LEEPORT (HOLDINGS) LIMITED
力豐（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 387)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2004

The directors (the "Directors") of Leeport (Holdings) Limited (the "Company") are pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2004, together with the comparative figures for the year ended 31st December 2003.

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 earning per share was HK21.73 cents (2003: 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 HK7 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. The proposed final dividend, together with the interim dividend paid by the Company, will make a total dividend of HK13 cents per ordinary share for the year ended 31st December 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2004

	Note	2004 HK$'000	2003 HK$'000
Turnover	2	**661,266**	519,675
Cost of sales		**(510,223)**	(389,475)
Gross profit		**151,043**	130,200
Other revenues	2	**13,877**	11,956
Gain on disposal of an investment property	4	**4,668**	–
Selling and distribution costs		**(25,120)**	(24,723)
Administrative expenses		**(94,286)**	(80,502)
Operating profit	5	**50,182**	36,931
Finance costs	6	**(2,336)**	(2,715)
Profit before taxation		**47,846**	34,216
Taxation	7	**(3,217)**	(2,978)
Profit after taxation		**44,629**	31,238
Minority interests		**(1,178)**	(210)
Profit attributable to shareholders		**43,451**	31,028
Dividends	8	**26,020**	26,000
Basic earnings per share	9	**HK21.73 cents**	HK17.42cents
Diluted earnings per share	9	**HK21.71 cents**	HK17.41cents

Notes:

1 **Basis of preparation and accounting policies**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention as modified by the revaluation of leasehold properties and investment properties.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2 **Turnover and revenues**

The Group is principally engaged in the trading, installation and after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment. Revenues recognised during the year are as follows:

	2004 HK$'000	2003 HK$'000
Turnover	**661,266**	519,675
Other revenues		
Service income	**5,258**	4,247
Commission income	**7,929**	6,620
Rental income	**114**	732
Interest income	**471**	262
Other income	**105**	95
	13,877	11,956
Total revenues	**675,143**	531,631

3 **Segment information**

(a) Primary reporting format - geographical segments

The Group is engaged principally in the trading, installation and after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the PRC, Hong Kong, and Southeast Asia and other countries (principally Singapore).

2004

	The PRC HK$'000	Hong Kong HK$'000	Southeast Asia and other countries HK$'000	Total HK$'000
Turnover	**341,514**	**276,597**	**43,155**	**661,266**
Segment results	**27,572**	**20,983**	**1,627**	**50,182**
Finance costs				**(2,336)**
Profit before taxation				**47,846**
Taxation				**(3,217)**
Profit after taxation				**44,629**
Minority interests				**(1,178)**
Profit attributable to shareholders				**43,451**

2003

	The PRC HK$'000	Hong Kong HK$'000	Southeast Asia and other countries HK$'000	Total HK$'000
Turnover	236,762	228,606	54,307	519,675
Segment results	11,510	23,990	1,431	36,931
Finance costs				(2,715)
Profit before taxation				34,216
Taxation				(2,978)
Profit after taxation				31,238
Minority interests				(210)
Profit attributable to shareholders				31,028

* *For identification purpose*

(b) Secondary reporting format - business segments

No business segment analysis is presented as the Group has been operating in a single business segment, which is the trading of machines, tools, accessories and measuring instruments, throughout the year.

4 **Gain on disposal of an investment property**

On 10th February 2004, the Group disposed of its investment property with carrying amount of HK$16,000,000 as at the date of disposal to a third party company at a consideration of HK$18,000,000. The total gain on disposal recognised in the profit and loss account for the year is HK$4,668,000, consisting of HK$2,668,000 which is released from the investment property revaluation reserve and HK$2,000,000 which is the difference between the net sales proceeds and the carrying amount of the investment property as at the date of disposal.

5 **Operating profit**

Operating profit is stated after crediting and charging the following:

	2004 HK$'000	2003 HK$'000
Crediting		
Gain on disposal of a subsidiary	**–**	186
Gain on disposal of fixed assets	**33**	–
Charging		
Auditors' remuneration	**1,094**	964
Cost of inventories sold	**503,785**	386,001
Deficit on revaluation of leasehold properties	**–**	802
Depreciation:		
Owned fixed assets	**6,622**	6,425
Leased fixed assets	**–**	44
Net exchange loss	**437**	78
Operating lease rentals in respect of land and buildings	**2,460**	2,445
Provision for slow moving inventories	**1,327**	43
Provision for bad and doubtful debts	**403**	829
Staff costs (including Directors' remuneration)	**56,457**	49,344

6 **Finance costs**

	2004 HK$'000	2003 HK$'000
Interest on bank borrowings:		
Wholly repayable within five years	**2,336**	2,297
Not wholly repayable within five years	**–**	405
Interest element of finance lease	**–**	13
	2,336	2,715

7 **Taxation**

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK$'000	2003 HK$'000
Hong Kong profits tax		
– Current	**3,399**	2,819
– Under/(over) provision in previous years	**211**	(314)
	3,610	2,505
Overseas taxation		
– Current	**193**	120
– Overprovision in previous years	**–**	(23)
	193	97
Deferred taxation relating to the origination and reversal of temporary differences	**(575)**	197
Deferred taxation resulting from a (decrease)/increase in tax rate	**(11)**	179
	(586)	376
	3,217	2,978

8 **Dividends**

	2004 HK$'000	2003 HK$'000
Special, paid, of HK$8 per ordinary share	**–**	8,000
Interim, paid, of HK6 cents (2003: Nil) per ordinary share	**12,000**	–
Final, proposed, of HK7 cents (2003:HK9 cents) per ordinary share	**14,020**	18,000
	26,020	26,000

At a board meeting held on 18th April 2005, the Directors proposed a final dividend of HK7 cents per ordinary share for the year ended 31st December 2004. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2004.

