



# LEI SHING HONG LIMITED

*(Incorporated in Hong Kong with limited liability)*

## ANNOUNCEMENT OF ANNUAL RESULTS 2002

### HIGHLIGHTS

- The Group achieved an impressive turnover growth of 41% to approximately HK\$6,175 million
- Net profit attributable to shareholders was approximately HK\$180 million, representing an increase of 6% over the previous year
- Basic earnings per share was HK19 cents (2001: HK17.9 cents)
- The Board of Directors proposed final dividend of HK3 cents per share (2001: HK3 cents)

### RESULTS

The Board of Directors (the “Directors”) of Lei Shing Hong Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December, 2002, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

*Year ended 31 December 2002*

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
TURNOVER	<i>1</i>	<b>6,175,455</b>	4,391,885
Cost of sales and services		<b><u>(5,296,904)</u></b>	<u>(3,648,459)</u>
Gross profit		<b>878,551</b>	743,426
Other revenue and gains		<b>112,340</b>	79,070
Selling and distribution costs		<b>(143,899)</b>	(76,313)
Administrative expenses		<b>(311,759)</b>	(258,119)
Other operating expenses		<b><u>(239,868)</u></b>	<u>(187,489)</u>
PROFIT FROM OPERATING ACTIVITIES	<i>2</i>	<b>295,365</b>	300,575
Finance costs		<b>(83,162)</b>	(103,889)

Share of profits less losses of:

A jointly-controlled entity		<b>49,981</b>	(4,066)
Associates		<b>59,764</b>	137,845

PROFIT BEFORE TAX		<b>321,948</b>	330,465
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Tax	3	<b>(130,915)</b>	(118,302)
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PROFIT BEFORE MINORITY INTERESTS		<b>191,033</b>	212,163
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Minority interests		<b>(10,536)</b>	(41,730)
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NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>180,497</b>	170,433
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Dividend	4	<b>28,535</b>	28,535
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EARNINGS PER SHARE	5	<b>HK cents</b>	HK cents
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Basic		<b>19.0</b>	17.9
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Diluted		<b>18.1</b>	17.8
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## 1. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is as follows:

	Turnover		Contribution to profit from operating activities	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trading of motor vehicles and spare parts	<b>3,543,817</b>	2,533,919	<b>153,490</b>	193,727
Trading of heavy equipment	<b>1,314,707</b>	737,924	<b>66,550</b>	24,372
Property development and investment	<b>177,936</b>	—	<b>(68,824)</b>	(5,522)
General trading and services	<b>3,582,279</b>	2,000,765	<b>59,579</b>	41,219
Securities broking and trading	<b>44,091</b>	57,959	<b>33,881</b>	(14,593)
Trading of foreign exchange	<b>51,758</b>	57,983	<b>13,330</b>	81,203
Others	<b>25,086</b>	28,148	<b>53,337</b>	(15,208)
	<b>8,739,674</b>	5,416,698	<b>311,343</b>	305,198
Intersegment eliminations	<b>(2,564,219)</b>	(1,024,813)	<b>(15,978)</b>	(4,623)
	<b>6,175,455</b>	4,391,885	<b>295,365</b>	300,575

An analysis of the Group's turnover by geographical area of operations is as follows:

	<b>Turnover</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
People's Republic of China:		
Hong Kong	<b>944,145</b>	1,196,571
Mainland China	<b>3,464,259</b>	2,069,151
Other Asian countries	<b>1,767,051</b>	1,126,163
	<b><u>6,175,455</u></b>	<b><u>4,391,885</u></b>

## 2. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>40,485</b>	37,270
Amortisation of goodwill	<b>45,519</b>	42,263
Amortisation of trading rights	<b>300</b>	300
Dividend income from listed investments	<b>(28,830)</b>	(27,117)
Interest income	<b>(39,309)</b>	(48,615)
Net gains on dealing in listed investments	<b>(12,068)</b>	(21,914)
Gain on disposal of fixed assets, net	<b>(1,711)</b>	(1,704)
Gain on disposal of subsidiaries	<b>(6,243)</b>	—
Gain on disposal of an associate	<b>(11,261)</b>	—

## 3. TAX

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Hong Kong	<b>429</b>	3,155
Elsewhere	<b>95,302</b>	80,585
Overprovision in prior years	<b>(20)</b>	(181)
Deferred tax	<b>—</b>	(309)
	<b><u>95,711</u></b>	<b><u>83,250</u></b>
Share of tax attributable to a jointly-controlled entity:		
Elsewhere	<b><u>15,924</u></b>	—
Share of tax attributable to associates:		
Hong Kong	<b>—</b>	142
Elsewhere	<b><u>19,280</u></b>	<b><u>34,910</u></b>
	<b><u>19,280</u></b>	<b><u>35,052</u></b>
Tax charge for the year	<b><u>130,915</u></b>	<b><u>118,302</u></b>

## 4. DIVIDEND

No interim dividend was paid during the year under review (2001: Nil). The directors recommend the payment of a final dividend of HK3 cents (2001: HK 3 cents) for the year.

