

# CHAIRMAN'S STATEMENT

## Results Overview

2006 was a year of solid progress for the Group, with another strong performance from the Automobile and Machinery Divisions and a significant turnaround in the Financial Services Division.

Revenue for the financial year ended 31 December 2006 was HK\$18 billion representing a 33% increase over 2005. Automobile and Machinery Divisions were the major drivers of this growth. Profit attributable to shareholders amounted to HK\$315 million, a 10% increase over the previous year. Basic earnings per share for the full year was HK29.7 cents with a net asset value of HK\$5.4 per share attributable to ordinary equity holders of the parent. The Board proposes a final dividend of HK3 cents per share (2005: HK3 cents).



# dynamic management

## Strategy Update

The key elements of the Group growth strategy continue to be:

- Expansion of the Automobile business with the leveraging of premium automobile product sales from a combination of excellent marketing programmes, superior customer support services delivered by highly qualified professionals from state of the art conveniently located facilities, providing Mercedes-Benz and Porsche in North Asia the most successful retail partnership in terms of passenger car sales, customer satisfaction and profitability.
- Further investment and development of the Machinery Division as a world-class solutions provider, offering a wider range of Caterpillar premium products, superior product support capability all aligned to Caterpillar's "Vision 2020" of strengthening the Caterpillar Brand in rapidly expanding regional markets.
- The Property Division sourcing and development of quality property projects in Mainland China's leading cities, and consolidating the performance of property management and leasing services.
- The Trading Division providing complementary services to other Divisions, particularly Automobile and Machinery, whilst broadening the range of products and new sources from Mainland China and Korea.
- Financial Services opportunity for growth with the Hong Kong credit financing portfolio in a niche market in parallel with commercial banks.

These strategies are designed to build on the Group's key competitive strengths:–

- Strong and diverse business portfolio
- World class range of leading brands
- Longstanding strategic alliances and business partnerships
- Extensive North Eastern Asian distribution network.

## 2006 Highlights

The Automobile Division enjoyed another sterling performance in 2006. In Mainland China the division completed a transition from the role of a regional importer, distributor and dealer to that of a major retail dealer group under a unified management structure. The division operated 43 outlets across the Northern and Eastern Regions of Mainland China. The results reflect the growth of the market in Mainland China and the strong performance of the import segment in Korea.

The Machinery Division delivered revenue growth of 20% in 2006 mainly from improved new machine and product support sales in Mainland China. Taiwan improved their market share of new machines.

The Property Division increased revenues from HK\$473 million in 2005 to HK\$622 million in 2006 mainly due to the recognition of revenues representing 98% of residential units at Lei Shing International Plaza at Yan An Xi Road in Shanghai.

Overall Trading Division results were adversely affected by the substantially lower business volume achieved in 2006.

A significant turnaround was achieved by Financial Services in 2006, with the absence of losses in foreign exchange, improved proprietary share trading, better results from the Credit unit, and a stronger performance from Security Brokerage.



## Prospects

The major markets the Group operates in continue to perform well with growth in Mainland China GDP anticipated to be around 9% for 2007. The new year got off to a positive start and management continues to be confident about the future. The markets the Group operates in have excellent long term potential and the Group is well placed to capitalise on these opportunities. The focus remains on providing our customers differentiated premium products and superior after sales services from an extensive and growing network.

## Corporate Governance

The Board of Directors believes that sound corporate governance is fundamental to our growth. Based on the core principles of fairness, transparency and accountability, the Group has strived to maintain a high standard of corporate governance through the establishment of a comprehensive and efficient framework of policies, procedures and systems and the promotion of a responsible corporate culture. The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee. Full details on the subject of corporate governance are set out in the section under Corporate Governance Report of this Annual Report.

## Our People

The progress achieved across the Group's diverse businesses could not have been possible without the commitment and application of our people. I would like to take this opportunity to thank the management and staff for their dedicated efforts throughout the year. The Group will continue to invest in human resource development recognising it is as a critical success factor to maintain the momentum for growth in our diverse business operations.



## Our Customers, Partners and Stakeholders

The unwavering support of our customers, business partners and other stakeholders is a key factor in our success. I would like to thank our growing number of customer and esteemed business partners for their continued support, in particular DaimlerChrysler and Caterpillar.

## Our Future

We continue to be excited about the future and are working hard as a team to ensure the Group continues to prosper. We remain optimistic about the long-term growth prospects of the company based on our defined growth strategies, experienced management team and distinct competitive advantages. For 2007 and beyond we are committed to generating more value for our customers and partners and to improving returns to our shareholders.

**David Park**

*Chairman*

19 April 2007