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 2005

HIGHLIGHTS

- Net profit attributable to shareholders was HK$252 million, representing an increase of 5% over the previous year.
- The Group's turnover rose 41% to HK$12,075 million.
- Basic earnings per share was HK23.8 cents (2004: HK24.0 cents).
- The Board of Directors proposed a final dividend of HK3 cents per share (2004: HK3 cents).

RESULTS

The Board of Directors (the "Board") of Lei Shing Hong Limited (the "Company") is pleased to announce the audited condensed consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2005

	Notes	**2005** **HK$'000**	2004 HK$'000 (Restated)
REVENUE	3	**12,074,505**	8,546,747
Cost of sales and services		**(10,864,950)**	(7,633,242)
Gross profit		**1,209,555**	913,505
Other income and gains		**141,224**	174,896
Selling and distribution costs		**(136,188)**	(111,946)
Administrative expenses		**(552,270)**	(477,269)
Other operating expenses		**(223,653)**	(182,386)

PROFIT FROM OPERATING ACTIVITIES		**438,668**	316,800
Finance costs		**(148,167)**	(87,516)
Share of profit of a jointly-controlled entity		**–**	17,090
Share of profits and losses of associates		**55,844**	34,832
PROFIT BEFORE TAX	*4*	**346,345**	281,206
Tax	*5*	**(82,072)**	(48,586)
PROFIT FOR THE YEAR		**264,273**	232,620
ATTRIBUTABLE TO:			
Equity holders of the parent		**251,548**	240,006
Minority interests		**12,725**	(7,386)
		264,273	232,620
DIVIDEND	*6*	**31,816**	31,816
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	*7*	**23.8 cents**	24.0 cents
– Diluted	*7*	**23.6 cents**	23.4 cents

CONSOLIDATED BALANCE SHEET
31 December 2005

	Notes	**2005** ***HK$'000***	2004 *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,300,164**	1,039,824
Investment properties		**462,941**	75,030
Prepaid land premiums		**235,761**	197,071
Properties under development		**662,728**	1,303,464
Goodwill		**676,466**	681,395
Other intangible asset		**1,650**	1,650
Interests in associates		**1,724,106**	1,541,186
Available-for-sale investments/long term investments		**260,515**	368,114
Deferred tax assets		**21,119**	33,062
Net investments in finance leases		**37,888**	–
Loans and receivables/loans and long term receivables		**98,380**	77,000
Total non-current assets		**5,481,718**	5,317,796
CURRENT ASSETS			
Inventories		**1,083,437**	3,164,956

Properties held for sale		**1,217,145**	171,589
Trade receivables	*8*	**1,807,351**	962,323
Bills receivable with full recourse		**183,857**	–
Net investments in finance leases		**82,864**	–
Loans and receivables/loans receivable		**421,894**	162,510
Prepaid land premiums		**5,127**	4,416
Prepayments, deposits and sundry receivables		**764,425**	449,729
Equity investments at fair value through profit or loss/short term investments		**126,370**	148,703
Pledged time deposits		**23,883**	197,407
Cash held on behalf of securities clients		**3,912**	4,153
Cash and cash equivalents		**950,098**	969,647
Total current assets		**6,670,363**	6,235,433
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,463,561**	2,193,863
Sundry payables and accruals		**1,612,056**	552,080
Derivative financial instruments		**16,047**	–
Interest-bearing bank borrowings and other non interest-bearing borrowing		**1,890,516**	3,245,885
Bills discounted with full recourse		**183,857**	–
Tax payable		**203,552**	54,988
Provisions		**45,411**	37,855
Total current liabilities		**5,415,000**	6,084,671
NET CURRENT ASSETS		**1,255,363**	150,762
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,737,081**	5,468,558
NON-CURRENT LIABILITIES			
Derivative financial instruments		**15,177**	–
Interest-bearing bank borrowings		**963,268**	–
Deferred tax liabilities		**196,657**	199,205
Total non-current liabilities		**1,175,102**	199,205
Net assets		**5,561,979**	5,269,353
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**1,060,520**	1,049,520
Reserves		**4,204,354**	3,941,615
Proposed final dividend		**31,816**	31,816
		5,296,690	5,022,951
Minority interests		**265,289**	246,402
Total equity		**5,561,979**	5,269,353

Notes:

1. **Basis of Preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties which have been measured at the carrying amount as at 1 January 2005 as their deemed cost and available-for-sale financial assets and investments at fair value through profit or loss which have been measured at fair value.