9 **Earnings per share**

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK$43,451,000 (2003: HK$31,028,000).

The basic earnings per share is based on the weighted average number of 200,001,000 (2003: 178,137,000) ordinary shares in issue during the year. The diluted earnings per share is based on 200,132,000 (2003: 178,172,000) ordinary shares, which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 131,000 (2003: 35,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23rd May 2005 (Monday) to 25th May 2005 (Wednesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the proposed final dividend and for attending and voting at the 2005 annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30pm on 20th May 2005 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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. This 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 service to our customers in these areas. The headcount of the Group increased by 55. The additional staff were mainly sales and service people.

Liquidity and Financial Resources

The Group continued to show a very good liquidity position. The current ratio of the Group was 1.49 in the year; compared with 1.52 in year 2003. The cash and cash equivalents on hand at the end of year was HK$74,496,000, compared with HK$48,987,000 in year 2003.

As at 31st December 2004, the Group had net tangible assets of approximately HK$171,930,000, comprising fixed assets of approximately HK$80,505,000, net current assets of approximately HK$104,593,000, minority interests of approximately HK$6,848,000 and non-current liabilities of approximately HK$6,320,000. On the same date, the total liabilities of the Group including minority interests amounted to approximately HK$228,097,000. Of these liabilities, the total repayable after one year amounted to approximately HK$6,320,000. On the other hand, the total assets of the Group were HK$400,027,000. The gearing ratio, defined as the ratio of total liabilities to total assets of the Group was approximately 0.57 (2003: 0.57).

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2004, the Group has aggregate banking facilities of approximately HK$465,085,000, of which approximately HK$192,712,000 has been utilized and bear interest at prevailing market rates. The directors are confident that the Group is able to meet its operational and capital expenditure requirements.

Future Plans and Prospects

In 2005, it is expected that there will be a slight slowdown in economic growth for China and Hong Kong. However, the rate of growth 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 is 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 customers 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.

More offices will be established in mainland China to increase market coverage. A 4,000 sq.m. showroom and technical centre in Shenzhen will open in the middle of 2005 to provide better support to 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 exclusive sales rights in Singapore, Malaysia and Vietnam. The Group will explore the business opportunities for metalforming machines in this region. A new office in Vietnam was opened in early 2005. The office in Singapore and Malaysia will also increase manpower for the Finn-Power business.

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 investment opportunities in the manufacturing technology field.

Employees

As at 31st December 2004, the Group had 341 employees (2003: 286), of whom 164 were based in Hong Kong, 154 were based in mainland China, and the remaining 23 were based in other offices around Asia. Competitive remuneration packages were structured to commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies, discretionary performance bonuses and share options.

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentive and reward for their continued contribution to the Group.

Details of the Charges on the Group's Assets

As at 31st December 2004, certain properties in Hong Kong and in Singapore with an aggregate carrying value of approximately HK$16,000,000 (2003: HK$55,170,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

Contingent Liabilities

At 31st December 2004, the Group had contingent liabilities in respect of letters of guarantees given to customers and bills of exchange discounted with recourse of approximately HK$11,934,000 and HK$8,657,000 respectively.

Exposure to fluctuations in exchange rates and related hedges

A substantial portion of the Group's revenue and purchases were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimize the Group's exposure to foreign exchange rate risks.

As at 31st December 2004, the Group had commitments for foreign currency forward contracts amounting to approximately HK$38,420,000 (2003: HK$45,037,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year under review, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the year ended 31st December 2004, in compliance with the Code of Best Practice as set out in Appendix 14 (which was then in force for the year under review) to the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has set up an audit committee, comprised of three independent non-executive directors of the Company, namely Mr. Pike, Mark Terence, Dr Lui Sun Wing and Mr. Nimmo, Walter Gilbert Mearns. The audit committee has reviewed the accounting principles and practices adopted by the Group with management, and has discussed internal controls and financial reporting matters, including a review of the accounts for the year ended 31st December 2004 with the directors.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The 2004 annual report of the Company for the year ended 31st December 2004 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules (which were in force prior to 31st March 2004 and remain applicable to results announcement in respect of accounting periods commencing before 1st July 2004 under the transitional arrangement) will be published on the website of the Stock Exchange of Hong Kong Limited in due course.

2005 ANNUAL GENERAL MEETING

It is proposed that the 2005 Annual General Meeting of the Company will be held on 25th May 2005 (Wednesday). A notice convening the 2005 Annual General Meeting will be published in the newspapers on or about 25th April 2005 and will be dispatched to the shareholders of the Company accordingly.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors comprises 3 executive directors, namely Mr. Lee Sou Leung, Joseph, Ms. Tan, Lisa Marie and Mr. Chan Ching Huen, Stanley and 3 independent non-executive directors, namely Dr. Lui Sun Wing, Mr. Pike, Mark Terence and Mr. Nimmo, Walter Gilbert Mearns.

On behalf of the Board
Lee Sou Leung Joseph
Chairman

Hong Kong, 18th April 2005