LEI SHING HONG LIMITED
利星行有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 238)

ANNOUNCEMENT OF ANNUAL RESULTS 2004

HIGHLIGHTS

- Net profit attributable to shareholders was HK$240 million, representing an increase of 2% over the previous year
- The Group's turnover declined 7% to HK$8,547 million
- Basic earnings per share was HK24.0 cents (2003: HK24.6 cents)
- The Board of Directors proposed final dividend of HK3 cents per share (2003: 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, 2004, 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 2004

	Notes	**2004** *HK$'000*	2003 *HK$'000*
TURNOVER	1	**8,546,747**	9,192,300
Cost of sales and services		**(7,633,242)**	(8,268,518)
Gross profit		**913,505**	923,782
Other revenue and gains		**174,896**	89,022
Selling and distribution costs		**(111,946)**	(103,055)
Administrative expenses		**(477,269)**	(343,356)
Other operating expenses		**(182,386)**	(169,720)
PROFIT FROM OPERATING ACTIVITIES	2	**316,800**	396,673
Finance costs		**(87,516)**	(78,164)
Share of profits and losses of:			
A jointly-controlled entity		**20,675**	759
Associates		**56,258**	18,904
PROFIT BEFORE TAX		**306,217**	338,172
Tax	3	**(73,597)**	(76,206)
PROFIT BEFORE MINORITY INTERESTS		**232,620**	261,966
Minority interests		**7,386**	(27,554)

	Note	2004	2003
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**240,006**	234,412
Dividend	*4*	**31,816**	28,535
EARNINGS PER SHARE	*5*	***HK cents***	*HK cents*
Basic		**24.0**	24.6
Diluted		**23.4**	23.6

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**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trading of motor vehicles and spare parts and provision of after-sales services	**5,067,213**	5,723,351	**111,786**	200,699
Trading of heavy equipment and provision of product support services	**1,961,501**	2,090,221	**85,380**	91,176
Property development and investment	**128,532**	138,679	**(24,492)**	766
General trading	**3,699,603**	4,375,012	**54,283**	57,281
Securities broking and trading	**74,480**	18,862	**73,364**	2,600
Trading of foreign exchange	**8,859**	15,899	**8,025**	(12,223)
Money lending	**11,853**	27,812	**1,955**	40,630
Others	**3,204**	2,282	**23,667**	38,988
	10,955,245	12,392,118	**333,968**	419,917
Intersegment eliminations	**(2,408,498)**	(3,199,818)	**(17,168)**	(23,244)
	8,546,747	9,192,300	**316,800**	396,673

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

	Turnover	
	2004	2003
	HK$'000	*HK$'000*
People's Republic of China:		
Hong Kong	**868,706**	918,453
Mainland China	**4,848,747**	5,904,144
Other Asian countries	**2,829,294**	2,369,703
	8,546,747	9,192,300

2. PROFIT FROM OPERATING ACTIVITIES

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

	2004	2003
	HK$'000	*HK$'000*
Depreciation	**70,354**	53,914
Amortisation of goodwill	**63,220**	62,826
Amortisation of trading right	**300**	300
Dividend income from listed investments	**(7,115)**	(2,603)
Interest income	**(30,104)**	(39,845)
Net gains on dealing in listed investments	**(55,901)**	(8,718)
Loss/(gain) on disposal of fixed assets, net	**1,304**	(3,755)
Gain on disposal of subsidiaries	**(90,795)**	(13,402)

3. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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.