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$180,497,000 (2001: HK\$170,433,000) and 951,168,687 (2001: 951,165,000) weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2002 is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$180,497,000 (2001: HK\$170,433,000) and 996,437,001 (2001: 955,291,879) weighted average number of ordinary shares, which represents 951,168,687 (2001: 951,165,000) weighted average number of ordinary shares in issue during the year plus 45,268,314 (2001: 4,126,879) weighted average number of ordinary shares assumed to be issued at no consideration on deemed exercise of all warrants outstanding during the year.

## OPERATIONAL REVIEW

### *Automobile*

Northeast Asia recorded an overall encouraging performance. The increase in purchasing power, as a result of the rising per capita disposable income, contributed largely to the significant growth of luxurious brands and products in China. The Group is the major distributor of a full range of Mercedes-Benz in China. Under such favorable business environment, the turnover of the automobile business in China rose 47% from 2001.

During the year under review, the Group opened two new showrooms in Taipei and Kaohsiung for its Mercedes-Benz products through its associate, Capital Motors Inc. In addition, the Group's joint venture with DaimlerChrysler AG, named DaimlerChrysler Taiwan Limited, distributes a series of DaimlerChrysler brands, including Chrysler, Smart and Jeep in the Taiwan market. These brands have enjoyed market acceptance.

Besides the two Mercedes-Benz showrooms in Seoul, the Group has also completed its new Porsche showroom in January 2002 in Korea. By offering comprehensive value-added after-sales services to its customers, the Group recorded an impressive increase of 77% in turnover as compared to 2001.

### *Machinery*

The Group distributes a wide range of Caterpillar products, including heavy equipment, power systems, engines and parts and provides technical services in the China market. Due to the significant increases in demand from the industrial and petroleum sectors in 2002, the Group recorded significant increases in unit sales volume of 129%. China will implement a series of infrastructure projects, ranging from flood control to river embankment repairs, flood drainage to irrigation enhancement works, all of which will contribute to high demand of Caterpillar machines and equipment in future.

### *Property*

Quality property development and investment in first-tier PRC cities for the middle to upper market is the Group's core strategy in this division. Sales of Phase I of Starcrest in Beijing have been performing well and the development is expected to be ready for occupation by June 2003. Phase II of Starcrest, which is now in the design stage, is expected to commence construction in late 2003.

### *Trading*

The Group's trading business has recorded a marginal increase of 4% in turnover. There has been an increasing demand from Malaysia palm oil producers for fertilizers as new plantations come on stream as a result of attractive palm oil and cocoa prices. However, trading of wood-based products

remains competitive in China as a result of the prolonged weakness in veneer and plywood prices and the influx of round log supply from Indonesia. The Group is optimistic that China's demand for wood-based products will start to increase as a result of large-scale infrastructure and construction projects for the 2008 Olympics and 2010 World Expo.

#### *Financial Services*

Against a backdrop of a gloomy investment market caused by global political conflicts, sluggish economy rising unemployment in Hong Kong, the division continued to contribute profit for growth. The Group is aware that the operating outlook for the financial services market will remain extremely challenging and has focused on strengthening its sales team in order to enhance its dedicated customer services.

#### *Future Prospects*

Northeast Asia has, and will continue to be, one of the more important regions for the Group's business development in the future. Looking forward, the Group is cognizant of the ongoing political uncertainty in other parts of the world and the impact of the atypical pneumonia outbreak, it will therefore exercise caution in its expansion in the Asia Pacific region for 2003. However, the Group remains confident that all its existing core businesses will continue to bring value-added service to customers and enhance long-term value for shareholders.

