CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Leeport (Holdings) Limited (the "Company"), I am pleased to present to our shareholders the report and the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2003.

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 earning per share was HK 17.42 cents (2002: HK 17.85 cents), representing a decrease of 2% compared with Year 2002. This was due to increase in 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 HK 9 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.

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 of Hong Kong Limited 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.

CHAIRMAN'S STATEMENT

Business review (Continued)

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.

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 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.

Future plans and prospects (Continued)

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.

On behalf of the Board, I would like to express my appreciation to all our staff for their valuable effort during the past year. I would also like to give thanks to all our shareholders, suppliers and customers for their continuous support and encouragement.

LEE Sou Leung, Joseph
Chairman

Hong Kong, 27th March 2004