	2004	2003
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**18,443**	2,256
Over provision in prior years	**(246)**	(99)
Current – Elsewhere	**29,820**	58,820
Deferred	**569**	10,361
	48,586	71,338
Share of tax attributable to a jointly-controlled entity:		
Elsewhere	**3,585**	(1,963)
Share of tax attributable to associates:		
Elsewhere	**21,426**	6,831
Total tax charge for the year	**73,597**	76,206

4. DIVIDEND

No interim dividend was paid during the year under review (2003: 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 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$240,006,000 (2003: HK$234,412,000) and 1,000,720,460 (2003: 951,168,826) weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on the net profit from ordinary activities attributable to shareholders for the year of HK$240,006,000 (2003: HK$234,412,000) and 1,025,153,996 (2003: 991,394,709) weighted average number of ordinary shares, which represents 1,000,720,460 (2003: 951,168,826) weighted average number of ordinary shares in issue during the year plus 24,433,536 (2003: 40,225,883) weighted average number of shares assumed to be issued at no consideration on deemed exercise of all warrants outstanding during the year.

OPERATIONAL REVIEW

For the full year 2004 the Group achieved turnover of HK$8,547 million, a 7% decline from previous year due to the impact of the macro-economic measures on automobile and machinery sales. Despite the lower turnover, net profit attributable to shareholders of HK$240 million, increased by 2.4% as compared to 2003. Basic earnings per share were HK24.0 cents and the net asset value was HK$4.79 per share. The Board is recommending a final dividend of HK3 cents per share, the same as last year.

Automobile Division

China

During 2004, we continued with our strategy of developing our sales and after-sales network to capitalize on the expanding market. The market in 2004 was impacted by the government macro-economic controls and by customers deferring purchase decisions for imported cars in anticipation of further tariff cuts. Our car sales decreased 10.4% in unit terms owing to these market factors and 15.1% in monetary terms, with declining average prices due to the lower tariffs and the intense competition because of high inventory levels. The price competition and the strength of the Euro also put pressure on the Group's margins.

Our well-established sales and after-sales network has accumulated a very large customer base. We significantly strengthened our capabilities with the opening of multi-function Mercedes-Benz flagship facility located on the Shanghai 318 national highway. We opened four more Mercedes-Benz Autohaus outlets providing sales, servicing and parts, including Shanghai Tian An showroom on Nanjing Road, with the other facilities located in Wenzhou, Urumqi and Nanjing.

The introduction of the new Mercedes-Benz SLK model in the middle of 2004 has enhanced awareness of the brand and sales were encouraging. New models to be launched in 2005 – include the CLS coupe, the S-Class luxury limousine and the new ML sports utility vehicle and these are expected to boost sales volumes.

Turnover of vehicle servicing operations increased by 25.9% over 2003 and made an increased contribution to the overall result.

Looking ahead, demand for new and used vehicles is expected to increase. The State Information Centre has forecast total auto sales to increase by 13% in 2005 and demand for passenger cars to rise by 17%. Factors behind this growth include a predicted 8.5% of GDP for 2005, improved availability of financing, and the gradual liberalization of auto-retailing and auto-financing under the Central Government's commitments to the World Trade Organization. Against this scenario, the Central Government measures to cool overheating and overcapacity in the automobile industry are expected to continue. The Group believes these measures will act as a counterbalance to assist sustained expansion of China's automobile industry. The Group is well positioned to benefit from the industry's growth and is expanding its dealership network and upgrading after-sales services.

Taiwan

The Taiwan auto market grew by 10.2% in 2004. Car sales through associate Capital Motors Inc., increased by 7.3% in unit terms and by 16.0% measured in value terms reflecting stronger growth in sales of Mercedes-Benz brand vehicles and a favorable car mix. Continued investment in our showroom refurbishment programme aims to enhance customer satisfaction and position us as Taiwan's leading car dealer in the premium car segment.

Korea

Sales of imported cars broke through the level of 20,000 units for the first time, a 20% increase over the previous year, driven by strong growth in imports of Japanese brands. Sales in the premium sector were flat with our sales down 7% reflecting intense competition from BMW and Lexus.

Despite a Government initiative to reduce special consumption tax from 10% to 8% in March, the overall demand for vehicles was weak for a variety of reasons.