2. **Impact of New and Revised HKFRSs**

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 23, 27, 28, 31, 33, 37, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) ***HKAS 1 – Presentation of Financial Statements***

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates and a jointly-controlled entity was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates and a jointly-controlled entity is presented net of the Group's share of tax attributable to associates and a jointly-controlled entity.

In prior years, non-current liabilities would not become current liabilities if the lender had agreed, after the balance sheet date and before the authorisation of the financial statements for issue, not to demand immediate repayment as a consequence of the breach of an undertaking under a long term loan agreement.

Upon the adoption of HKAS 1, non-current liabilities are classified as current liabilities even if a waiver agreement is obtained after the balance sheet date and before the authorisation of the financial statements for issue.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparatives on the consolidated balance sheet as at 31 December 2004 have been restated to reflect a reclassification from "Interest-bearing bank borrowings" under non-current liabilities to "Interest-bearing bank borrowings and other non interest-bearing borrowing" under current liabilities.

(b) ***HKAS 17 – Leases***

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land premiums, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts in the consolidated balance sheet as at 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(c) ***HKAS 32 and HKAS 39 – Financial Instruments***

(i) *Measurement and disclosure of financial instruments*

In prior years, the Group's long term investments comprised non-trading investments in unlisted equity investments and credit linked notes intended to be held on a long term basis, club membership debentures and statutory deposits. Unlisted equity investments and credit linked notes were stated at their estimated fair values, on an individual basis. Club membership debentures and statutory deposits were stated at cost less any impairment losses. Changes in fair values of the long term investments were recognised in the long term investment revaluation reserve.

Upon the adoption of HKAS 39, investments in unlisted equity investments and club membership debentures held by the Group at 1 January 2005 in the amount of HK$204,019,000 and HK$7,905,000, respectively, are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Investments in credit linked notes and statutory deposits held by the Group at 1 January 2005 in the amount of HK$155,973,000 and HK$217,000, respectively, are designated as loans and receivables under the transitional provisions of HKAS 39 and accordingly are measured at amortised cost using the effective interest method less provision for impairment until subsequent derecognition or impairment.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$148,703,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these investments.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Recognition and derecognition of financial instruments

In prior years, trade receivables factored with full recourse were derecognised.

Upon the adoption of HKAS 39, derecognition of trade receivables factored with full recourse before the settlement of trade receivables by debtors is not allowed as all of the risks associated with the trade receivables are still retained. The trade receivables are retained on the balance sheet and the proceeds received are recognised as a liability. As and when the trade receivables are settled by debtors and the cash is passed over to the factoring entity, the trade receivables and the liability are derecognised.

As at 31 December 2005, the Group had outstanding bills of HK$183,857,000 discounted with full recourse. Pursuant to HKAS 39, the discounted trade receivables and the related proceeds of the same amount are included in the Group's current assets and current liabilities as at 31 December 2005.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated (31 December 2004: HK$282,778,000).

(iii) Derivative financial instruments

In prior years, derivative instruments used for hedging were not separately recognised on the balance sheet. Gains or losses relating to the fair value changes in these derivative instruments were recognised in the income statement offsetting the fair value changes of the hedged liabilities.

Upon the adoption of HKAS 39, cross currency swap agreements designated as a hedge against the Group's exposure to changes in fair value of recognised liabilities are disclosed as a separate item at fair value with any gains or losses being recognised in the income statement.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(d) HKAS 38 – Intangible Assets

In prior years, the Group's intangible asset was amortised on the straight-line basis over its estimated useful life of 10 years, less any impairment losses.

Upon the adoption of HKAS 38, the Group's eligibility right to trade on or through the Stock Exchange of Hong Kong Limited is permitted to be regarded as having an indefinite life, which should not be amortised and is subject to annual impairment test. In accordance with the transitional provisions of HKAS 38, comparative amounts have not been restated.

(e) ***HKAS 40 – Investment Property***

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, investment properties are stated at cost less depreciation and any impairment losses. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to deem the carrying amount of investment properties as at 1 January 2005 as the cost of the investment properties and to transfer the carrying amount of the investment property revaluation reserve at 1 January 2005 to retained profits and comparative amounts have not been restated.

(f) ***HKFRS 2 – Share-based Payment***

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003, at 31 December 2004 and at 31 December 2005.

