



LEI SHING HONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 238)

ANNOUNCEMENT OF ANNUAL RESULTS 2003

HIGHLIGHTS

- The Group achieved an impressive turnover growth of 49% to approximately HK\$9,192 million
- Net profit attributable to shareholders was approximately HK\$234 million, representing an increase of 8% over the previous year
- Basic earnings per share was HK25 cents (2002: HK23 cents)
- The Board of Directors has recommended final dividend of HK3 cents per share (2002: 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, 2003, 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 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (restated)
TURNOVER	1	9,192,300	6,175,455
Cost of sales and services		<u>(8,268,518)</u>	<u>(5,280,798)</u>
Gross profit		923,782	894,657
Other revenue and gains		89,022	96,234
Selling and distribution costs		(103,055)	(143,899)
Administrative expenses		(343,356)	(311,759)
Other operating expenses		<u>(169,720)</u>	<u>(254,714)</u>
PROFIT FROM OPERATING ACTIVITIES	2	396,673	280,519
Finance costs		(78,164)	(83,162)
Share of profits and losses of:			
A jointly-controlled entity		759	49,981
Associates		<u>18,904</u>	<u>59,764</u>
PROFIT BEFORE TAX		338,172	307,102
Tax	3	<u>(76,206)</u>	<u>(79,842)</u>
PROFIT BEFORE MINORITY INTERESTS		261,966	227,260
Minority interests		<u>(27,554)</u>	<u>(10,863)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>234,412</u>	<u>216,397</u>
Dividend	4	<u>28,535</u>	<u>28,535</u>
EARNINGS PER SHARE	5	HK cents	HK cents
Basic		<u>24.6</u>	<u>22.8</u>
Diluted		<u>23.6</u>	<u>21.7</u>

Notes:

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	
	2003 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000 (restated)
Trading of motor vehicles and spare parts	5,723,351	3,543,817	200,699	144,023
Trading of heavy equipment	2,090,221	1,314,707	91,176	66,550
Property development and investment	138,679	177,936	766	(74,203)
General trading and services	4,375,012	3,582,279	57,281	59,579
Securities broking and trading	18,862	44,091	2,600	33,881
Trading of foreign exchange	15,899	51,758	(12,223)	13,330
Money lending	27,812	21,286	40,630	12,683
Others	2,282	3,800	38,988	40,654
	<u>12,392,118</u>	<u>8,739,674</u>	<u>419,917</u>	<u>296,497</u>
Intersegment eliminations	<u>(3,199,818)</u>	<u>(2,564,219)</u>	<u>(23,244)</u>	<u>(15,978)</u>
	<u>9,192,300</u>	<u>6,175,455</u>	<u>396,673</u>	<u>280,519</u>

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

	Turnover	
	2003 HK\$'000	2002 HK\$'000
People's Republic of China:		
Hong Kong	918,453	944,145
Mainland China	5,904,144	3,464,259
Other Asian countries	2,369,703	1,767,051
	<u>9,192,300</u>	<u>6,175,455</u>

2. PROFIT FROM OPERATING ACTIVITIES

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

	2003 HK\$'000	2002 HK\$'000 (restated)
Depreciation	53,914	40,485
Amortisation of goodwill	62,826	63,876
Amortisation of trading rights	300	300
Dividend income from listed investments	(2,603)	(28,830)
Interest income	(39,845)	(39,309)
Net gains on dealing in listed investments	(8,718)	(12,068)
Gain on disposal of fixed assets, net	(3,755)	(1,711)
Gain on disposal of subsidiaries	(13,402)	(6,243)
Gain on disposal of an associate	–	(11,261)

3. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)
Group:		
Current – Hong Kong		
Charge for the year	2,256	429
Over provision in prior years	(99)	(20)
Current – Elsewhere	58,820	95,302
Deferred	10,361	(35,486)
	<u>71,338</u>	<u>60,225</u>
Share of tax attributable to a jointly-controlled entity:		
Elsewhere	(1,963)	14,179
Share of tax attributable to associates:		
Elsewhere	6,831	5,438
Total tax charge for the year	<u>76,206</u>	<u>79,842</u>

4. DIVIDEND

No interim dividend was paid during the year under review (2002: Nil). Due to the expansion of the Group's businesses particularly in China, the Directors have recommended to maintain a final dividend of HK3 cents per share which is the same as that in last 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\$234,412,000 (2002: HK\$216,397,000) and 951,168,826 (2002: 951,168,687) weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$234,412,000 (2002: HK\$216,397,000) and 991,394,709 (2002: 996,437,001) weighted average number of ordinary shares, which represents 951,168,826 (2002: 951,168,687) weighted average number of ordinary shares in issue during the year plus 40,225,883 (2002: 45,268,314) 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

The Group successfully sustained its strong foothold and market leadership to deliver another year of satisfactory performance in a challenging and uncertain 2003. Total turnover and profit attributable to shareholders of Lei Shing Hong amounted to HK\$9,192 million and HK\$234 million respectively for the year ended 31 December 2003.