### **Liquidity and Financial Resources**

As at 31 December 2002, shareholders' funds of the Group were approximately HK\$4,123 million. The Group has a gearing ratio (long term debt to equity) of 17%, compared to 24% for 2001. Profit from operating activities covers 3.6 times our finance cost compared to last year's 2.9 times. The Group has sufficient financial resources and adequate banking facilities to fund its ongoing operations, including capital expenditure in year 2003.

The maturity of the Group's term loans is:

	<b>2002</b> <b>HK\$</b> <b>million</b>	2001 <b>HK\$</b> <i>million</i>
Within one year	<b>433</b>	262
In the second year	<b>253</b>	310
In the third to fifth years, inclusive	<b>430</b>	612

### **Pledge of Assets**

At the balance sheet date, the Group had other bank loans amounting to HK\$667 million which were secured by fixed charges on foreign currency bank deposits of HK\$728 million.

### **Contingent Liabilities**

The Group had contingent liabilities in respect of bills discounted with recourse of HK\$242 million and bank guarantees given in lieu of deposit payments of HK\$9 million.

### **Interest Rates and Foreign Currency Exposure**

The Group's funding reflects the capital structure of each business and is monitored by a Central Treasury. The Group's borrowings are at competitive interest rates from both international and local banks. The Group also aims to minimize its risks of currency exposure by buying forward, through hedging mechanism, where appropriate.

### **Employment Policy**

The Group employs over 2,400 staff based in Asia. The Group's remuneration policy applies best industry/country standards to attract, motivate and keep a quality work force. We constantly measure our remuneration and reward scheme within and across industries in various countries to ensure that the Group's remuneration policy is in line with the industries and markets in which we operate.

## **Resignation and Appointment of Directors**

During the year, Mr Lau Chor Lok and Mr Lau Kwok Kee resigned as executive directors of the Company on 9 July 2002.

Mr Tan Ghee Kiat resigned as independent non-executive director of the Company on 31 December 2002 and Mr Victor Yang was appointed as independent non-executive director of the Company on the same day.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2002.

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the year ended 31 December 2002.

## **PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities this year.

## **REGISTER OF MEMBERS**

The registers of members and warrant holders of the Company will be closed for the period from 15 May 2003 to 22 May 2003, both days inclusive, during which period no transfer of shares and warrants will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 14 May 2003.

## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

All information required by paragraph 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board  
**Marianne Lim**  
*Company Secretary*

Hong Kong, 16 April 2003



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Small Connaught Room, 1/F Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 22 May 2003 at 10 a.m. for the following purposes:

1. To receive and adopt the financial statements and reports of the Directors and Auditors for the year ended 31 December 2002;
2. To declare a final dividend for the year ended 31 December 2002;
3. To elect Directors;
4. To approve Directors' fees;
5. To appoint auditors and to authorise the Directors to fix their remuneration;
6. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

**A. "THAT**

- (a) subject to paragraph (c) below and pursuant to section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants or similar rights to subscribe for any shares in the Company or convertible securities and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly;
- (d) for the purposes of this Resolution:

"Relevant Period" means the period from the date of passing of this Resolution until whichever is the earlier of:

  - (i) the conclusion of the next annual general meeting of the Company; and

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.

“Right Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

**B. “THAT**

- (a) subject to paragraph (b), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to repurchase its own securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed: (i) in the case of shares, 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution; and (ii) in the case of warrants, 10% of the number of warrants of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the date of passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company; and
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

- C. “THAT** conditional upon Resolution numbered 6B being passed, the aggregate nominal amount of the shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution numbered 6B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the



Company pursuant to Resolution numbered 6A, provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent of the total nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

7. To transact any other business.

By order of the Board  
**Marianne Lim**  
*Company Secretary*

Hong Kong, 16 April 2003

Registered Office:  
8th Floor  
New World Tower I  
18 Queen's Road Central  
Hong Kong

**Notes:**

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll vote instead of him; a proxy need not be a member of the Company. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited with the Company's Registered Office, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
2. The transfer books and Registers of Members and Warrantholders of the Company will be closed from 15 May 2003 to 22 May 2003 (both days inclusive) to determine entitlements to the final dividend. To rank for the final dividend, shareholders must ensure that transfers are lodged with the Company's Registrar, Tengis Limited, G/F BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 14 May 2003.
3. Concerning item (6) above, the Directors wish to state that they have no immediate plans to repurchase any existing shares and/or warrants or to issue any new shares of the Company. Approval is being sought from Members as a general mandate pursuant to the provisions of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

*Please also refer to the published version of this announcement in the (South China Morning Post)*