(g) ***HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets***

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated reserves remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(h) HK-Int 3 – Revenue – Pre-Completion Contracts for the Sale of Development Properties

In prior years, when properties under development had been pre-sold, the total estimated profit was apportioned over the entire period of construction to reflect the progress of the development. On this basis, the profit recognised on the pre-sold portion of the properties was calculated by reference to the stage of completion of the properties, limited to the extent of non-refundable progress payments received. No profit was recognised until the construction work had progressed to the stage where the eventual completion of the project, and the estimated profit thereon, could be determined with a reasonable degree of certainty.

Upon the adoption of HK-Int 3, revenue arising from pre-completion contracts for the sale of development properties that do not fall within the scope of HKAS 11 "Construction Contracts" is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group retains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties under development sold. Such properties are stated at cost.

In accordance with the transitional provisions of HK-Int 3, comparative amounts have not been restated.

The effects of the changes in the above accounting policies on the financial statements are summarised below:

(a) Effect on the consolidated balance sheet

At 1 January 2005	**Effect of adopting**				
Effect of new policies (Increase/(decrease))	**HKAS 1# Presentation**	**HKAS 17# Prepaid land premiums**	**HKAS 32# and HKAS 39* Change in classification of investments**	**HKAS 40# Investment property revaluation reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Property, plant and equipment	–	(191,153)	–	–	(191,153)
Investment properties	–	(10,334)	–	–	(10,334)
Prepaid land premiums	–	201,487	–	–	201,487
Available-for-sale investments	–	–	211,924	–	211,924
Long term investments	–	–	(368,114)	–	(368,114)
Loans and receivables	–	–	156,190	–	156,190
Equity investments at fair value through profit or loss	–	–	148,703	–	148,703
Short term investments	–	–	(148,703)	–	(148,703)
					–
Liabilities/equity					
Interest-bearing bank borrowings under current liabilities	662,483	–	–	–	662,483
Interest-bearing bank borrowings under non-current liabilities	(662,483)	–	–	–	(662,483)
Investment property revaluation reserve	–	–	–	(1,483)	(1,483)
Retained profits	–	–	–	1,483	1,483
					–

* Adjustments taken effect prospectively from 1 January 2005
\# Adjustments/presentation taken effect retrospectively

At 31 December 2005 Effect of new policies (Increase/(decrease))	HKAS 17 Prepaid land premiums *HK$'000*	HKAS 32 and HKAS 39 Change in classification of investments *HK$'000*	HKAS 38 Discontinuation of amortisation of intangible assets *HK$'000*	HKAS 39 Recognition of financial instruments *HK$'000*	HKAS 39 Fair value hedges *HK$'000*	HKAS 40 Investment property revaluation reserve *HK$'000*	HKAS 40 Depreciation of investment properties *HK$'000*	HKAS 40 Surplus on revaluation of investment properties *HK$'000*	HKFRS 3 Discontinuation of amortisation of goodwill *HK$'000*	HK-Int 3 Derecognition of profit from pre-completion contracts for the sale of development properties under the stage of completion method *HK$'000*	Total *HK$'000*
	Effect of adopting										
Assets											
Property, plant and equipment	(230,554)	–	–	–	–	–	–	–	–	–	(230,554)
Investment properties	(10,334)	–	–	–	–	–	(5,940)	(81,838)	–	–	(98,112)
Prepaid land premiums	240,888	–	–	–	–	–	–	–	–	–	240,888
Goodwill	–	–	–	–	–	–	–	–	40,741	–	40,741
Other intangible asset	–	–	300	–	–	–	–	–	–	–	300
Interests in associates	–	–	–	–	–	–	–	–	17,898	–	17,898
Available-for-sale investments	–	260,515	–	–	–	–	–	–	–	–	260,515
Long term investments	–	(416,733)	–	–	–	–	–	–	–	–	(416,733)
Loans and receivables	–	156,218	–	–	–	–	–	–	–	–	156,218
Properties held for sale	–	–	–	–	–	–	–	–	–	426,476	426,476
Equity investments at fair value through profit or loss	–	126,370	–	–	–	–	–	–	–	–	126,370
Short term investments	–	(126,370)	–	–	–	–	–	–	–	–	(126,370)
Bills receivable with full recourse	–	–	–	183,857	–	–	–	–	–	–	183,857
											581,494
Liabilities/equity											
Derivative financial instruments	–	–	–	–	31,224	–	–	–	–	–	31,224
Interest-bearing bank borrowings	–	–	–	–	(31,224)	–	–	–	–	–	(31,224)
Bills discounted with full recourse	–	–	–	183,857	–	–	–	–	–	–	183,857
Sundry payable and accruals	–	–	–	–	–	–	–	–	–	558,028	558,028
Tax payable	–	–	–	–	–	–	–	–	–	(54,128)	(54,128)
Investment property revaluation reserve	–	–	–	–	–	(1,483)	–	(81,838)	–	–	(83,321)
Retained profits	–	–	300	–	–	1,483	(5,940)	–	58,639	(77,424)	(22,942)
											581,494

(b) *Effect on the balance of equity at 1 January 2005 and 2004*

Effect of a new policy (Increase/(decrease))	Effect of adopting HKAS 40 Investment property revaluation reserve *HK$'000*
1 January 2005	
Investment property revaluation reserve	(1,483)
Retained profits	1,483

The changes in accounting policies have had no impact to the balance of equity at 1 January 2004.