Two new workshops at Seongsu and Yongdap were completed and commenced operations in the second half of 2004. Customer service training as well as after-sales processes and systems were enhanced. A new Mercedes-Benz showroom in Daechi was also completed and commenced operations in mid 2004.

A new Porsche center for Seoul will be completed by mid 2005. Together with the strengthening of our Porsche management team, this will provide the platform for further growth of the brand and our business in Korea.

Vietnam

During the year, the Group finalized arrangements for the establishment of a wholly-owned Mercedes-Benz dealership in Ho Chi Minh City that marks our entry into Vietnam.

Machinery Division

China

Despite strong GDP growth of 9% in 2004, the Central Government measures to slow down investment and tighten credit control had a distinct effect on infrastructure development. This in turn impacted the Machinery Division's results, with overall sales declining 6% from 2003.

China's hydraulic excavator market declined during 2004 by 20% following an exceptional year in 2003, with Eastern China most severely impacted as was evident from the more than 30% drop in sales. However, the disappointing year for machine sales concluded on a brighter note with the winning of a major contract at the end of the year to supply a large fleet of machines to a new landfill site in Shanghai.

Our power systems business achieved another record year with an increase of 141% in sales over 2003. The China-wide power shortage increased the opportunity for sales of electric power generators, while the buoyant shipbuilding, dredging and pleasure craft markets boosted sales of marine engines significantly. Sales of engines to oilfield drill-rig and port-crane OEMs also continued at a high level.

The expanded product support business achieved increased parts sales and labour revenue up by 19%, reflecting increases in the equipment population and our improved product-support network coverage. The division set up 14 customer support centers during 2004 to augment the support from the existing local branches. Upgrades of customer support facilities continued with the completion of the new Shanghai facility and the addition of two new branches, Linyi and Jilin in Shangdong Province. The Shanghai facility houses the Power Systems division, Shanghai branch and China's first Caterpillar rental store and engine showroom.

Looking ahead, we anticipate that the Central Government will continue to control the rate of development of infrastructure projects, thereby preventing any significant increase in the size of the construction equipment market. With Caterpillar's financial services commencing end-user financing in China in early 2005, we expect to improve our share of the available market for machine sales in the coming year. Our engine business should benefit from seasonal power shortages and increasing demand for marine engines, oilfield drill-rig and natural-gas engines. The strong order book carried forward from 2004 along with 2005 demand is expected to generate another record year for engine sales. Parts and service sales are also anticipated to grow in 2005.

Taiwan

In February 2004, we completed the acquisition of the assets of the Caterpillar dealer business in Taiwan and established Capital Machinery Limited (CML) a move that extended the Group's distribution rights for Caterpillar to Taiwan. The business made its first contribution to the Group in 2004.

Taiwan's 2005 GDP growth is expected to be slightly lower than the 5.4% recorded in 2004, and the construction industry is likely to mirror this. Sales of generator sets and marine engines are expected to slightly improve on 2004 results, as are parts and service sales in 2005.

Property Division

China

Buying sentiment was strong during the year, supported by sustained GDP growth, accelerated infrastructure programs for the 2008 Olympics, and growing housing needs in the face of urban regeneration.

The Group completed Phase I of the Starcrest residential development in Beijing, recording excellent sales from both domestic and overseas purchasers, with nearly all units in Phase I now sold. We completed the foundations for Phase II in December 2004 and expect to commence foundation work for Phase III in the first quarter of 2006.

Starcrest is the division's first residential development in Beijing, with the entire development providing some 400,000 sq.m. of gross floor area. We believe we have established a key standard in China for modern living for young professionals and are determined to build on this reputation for quality design and finishing in China.

In Shanghai, we commenced pre-completion sales for residential areas of our Lei Shing International Plaza at Yan An Xi Road, a 74,000 sq.m. development combining residential, commercial and retail.

The Group is now focusing on its first commercial development in Beijing. In 2004, there was evidence of high levels of speculation in Shanghai, where residential prices in the city centre increased by 28%. The Central Government's macro-economic controls are likely to have an overall positive effect by dampening speculative property purchases and reducing the prevalence of under-capitalized property development companies.

