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 consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2006.

FINANCIAL PERFORMANCE

The turnover of the Group in 2006 amounted to HK$881,172,000 (2005: HK$800,213,000), representing an increase of 10.1% as compared with 2005. The profit attributable to equity holders was HK$30,858,000 (2005: HK$51,118,000), representing a decrease of 39.6% compared with 2005.

The basic earnings per share amounted to HK15.03 cents (2005: HK25.17 cents) representing a decrease of 40.3% compared with 2005.

Turnover in 2006 was higher than in 2005, indicating that the overall market for the Group's business was good. However, in the last quarter of 2006, the Japanese Government imposed a temporary ban on the export of measuring instruments produced by one of our main suppliers in Japan, Mitutoyo Corporation, due to its non-compliance with the Japanese Government's export regulations. Because of this unexpected event, the Group lost about 6% of the turnover in the year. The turnover would have been better if the export ban on Mitutoyo's products had not occurred.

Overall, the profit attributable to equity holders was lower than in 2005, mainly because of the lower average gross margin and the higher depreciation charges and finance costs. The reduction of business for measuring instruments also adversely affected the Group's results. The depreciation charges were HK$11,767,000, representing an increase of HK$5,066,000 compared with 2005. This mainly reflected the capital spending for the establishment of a showroom in Shenzhen, and the expansion of offices in Hong Kong and China in the previous years. Due to the increase in the interest rate, the finance costs were HK$10,806,000, representing an increase of HK$3,159,000 compared with 2005.

On the other hand, the Group successfully reduced its inventory from HK$162,308,000 as at 31st December 2005 to HK$147,793,000 as at 31st December 2006. Even though overall turnover was higher, the trade receivables and bills receivables balances were reduced from HK$219,617,000 as at 31st December 2005 to HK$179,084,000 as at 31st December 2006. The Group showed its improvement in the liquidity position. The current ratio was 1.32 at the year ended 2006; compared with 1.27 at the year ended 2005.

DIVIDENDS

An interim dividend of HK7.5 cents per ordinary share was paid to the shareholders of the Company on 20th November 2006.

The Directors recommended a final dividend of HK4.5 cents per ordinary share, totalling HK$9,446,000 (2005: HK9 cents per ordinary share). This recommendation is subject to the approval by shareholders at the forthcoming Annual General Meeting to be held on 30th May 2007. Upon the approval by shareholders, the final dividend will be payable on or before 6th June 2007 to shareholders of the Company whose names appear on the register of members on 30th May 2007. This proposed final dividend, together with the interim dividend paid by the Company, will make a total dividend of HK12 cents per ordinary share for the year ended 31st December 2006 (2005: HK16 cents per ordinary share).

BUSINESS REVIEW

Despite the austerity measures in 2006, China continued to demonstrate a strong economic momentum. The growth rate in the GDP in 2006 was 10.7%. The value of industrial production increased by 12.5% and the value of exports increased by 27.2% compared with 2005. The growth rate in Hong Kong's GDP in 2006 was 6.8%.

China retained its position as the world's number-one consumer of machine tools in 2006. One out of every five machines made in the world ended up in China. The value of machine tools consumed in China in 2006 was US$12.9 billion, representing an increase of 20.0% compared with 2005. The import value of machine tools in China was US$7.1 billion. The growth rate in the value of imports was 9.0%, which was lower than the growth rate of 13.0% in 2005 due to the higher consumption of locally made machines, especially the local assembly of foreign brands. However, in terms of value, imported machine tools still represented 55.0% of the consumption in China. China also relied heavily on the importation of electronics manufacturing equipment, carbide cutting tools and high-precision measuring instruments.

A number of related industries in China showed strong growth in 2006. The production volume of automobiles in 2006 was 7.28 million units, representing an increase of 27.6% compared with 2005. China has become the second-largest automobile market in the world. The production of mobile phones grew by 58.2% and the production of computers grew by 15.5%.

The machine tools business of the Group grew by 5.2% in 2006, the cutting tools business grew by 27.5% and the electronics equipment business grew by 87.0%. However, the measuring instruments business decreased by 12.6% in 2006.

In terms of geographical segments, sales from China continued to grow, representing 58.2% of the Group's turnover (2005: 51.1%); sales from Hong Kong represented 31.9% of the Group's turnover (2005: 40.6%), and sales from Southeast Asia represented 9.9% of the Group's turnover (2005: 8.3%). The Group's sales from China increased by 25.4% compared with 2005. The Group's sales from Hong Kong decreased by 13.5% compared with 2005. The Southeast Asia region achieved a growth rate of 31.7% compared with 2005.

FUTURE PLANS AND PROSPECTS

Economic growth for China in 2007 is generally predicted to be slightly lower than 2006. China's GDP growth rate is forecast to be 10.0%; the growth rate in the value of industrial production is forecast to be 11.0%, and the growth rate in the value of exports is forecast to be 18.0%. The GDP growth rate for Hong Kong in 2007 is forecast to be 4.1%.

The Chinese Government is attempting to encourage domestic spending as an economic driver for the country, and many industries are likely to benefit from the Government's policy. Sales of automobiles in 2007 are expected to grow by at least 15.0%. Exporting of automobile parts is also encouraged by the Government, and is moving at a rapid pace. It is believed that China will achieve 10.0% of the global export value of automobile parts within 10 years.

In China, machine tools are mainly used for the manufacturing of automobiles and parts, industrial machinery, moulds and dies, and also in the telecommunications and aerospace industries. These related industries to our Group's business are growing quickly. The consumption of machine tools in China is expected to increase by at least 15.0% in 2007.

We expect that the market for machine tools, cutting tools, measuring instruments and electronics equipment will continue to grow steadily in 2007.

In response to the Japanese Government's temporary ban on the export of precision co-ordinate measuring machines produced by Mitutoyo, the Group took immediate action to build up a business relationship with a European supplier of measuring equipment and systems. We therefore expect that the business of measuring instruments will grow again in 2007.

The Group has also started to devote more effort to building its service income, which represented only about 3.0% of the Group's turnover in 2006. Process re-engineering will be carried out for the service operation. Training of our engineers, building up our spare parts inventory and marketing of our service contracts will be the major targets in 2007. The Group expects that service income will become a significant portion of total turnover within a few years.

Finance costs and depreciation charges, which increased significantly in 2006, will become stable in 2007. In view of the positive economic trends in Asia (China in particular), we believe the Group will perform better in 2007.

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 all our shareholders, suppliers and customers for their support. Also, I would like to thank our staff for their efforts and dedication in 2006.

Lee Sou Leung, Joseph
Chairman

Hong Kong, 26th April 2007