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

Effect of new policies	Effect of adopting HKAS 1 Share of post-tax profits and losses of associates HK$'000	HKAS 38 Discontinuation of amortisation of intangible assets HK$'000	HKAS 40 Depreciation of investment properties HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill arising from acquisition of subsidiaries HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill arising from acquisition of an associate HK$'000	HK-Int 3 Derecognition of profit from pre-completion contracts for the sale of development properties under the stage of completion method HK$'000	Total HK$'000
Year ended 31 December 2005							
Decrease in revenue	–	–	–	–	–	(558,028)	(558,028)
Decrease in cost of sales and services	–	–	–	–	–	426,476	426,476
Decrease/(increase) in other operating expenses	–	300	(5,940)	40,741	17,898	–	52,999
Decrease in share of profits and losses of associates	(23,710)	–	–	–	–	–	(23,710)
Decrease in tax	23,710	–	–	–	–	54,128	77,838
Total increase/(decrease) in profit	–	300	(5,940)	40,741	17,898	(77,424)	(24,425)
Increase/(decrease) in basic earnings per share (HK cents)	–	0.0003	(0.0057)	0.0388	0.0171	(0.0738)	(0.0233)
Decrease in diluted earnings per share (HK cents)	–	–	–	–	–	(0.0001)	(0.0001)

Effect of a new policy	**Effect of adopting HKAS 1 Share of post-tax profits and losses of a jointly-controlled entity and associates** *HK$'000*
Year ended 31 December 2004	
Decrease in share of profit of a jointly-controlled entity	(3,585)
Decrease in share of profits and losses of associates	(21,426)
Decrease in tax	25,011
Total effect in profit	–
Effect in basic earnings per share	–
Effect in diluted earnings per share	–

3. Segment Information

An analysis of the Group's turnover and results by principal activity is as follows:

	Turnover		Results	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trading of motor vehicles and spare parts and provision of after-sales services	**7,608,265**	5,067,213	**199,003**	111,786
Trading of heavy equipment and provision of product support services	**2,217,284**	1,961,501	**71,382**	85,380
Property development and investment	**473,070**	128,532	**184,849**	(24,492)
General trading	**4,344,226**	3,699,603	**77,298**	54,283
Securities broking and trading	**13,123**	74,480	**(22,051)**	73,364
Trading of foreign exchange	**(34,128)**	8,859	**(75,552)**	8,025
Money lending	**10,670**	11,853	**4,186**	1,955
Others	**4,439**	3,204	**28,337**	23,667
	14,636,949	10,955,245	**467,452**	333,968
Intersegment eliminations	**(2,562,444)**	(2,408,498)	**(28,784)**	(17,168)
	12,074,505	8,546,747	**438,668**	316,800

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

	Turnover	
	2005	2004
	HK$'000	*HK$'000*
People's Republic of China:		
Hong Kong	**1,182,846**	868,706
Mainland China	**7,494,381**	4,848,747
Other Asian regions	**3,397,278**	2,829,294
	12,074,505	8,546,747

4. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Depreciation of property, plant and equipment	**89,932**	67,425
Depreciation of investment properties	**5,940**	–
Recognition of prepaid land premiums	**4,289**	2,929
Goodwill:		
Subsidiaries:		
Amortisation for the year	**–**	41,238
Release upon sales of developed properties	**7,972**	4,084
	7,972	45,322
Associate:		
Amortisation for the year	**–**	17,898
Amortisation of a trading right	**–**	300
Minimum lease payments under operating leases for land and buildings	**49,738**	37,456
Provision for bad and doubtful debts	**18,154**	3,170
Write-down of inventories to net realisable value/provision against inventories	**20,125**	5,970
Fair value gains on equity investments at fair value through profit or loss, net/unrealised gains on revaluation of short term investments	**(1,851)**	(27,359)
Gross rental income	**(34,690)**	(24,033)
Interest income	**(50,155)**	(30,104)
Gain on disposal of a subsidiary	**–**	(90,795)
Dividend income from listed investments	**(7,463)**	(7,115)
Loss/(gain) on disposal of items of property, plant and equipment	**(128)**	1,304