Automobile Division

During the year under review, the automobile's turnover increased 62% from 2002 despite the SARS outbreak in Asia, the US-Iraq war and the strong appreciation of Euro against Asian currencies. The launch of the new face-lifted model of S class contributed to the encouraging car sales. Construction of Shanghai's multi-function flagship building progressed smoothly and is scheduled for completion by the second quarter of 2004. New showrooms and service outlets in various cities have also been established.

Taiwan's total imported car market decreased 3% compared to 2002. Profit contribution was down compared to 2002 as a result of margin erosion due to an appreciating Euro. Sales of the Chrysler and Jeep models performed well, while Smart automobiles also generated good market acceptance.

The Group recorded an increase in turnover from the Korean market as compared to 2002. The newly completed Mercedes-Benz showroom in Suwon commenced operation in 2003.

Machinery Division

Total industry sales of hydraulic excavators were in excess of 28,000 units for the year. During the year, the Group increased its market share and achieved Caterpillar dealer worldwide leadership for sales of hydraulic excavators ("HEX") and successfully introduced the locally sourced Caterpillar D7G/D6G track-type tractor with encouraging sale results.

The engine business recorded a 30% increase in sales revenue from 2002. The Oil and Gas segment remained steady with the Marine segment securing a positive order book at the year-end. In 2003, Customer Services, Parts Operations and Technical Services were consolidated under one management headed by a newly appointed General Manager.

Three new branches were added to the Group's network in 2003, including Wuxi of Jiangsu Province, Huzhou and Taizhou City of Zhejiang Province. As at the end of the year, the Group has a total of 16 branches in operation.

Looking ahead, the construction machinery industry outlook remains positive. It is likely that the current power shortage will prevail in 2004 and the strong order book from the end of last year indicates further growth of genset sales.

Property Division

During the year under review, the competitive Beijing residential market and the SARS outbreak affected the overall property sales, including Phase I of the Group's 400,000 sq.m. Starcrest project. However, a number of supportive government policies offset the negative impact on the property market.

Starcrest attracted both local and foreign buyers with encouraging results. Phase II will be developed into a complex property project comprising residential units, comprehensive communal facilities ranging from school, supermarket and retail shops, as well as a first-class, internationally managed fitness club.

The Group's Yan An Xi Road project commenced construction during the year under review and completion is expected in 2005.

Concerns of overheating of China's economy are being addressed by the government through the implementation of fiscal and monetary policies, the Group will leverage its strong financial position and adopt a cautious approach towards property development in China.

Trading Division

The trading business's turnover increased 22% from the previous year. Prices and margins of wood based trading were affected by the oversupply from exporting countries. The watch component business was hindered due to the protracted deflationary trend in most of the consuming countries. The outlook of the watch business will be directly affected by the rate of market recovery and purchasing power in the global economies. Positive measures from China to increase cross border tourism and trade (CEPA) with Hong Kong will bode well for this business.

Sales of fertilizers maintained encouraging momentum and outperformed expectations. The Group is also exploring opportunities in other emerging markets such as Vietnam and Indonesia.

Financial Investment and Services Division

In 2003, the average daily turnover of Hong Kong's equity market increased by an encouraging 57% from HK\$6.5 billion in 2002 to HK\$10.2 billion. After SARS subsided, various government policies were put in place to stimulate the Hong Kong economy and investment sentiment rebounded rapidly in the second half of the year.

Amidst the current terrorist threats, cross straits uncertainties, pressure on China to revalue the Yuan and the continuing volatility of the three world major currencies, the US dollar, Euro and Yen, the Group is cautiously optimistic that they can achieve moderate growth in turnover and profit in the coming year.

Liquidity and Financial Resources

As at 31 December 2003, shareholders' funds of the Group were approximately HK\$4,425 million. The Group has a gearing ratio (long term debt to equity) of 12%, compared to 16% for 2002. Profit from operating activities covers 5.1 times our finance cost compared to last year's 3.4 times. The Group has sufficient financial resources and adequate banking facilities to fund its ongoing operations, including capital expenditure in year 2004 .

The maturity of the Group's term loans is:

	2003	2002
	<i>HK\$ million</i>	<i>HK\$ million</i>
Within one year	433	433
In the second year	290	253
In the third to fifth years, inclusive	231	430

Pledge of Assets

At the balance sheet date, the Group had other bank loans amounting to HK\$743 million which were secured by fixed charges on foreign currency bank deposits of HK\$865 million.

Contingent Liabilities

The Group had contingent liabilities in respect of bills discounted with recourse of HK\$690 million and bank guarantees of HK\$25 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 2,900 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.

POST BALANCE SHEET EVENT

On 28 February 2004, the Group entered into a sale and purchase agreement to acquire a 100% interest in Capital Machinery Limited, which is engaged in the distribution of Caterpillar heavy equipment in Taiwan. The purchase consideration for the acquisition was HK\$849,000 and in the form of cash.

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 2003.

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 2003.

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 2004 to 21 May 2004, 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 2004.

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, 15 April 2004

“Please also refer to the published version of this announcement in South China Morning Post”