Further macro-economic controls expected in 2005 are likely to impact approval of property development projects and land supply. With an anticipated further upward revision of interest rates, the Group expects flatten housing supply growth.

Trading Division

The Trading division's external sales increased by 10% in 2004, with a slight decline in wood-based trading and watch components more than offset by strong growth in our fertilizer operation.

The wood-based products market in China remained highly competitive with prices suppressed. However, we successfully increased shipments to India and Vietnam. We expect increased demand for wood-based products in the run-up to the 2008 Olympics in Beijing and the 2010 World Expo in Shanghai.

In our watch-components business, the effects of prolonged deflation in Hong Kong created difficult market conditions. The operating environment is expected to improve in 2005 as the benefits of the Closer Economic Partnership Agreement (CEPA) in South China begin to be felt.

There was a 42% increase over 2003 in sales of fertilizers and turnover is expected to remain on track in the first half of 2005.

The division expanded its activities during the year with a new business marketing nylon yarn, sourced from Taiwan.

The Group will continue to monitor closely a range of key factors that can impact performance, including the macro-economic measures implemented in China. We believe meanwhile that Southeast Asia has significant potential for our Trading business, especially in Indonesia, and we have strengthened our Singapore operation to take advantage of this. We also see further opportunities in China as the market is liberalized. The Trading division is working closely with our financial services businesses to provide manufacturers in China with exports markets and short-term finance.

Financial Investment and Services Division

This division recorded a growth of 52% in turnover, on the back of renewed economic growth in Hong Kong and the region, and improvements in the Hong Kong stock market.

We are a Category C broker and aim to increase our market share and expand our portfolio in margin financing. Our Internet trading business has developed steadily aided by technology investments and we are continuing to build our customer base. Our investment activities focus on share trading in the regional markets and foreign exchange trading. Our financing operations, comprising term-loan financing and margin financing, recorded moderate growth during the year. We expect to grow our loan financing business to include working capital financing.

Liquidity and Financial Resources

As at 31 December 2004, shareholders' funds of the Group were approximately HK$5,023 million. The Group has a gearing ratio (long term debt to equity) of 13%, compared to 12% for 2003. Profit from operating activities covers 3.6 times our finance cost compared to last year's 5.1 times. The Group has sufficient financial resources and adequate banking facilities to fund its ongoing operations, including capital expenditure in year 2005 .

The maturity of the Group's term loans is:

	2004 ***HK$ million***	2003 *HK$ million*
Within one year	**1,220**	433
In the second year	**129**	290
In the third to fifth years, inclusive	**463**	231
Beyond five years	**70**	–

Contingent Liabilities

The Group had contingent liabilities in respect of bills discounted with recourse of HK$283 million and bank guarantees of HK$16 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 3,100 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 7 April 2005, 11,000,000 ordinary shares of HK$1 each were issued for cash at an exercise price of HK$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$33,000,000. In view of the exercise of the warrants, the issued share capital of the Company had been increased to 1,060,519,774 ordinary shares of HK$1 each and the warrants outstanding had been reduced to 80,878,226 warrants as of 7 April 2005.

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 2004.

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 2004.

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 warrantholders of the Company will be closed for the period from 13 May 2005 to 19 May 2005, 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 12 May 2005.

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, 14 April 2005

As at the date of this announcement, the Executive Directors of the Company are Mr. Gan Khian Seng, Mr. Yong Foo San, Mr. Volker Josef Eckehard Harms, Ms Lim Mooi Ying, Marianne and Mr. Lam Kwong Yu. The Non-Executive Directors are Mr. Christopher Patrick Langley and Mr. Victor Yang and the Independent Non-Executive Directors are Mr. Fung Ka Pun, Mr. Hubert Meier and Mr. Alan Howard Smith.

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