5. Tax

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Group:		
Current – Hong Kong		
Charge for the year	**18,468**	18,443
Over provision in prior years	**(4,918)**	(246)
Current – Elsewhere	**58,584**	29,820
Deferred	**9,938**	569
Total tax charge for the year	**82,072**	48,586

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

6. Dividend

	Company	
	2005	2004
	HK$'000	*HK$'000*
Proposed final – HK 3 cents (2004: HK 3 cents) per ordinary share	**31,816**	31,816

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculations of basic and diluted earnings per share are based on:

	2005	2004
	HK$	*HK$*
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**251,548,000**	240,006,000

	Number of shares	
Shares	**2005**	2004
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**1,057,596,486**	1,000,720,460
Effect of dilution – Weighted average number of ordinary shares:		
Warrants	**7,259,401**	24,433,536
	1,064,855,887	1,025,153,996

As the subscription prices of the share options outstanding during the years ended 31 December 2005 and 2004 were higher than the respective average market prices of the Company's shares during these years, there was no dilution effect on the basic earnings per share.

8. Trade Receivables

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Current	**902,141**	616,023
0 – 3 months	**846,731**	248,080
4 – 6 months	**49,768**	23,672
7 – 12 months	**8,631**	5,760
Over 1 year	**80**	68,788
	1,807,351	962,323

9. **Trade and Bills Payables**

An aged analysis of the trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Current	**1,376,240**	2,124,367
0 – 3 months	**59,089**	56,207
4 – 6 months	**8,879**	11,812
7 – 12 months	**19,353**	1,445
1– 2 years	**–**	32
	1,463,561	2,193,863

OPERATIONS REVIEW

For the year ended 31 December 2005, turnover of HK$12,075 million was achieved, representing a 41% increase over 2004. This growth was boosted by the solid performances of our Automobile, Machinery, Property and Trading Divisions. Profit attributable to shareholders amounted to HK$252 million, a 5% increase over the previous year. Basic earnings per share were HK23.8 cents and the net asset value was HK$5 per share. The Board proposes a final dividend of HK3 cents per share (2004: HK3 cents).

Automobile Division

Mainland China

In 2005, the Group continued its role as Regional Distributor for Mercedes-Benz passenger cars in North and East China. In addition, the Group has established dealerships. With the introduction of the Automobile Branded Policy by the Central Government, DaimlerChrysler has unified its three Regional Distributorships in Mainland China under a new General Distributor, Mercedes-Benz (China) Ltd. The Group holds a 49% equity stake in this new company. The new National Distribution arrangement will commence in 2006.

For the year under review, a significant growth of 62% in sales was achieved, reflecting the successful run out of the previous S-Class and the well-received launch of the new S-Class in October 2005. Sales growth was further supported by the introduction of the all-new CLS and M-Class, as well as ongoing growth in after-sales revenues.

The Group continued to expand our sales and after-sales network as part of an on-going strategy to create a strong dealer group. Looking forward, sales of the locally assembled E-Class launched in December 2005, commenced in January 2006, the all new R-Class will be launched in the 2nd quarter of 2006 and the face-lifted E-Class is scheduled to be launched, along with the new GL model in the 4th quarter of 2006, further enhancing the Group's portfolio.

The change in our equity interest in the Regional Distributor to a 49% equity stake in the new General Distributor for the whole of Mainland China is expected to result in an initial decline in profits from distribution, with this partially offset by growth in our dealership business. In the long-term, this change is expected to be a positive move for the Group, consolidating its position in the promising Mainland market.

For 2006, our key strategies include: the transformation of our business into one of the Mercedes-Benz mega dealer group in the market; the reorganisation of our management structure for the passenger car business and the expansion of the number of dealerships.

Taiwan

The Taiwanese market reported continued growth in 2005 as overall passenger car registrations increased by 6%. For the year under review, our associate importer/distributor company, DaimlerChrysler Taiwan Limited ("DCT"), achieved 3.3% growth in unit sales with a total of 5,430 units sold. Our 34.9% owned retail business, Capital Motors Inc. ("CMI"), increased sales volume by 5.3% to 2,946 units with growth across all DaimlerChrysler brands and Mercedes-Benz continuing to account for over 80% of the volume. CMI currently operates 16 outlets in Taiwan and the company will continue its programme of upgrading its facilities in 2006.

