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 and consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2005.

FINANCIAL PERFORMANCE

In Year 2005, the business of the Group continued to grow steadily. The sales of the Group was HK$800,213,000 (2004: HK$661,266,000), representing an increase of 21.0% as compared with 2004. The profit attributable to equity holders was HK$51,118,000 (2004: HK$43,451,000), representing an increase of 17.6% as compared with 2004. The profit attributable to equity holders included an excess of fair value of net assets acquired over cost of acquisition of a subsidiary in Dongguan, i.e. HK$2,087,000, while the profit attributable to equity holders in 2004 included a gain on disposal of an investment property, i.e. HK$4,668,000. Excluding these two exceptional income items in year 2005 and year 2004, the profit attributable to equity holders actually increased by 26.4%. The basic earnings per share was HK25.17 cents (2004: HK21.73 cents) representing an increase of 15.8% as compared with year 2004.

DIVIDENDS

An interim dividend of HK7 cents per ordinary share was paid to the shareholders of the Company on 7th October 2005.

The Directors recommended a final dividend of HK9 cents per ordinary share, totalling HK$18,349,000 (2004: HK7 cents per ordinary share). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 26th May 2006. Upon the approval of shareholders, the final dividend warrant will be payable on or before 2nd June 2006 to shareholders of the Company whose names appear on the register of members on 26 May 2006. This proposed final dividend, together with the interim dividend paid by the Company, will make a total dividend of HK16 cents per ordinary share for the year ended 31st December 2005 (2004: HK13 cents per ordinary share).

BUSINESS REVIEW

The economic situation in China in 2005 continued to be strong. The growth rate for GDP in 2005 was 9.9%; for industrial production it was 11.4%, and for exports it was 28.4%. The GDP growth rate in Hong Kong in 2005 was 7.3%. As 91.8% of the Group's sales came from the Hong Kong and China market, we benefited from the strong economy of these two areas. The sales from China grew by 19.8%; from Hong Kong it grew by 17.6%, and from South East Asia it grew by 52.7%.

The machine tool consumption for China in 2005 was US$10.9 billion, an increase of 15% compared with 2004. China continued to be the biggest consumer and importer of machine tools in the world. In fact, more than one-fifth of the world's production for machine tools was consumed by China. In 2005, the import value of machine tools for China was US$6.7 billion, an increase of 13% compared with 2004.

Chairman's Statement

In some segments of the manufacturing industry, China occupies an extremely important position in the world. For example, China has become the third-largest automobile producer in the world, producing 5.6 million units in 2005. China is also the third-largest in mould-making, with an estimated production value in 2005 of US$5.8 billion. Both the mould-making and automobile manufacturing industries create a strong demand for machine tools, measuring instruments, cutting tools and related products.

In 2005, the machine tool business of the Group grew by 17.5%; measuring instruments grew by 32%, and cutting tools grew by 42%. The biggest customer group was from the electronics industry, representing 27.7% of the Group's sales. The second-biggest was the mould-making industry, representing 19% of the Group's total sales. Other significant sales came from manufacturers of industrial machinery, automobiles, metal parts, home appliances and switch gear.

In 2005, in addition to our new 4,000-square-meter Shenzhen Advanced Manufacturing Technology Centre, we also opened offices in Chengdu, Ningbo and Nanjing in China. A new licensed business, supplying more than 40,000 kinds of engineering tools to the manufacturing industry in China, made a promising start. Five thousand Chinese-language catalogues were printed, and a team of professional sales engineers was recruited. To expand our Southeast Asian markets, we also established offices in Vietnam and Indonesia.

FUTURE PLANS AND PROSPECTS

The progress of industrialisation and urbanisation in China will continue to drive the growth of the economy in 2006. However, the government's austerity measures since 2004 have continued to cause a slowdown in investment in some overheated industries. In 2006, the growth rate for GDP is forecast to be 9.2%; for industrial production it is forecast at 15%, and for export it is forecast at 16%. As for Hong Kong, the growth rate for GDP is forecast to be 5.5%.

The manufacturing industry in China will continue to be very strong, and there is a big demand for high-technology machinery and equipment. The 2008 Beijing Olympics will stimulate the economy and create demand for many products. Automobile manufacturing is a very important industry in China, and currently the production capacity is 8 million units per year. Sales of cars are expected to grow by at least 10% annually until 2010. The machine tools market in China is forecast to achieve 15% growth in 2006. China will therefore remain the most important market for the Group's business.

Our new 4,000-square-meter Advanced Manufacturing Technology Centre in Shenzhen provides a one-stop-shop service to customers. It is a permanent exhibition space, where customers can see a comprehensive display of equipment and tools. Furthermore, we organise regular technical seminars and application training for customers. At the centre, a measuring service is also available, providing an additional value-added service. It is expected that the centre will attract more customers, particularly from the southern part of China.

Chairman's Statement

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

We will expand our market in Southeast Asian countries. Apart from our European metalforming machinery supplier, Finn-Power, for which we have exclusive sales rights in Singapore, Malaysia, Vietnam and Indonesia, we will take up more product lines.

In 2006, we expect to achieve significant growth in both China and Southeast Asian countries. We will continue to look for business opportunities in taking up new product lines and in joint ventures with suitable partners.

On behalf of the board, I would like to express my gratitude to our shareholders, suppliers, customers and business associates for their trust and support. I also thank our staff for their dedication and efforts during the year.

LEE Sou Leung, Joseph
Chairman

Hong Kong, 25th April 2006