 2019
“Sale Shares”	3,430,000 ordinary shares of US\$1.00 each in the issued share capital of the Target Company, representing 49% of the issued share capital of the Target Company as at the date of this announcement
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder

“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Mitutoyo LEEPOT Metrology Corporation, a BVI business company limited by shares incorporated in the BVI
“Target Group”	the Target Company and its subsidiaries, namely MLM – Hong Kong and MLM – Dongguan
“US\$”	U.S. dollar, the lawful currency of the U.S.
“U.S.”	the United States of America
“Vendor”	LEEPOT Machine Tool Company Limited, a company incorporated under the laws of Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board  
**LEEPOT (Holdings) Limited**  
**Lee Sou Leung, Joseph**  
*Chairman and Executive Director*

Hong Kong, 13 November 2019

*As at the date of this announcement, the executive directors of the Company are Mr. LEE Sou Leung, Joseph, Mr. CHU Weiman, Mr. CHAN Ching Huen, Stanley, and Mr. WONG Man Shun, Michael and the independent non-executive directors are Mr. ZAVATTI Samuel, Mr. FUNG Wai Hing and Mr. WONG Tat Cheong, Frederick.*

\* *For identification purposes only*