In 2006, the market for imported passenger cars is expected to grow at around 8%. With an improved product line up and the benefit of new facilities, CMI is expecting to perform in line with the market.

Korea

In Korea, market conditions were positive with the imported car registrations segment up by 32%. For the year under review, our retail Mercedes-Benz businesses grew volumes by 41%, boosted by the launch of new models such as the E200, E350, CLS 350 and the new S-Class. Mercedes-Benz Korea, the importer/distributor company in which we hold a 49% stake, grew unit sales by 40% and had a record year in profitability. Our vertically integrated Porsche importer/distributor/dealer registered a 31% increase in unit sales as compared with last year.

After-sales income for the two brands increased by 38% reflecting the growth in vehicle parc, improved service retention rates and the contribution from the first full-year of operation from the Seongsu Workshop.

The outlook for 2006 is positive with Mercedes-Benz and Porsche projecting strong sales increases as the growth in imported vehicle registrations continues and both brands benefit from strong product ranges. In addition, the Group has recently acquired a plot of land in Busan, Korea's second largest city, on which a new Porsche showroom/express services facility will be built in 2006. We will continue our strategy of upgrading our facilities with a new Mercedes-Benz Showroom and Express Service Centre scheduled to open toward the end of 2007. We will also pursue an ongoing programme of upgrading our customer services to further enhance the premium image of our brands.

Vietnam

2005 was our first full year of operation as a Mercedes-Benz dealer in the Vietnam market. More than 300 vehicles were sold within the first year of operation, of which the majority were locally assembled light commercial vehicles. In addition, our service workshops reported a throughput of close to 1,400 vehicles.

The outlook for 2006 is positive and with these improved facilities we anticipate increasing our share of Mercedes-Benz sales in Vietnam, as well as achieving significant growth in service workshop throughput.

Machinery Division

Mainland China

For the year under review, the Group reported an increase of 9% in total revenue as compared to 2004, with Machines up by 14%, Engines down by 5% and the product support business up strongly by 19%.

The overall hydraulic excavator market in Eastern China shrank by 20% in 2005, reflecting the cool down in infrastructure development that began in 2004. Despite this, volume growth of 8% was achieved while market share increased from 12% to 17% through improved sales coverage and the availability of customer financing through Caterpillar China Finance Limited.

In power systems, 878 engines were sold in 2005, representing a 10% reduction in unit volume as compared with 2004, mainly due to a decline in demand for stand-by generator sets. The decline in this segment was partially offset by growth in sales to the industrial and petroleum segments.

Our product support business had a good year in 2005 with both parts and labour sales showing strong growth. This growth was a result of an increase in the number of machines in operation, enhanced staff and branch capability, improved customer coverage and a more competitive merchandising programme for Caterpillar parts. More than 600 customer service agreements for hydraulic excavator customers were concluded for the year under review.

We continue to strive to provide total product support to our customers and this was progressed through the addition of two new branches in Linyi and Jilin in Shandong province and the expansion of our main Kunshan workshop facility. Other strategic developments included the establishment of a machine and engine rental business and a used equipment sales organisation. The distribution rights were secured for the domestic-built SEM wheel loaders in both Jiangsu province and Shanghai as well as the large Terex/O&K hydraulic mining shovel range. Our engine business also expanded into the large gas compression products, in line with the emerging availability of natural gas in the area.

Looking forward, the outlook remains generally positive. In addition to maximising new machine and engine sales, we will continue to concentrate on further enhancements to our organisation, utilising 6Sigma methodology, with particular emphasis on our product/customer support facilities, capabilities and personnel development.

Taiwan

In Taiwan, the Group's total revenue increased by 46% over 2004 with strong growth in all product groups as well as in product/customer support. The Machinery market grew 27% in unit terms with unit sales up 54% as market share was improved from 15% to 18%. This increased market share and sales growth across the business demonstrate the benefits of the strategic review carried out shortly after acquisition in 2004.

The major milestones of 2005 include the completion of an extensive renovation project at the Tainan branch and the opening of a new contact office in Hsinchu. In addition, the product line was expanded with the successful launch of the Skid-Steer Loader. A further expansion of the product line up is planned for 2006.

In 2006, further improvements in market share are targeted. However the rapid growth in world-wide demand for Caterpillar products has led to product shortages, extended delivery times and further price increases and this represents a potential risk to the achievement of our market share targets.

Property Division

Mainland China

Sales of HK$473 million were achieved in 2005, a significant increase over the HK$129 million recorded in 2004.

