

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 2004.

FINANCIAL PERFORMANCE

Year 2004 was another encouraging year for the Group. The China factor is still a significant driver for the growth of the Group's business. The turnover of the Group was HK\$661,266,000 (2003: HK\$519,675,000), representing an increase of 27.2% as compared with year 2003. The profit attributable to shareholders was HK\$43,451,000 (2003: HK\$31,028,000) representing an increase of 40.0% as compared with year 2003. The profit attributable to shareholders included a gain on disposal of an investment property, i.e. HK\$4,668,000. Excluding this income, the profit attributable to shareholders was HK\$38,783,000 representing an increase of 25.0% as compared with year 2003. The basic earnings per share was HK 21.73 cents (2003: HK 17.42 cents) representing an increase of 24.7% as compared with year 2003.

DIVIDENDS

An interim dividend of HK 6 cents per ordinary share was paid to the shareholders of the Company on 23rd September 2004.

The Directors recommended a final dividend of HK 7 cents per ordinary share, totalling HK\$14,020,000 (2003: HK 9 cents per ordinary share). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 25th May 2005. Upon the approval of shareholders, the final dividend warrant will be payable on or before 31st May 2005 to shareholders of the Company whose names appear on the register of members on 25th May 2005. This proposed final dividend, together with the interim dividend paid by the Company, will make a total dividend of HK 13 cents per ordinary share for the year ended 31st December 2004.

BUSINESS REVIEW

In 2004, the demand for manufacturing equipment and related products continued to be very strong. The Group's turnover in China grew by 44.2%, as compared with year 2003. Turnover from Eastern China, i.e. the Yangtze Delta region, in particular, was outstanding. It increased by 51%, as compared with year 2003. The turnover in Hong Kong also achieved 21% growth in year 2004.

In terms of product range, measuring instruments grew by 39% and cutting tools by 38%. The biggest growth was from electronic equipment which achieved 107% sales increase during the year.



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BUSINESS REVIEW (Continued)

In 2004, the biggest customer group was from the electronics industry, which represented 29% of the Group's turnover. The second biggest was from the mould-making industry, representing 25% of the Group's total sales. Other significant sales came from industrial machinery, automobile, switchgear, lifts and home-appliance manufacturers.

China is today the biggest consumer of machine tools in the world. In 2004, the machine tool consumption in China was US\$9,260 million (an increase of 37% compared with 2003). China is also the biggest importer for machine tools in the world. In 2004, the import value of machine tools was US\$5,780 million (an increase of 39% compared with 2003). China mainly imports mid-range to high-end manufacturing equipment. Most of the products that Leeport represents are from Europe, Japan and the U.S.A., and they are in that category.

We continued to face the pressure of the appreciation of Euro and Japanese Yen which affected our profit margin. Due to the high demand for machine tools globally, we had long delivery time from key Japanese suppliers that affected our sales performance in machine tools in the second half of the year.

In the year 2004, we opened new offices in Suzhou, Wuhan, Dalian, Fuzhou and Zhuhai in mainland China. These new offices enabled us to provide better services to our customers in these areas. The headcount of the Group increased by 55. The additional staff were mainly sales and service people.

FUTURE PLANS AND PROSPECTS

In 2005, it is expected that there will be a slight slowdown in the economic growth rate of China and Hong Kong. However, the growth rate is still likely to be significant. In China, the growth rate for GDP in 2005 is forecast to be 8.6% (2004: 9.5%) and the growth rate for industrial production is forecast to be 12% (2004: 16.2%). The export growth rate of China in 2005 is forecast to be 18.5% (2004: 35.4%). The GDP growth rate for Hong Kong in 2005 is forecast to be 4.5% (2004: 8.1%).

There was some slowdown in the automobile market in China in the second half of 2004. However the demand for various types of vehicles are expected to grow steadily in 2005. The total production volume of automobiles in 2004 was about 5 million units. The production volume in 2005 is predicted to be 6 million units, i.e. 20% higher than in year 2004. Therefore, we expect an increase in sales of machine tools and related products to automobile industry in 2005.

The Group will pursue continuous improvement in management quality. More resources will be invested in the upgrading of customer service, staff training, people development and information technology. We have hired a world-leading sales management consulting firm to conduct comprehensive sales and service training programs to our sales and service staff. The training will integrate with our existing computerized CRM (customer relationship management) system. This will enable us to provide a better sales and service support to our customers.



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FUTURE PLANS AND PROSPECTS (Continued)

More offices will be established in mainland China to increase market coverage. A 4,000 sq. m. showroom and technical centre in Shenzhen will be opened in the middle of 2005 to provide better support to our customers, particularly in Southern China.

A new business division will be established in the middle of 2005 to supply more than 40,000 items of engineering tools to the manufacturing industry in China. This will be done in partnership with a leading European supplier. It is expected this division will make a significant contribution to the Group in the years to come.

Our metalforming machine supplier, Finn-Power from Europe, has also granted us as exclusive sales agent in Singapore, Malaysia and Vietnam. The Group will explore more business opportunities by adding more manpower in this region.

Given the strong economy in mainland China, it is expected that Leeport's business will achieve significant growth in 2005. The Group will continue to look for business opportunities in the manufacturing sector.

On behalf of the Board, I would like to express my gratitude to all our shareholders, suppliers and customers for their trust and support, as well as our staff for their dedication and efforts during the year.

LEE Sou Leung, Joseph

Chairman

Hong Kong, 18th April 2005