Beijing: Sales of Starcrest Phase 1 were recognised in 2004, with sales of the car park units recognised in 2005. Pre-sales of Starcrest Phase 2 have progressed well with sales and purchase agreements signed for 58% of the units and a significant portion of the cash received. Completion and recognition of sales for this phase is scheduled for 2006. Phase 3 plans have been drawn up. The relocation phase for LSH Plaza in Beijing has been completed and application for the construction permit is in process for the development of three commercial towers with an estimated GFA of 159,000 sq.m. in the Wangjing, Chaoyang District of Beijing.

Shanghai: Lei Shing International Plaza is now substantially complete. Sales of the commercial and retail towers were recognised in 2005. Pre-sales of the residential sales have been excellent with 95% of the units sold and customer deposits of RMB600 million collected. Sales will be recognised in 2006 with the formal hand-over of these units to the purchasers. Negotiations with the local authority continue with respect to our Cheng Du land.

The outlook for 2006 is for increased sales with the recognition of Starcrest Phase 2 and Lei Shing International Plaza residential sales. However, as these are lower margin individual sales rather than the en-bloc sales recognised in 2005, the profits to be generated from the 2006 sales are anticipated to be lower. In the longer term, the demand for higher standards of both residential and commercial property is expected to remain strong in line with the country's economic growth and this should provide further opportunities for the Group.

Trading Division

In 2005, external sales were up 19% due to additional wood-based product sales to a major new customer. The wood products market in Mainland China remained extremely competitive during the year, with margins impacted by escalating fuel prices and ocean freight rates reaching unprecedented highs. Watch component sales improved by 13% reflecting improved consumer spending in Hong Kong and increased tourist arrivals. Fertilizer and chemical sales declined year on year by 21%.

2006 is expected to show a decline in total sales with the end of the internal automobile sales following the restructuring of distribution in China. Sales of wood-based products are depressed and the situation is not likely to improve until the second quarter of 2006. The demand for fertilizer is also likely to remain weak well into the first half of 2006. We are exploring new product lines and sales to new markets in order to offset this and a new trading company is also being established in Shanghai, which is expected to commence operations in 2006.

Financial Services Division

Our proprietary foreign exchange trading business had a disappointing year. In view of the non-core nature of this activity, the operation has been significantly scaled down.

Profits in our proprietary equity trading business were significantly down on what was a very strong performance in 2004. Lower daily trading volumes for the Hang Seng market in the first half plus a loss of market share, with low cost trading being marketed by a number of the major players, led to a decrease in turnover for our securities brokerage business during the year. For term loan financing, a lower average loan portfolio due to the repayment of loans resulted in lower interest income, which was in part offset by higher interest rates and new loans granted in the later part of the year.

The main Asian equity markets have started the year positively and an improved performance is expected for 2006.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position remains sound. At 31 December 2005, the Group's shareholders' funds increased by 5% to HK$5,297 million as compared to HK$5,023 million at 31 December 2004.

The Group's total banking facilities stood at HK$10,195 million and term loans amounted to HK$1,733 million, as compared to HK$7,947 million and HK$1,882 million, respectively, recorded in the previous year. The Group has adequate banking facilities to fund its ongoing operations, including capital expenditure, for the coming fiscal year.

Gearing

At 31 December 2005, the Group's gearing ratio measured on the basis of total debts to equity was 57% against 65% at 31 December 2004 with the reduction due to significant reductions in working capital. Finance costs for the year ended 31 December 2005 were covered 4.1 times by EBITDA (including associates' results) as compared to 5.7 times for the year ended 31 December 2004.

Capital Structure

During the year, 11 million 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 million. The warrant subscription reserve of HK$5.5 million attaching to the exercised warrants was accordingly reclassified into the share premium account.

Interest Rates and Foreign Currency Exposure

The Group's financing and treasury activities are monitored by a Central Treasury at the corporate level. The Central Treasury structures to match the tenure of its borrowings with its assets and liabilities. The Group also aims to minimise its risks of currency exposure in its Trading and Distribution businesses by matching the currency of importing with the selling currency.

Contingent Liabilities

At the balance sheet date, the Group had contingent liabilities in respect of bank guarantees amounting to HK$31 million (2004: HK$16 million).

At 31 December 2004, the Group had contingent liabilities in respect of bills discounted with recourse amounting to HK$283 million.

At the balance sheet date, the Company had contingent liabilities relating to guarantees given to banks to secure general banking facilities granted to subsidiaries amounting to HK$8,030 million (2004: HK$5,992 million).

PROSPECTS

The Group has a well-defined strategy for growth and we will continue to seek opportunities to extend our reach in Northeast Asia. Mainland China continues to be a major focus of our efforts. As one of the fastest-growing markets in the world, the opportunities are truly immense. Inevitably the strong economic growth of the nation has attracted the attention of most leading global companies. As such, the level of competition from both local and international companies continues to intensify. Our focus is on providing high quality service from world-class facilities as a key competitive advantage.

2006 will be a transformational year for our Automobile Division in China. The reorganisation of the distributorships in Mainland China is expected to adversely impact profitability in the near-term. We will focus our efforts on the formation of a major dealer group with unified management structure to maximise the Group's returns. The long-term growth potential for automobiles sales in Mainland China, Korea and Taiwan is promising and the Group is well-placed to capitalise on this opportunity. We will also continue to provide quality after-sales services through our rapidly growing network. This will enhance the value of the brands that we represent as well as generating a growing revenue and profit stream.

Despite the cooling down resulting from the macro-economic policies, the high levels of infrastructure development in Mainland China bode well for the prospects of our Machinery Division. We look forward to improving machine and engine sales, as well as improving our product/customer support revenues.

For our Property Division, we will continue to focus on tier one cities in Mainland China as we expand our portfolio of properties for sale and leasing. We will enhance the value of our property projects by creating a high-quality living environment within them. The demand for quality residential and commercial projects in major cities in Mainland China is expected to remain strong and we will leverage on this trend.

EMPLOYMENT POLICY

The Group employs 3,066 staff based in Asia. The Group is dedicated to nurturing the development of a dynamic and loyal workforce. Sound business practices have therefore been implemented and professional support is provided where needed. The Group recognises that in order to sustain continuing success, a professional and motivated workforce is a key component in the company's development. Competitive remuneration packages are offered by the Group to attract and retain the highest quality employees.

POST BALANCE SHEET EVENTS

On 6 March 2006, the Group acquired additional 25% interests in Northern Star Automobile (Hong Kong) Limited and Northern Star (Tianjin) Automobile Limited, both being 59% subsidiaries engaged in the trading of motor vehicles. The purchase consideration of HK$87.2 million for the acquisition was in the form of cash. The acquisition generated goodwill estimated at HK$27.6 million, which will be capitalised and tested for impairment at least annually.

On 19 April 2006, both Mr Volker Josef Eckehard Harms and Mr Poh Yeow Kim Lawrence resigned as Executive Directors of the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 19 May 2006. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about 25 April 2006.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and Registers of Members and Warrant holders of the Company will be closed for the period from 13 May 2006 to 19 May 2006, 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, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12 May 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the accounting period covered by the annual report except for the following deviations.

Code Provision A.2.1

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company has not appointed a Chairman. The duties of the Chairman and the Chief Executive Officer have been assumed by the Managing Director, Mr Gan Khian Seng. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person facilitates the execution of the Group's business strategies and maximises the effectiveness of its operations. The Board shall nevertheless review the structure from time to time.

Code Provision A.4.1

This Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The term of office for non-executive directors is the same as for all directors, that is, no specific term and subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's articles of association. At every annual general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. The Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code.

Code Provision B.1.1

This Code stipulates that a remuneration committee should be established with specific terms of reference.

The Company established a remuneration committee on 22 September 2005 and the Code Provision in B.1.1 of the CG Code has been complied with as from 22 September 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer ("the Model Code") contained in Appendix 10 of the Listing Rules as its own codes of conduct regarding securities transactions by directors. Having made specific enquiries, all directors have confirmed that, in respect of the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Board of the Company has formed an Audit Committee to review and monitor the financial reporting process and internal control of the Company. 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 the review of the audited financial statements for the year ended 31 December 2005. The Audit Committee of the Company currently comprises two independent non-executive directors, Mr Fung Ka Pun and Mr Hubert Meier, and one non-executive director, Mr Victor Yang. Mr Fung Ka Pun is the Chairman of the Audit Committee.

PURCHASE, 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 during the year.

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

All information required by paragraph 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Lim Mooi Ying, Marianne
Company Secretary

Hong Kong, 19 April 2006

As at the date of this announcement, the Executive Directors of the Company are Mr Gan Khian Seng, Mr Yong Foo San and Ms Lim Mooi Ying, Marianne. The Non-Executive Directors are Mr Christopher Patrick Langley, Mr Victor Yang and Mr Lam Kwong Yu 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"