Managing Director's Statement

In the year under review, the Group made good progress and is well positioned to capitalise on Northeast Asia's long-term growth potential. In our Automobile and Machinery divisions, we are continuing with our program of investment in new facilities and extending our quality after-sales service capabilities. In our Property division, our strategy of focusing on the creation of high-quality living environments was endorsed by the successful sales of "Starcrest" in Beijing's Wangjing district and "Lei Shing International Plaza" at Yan An Xi Road in Shanghai. Our Trading division continued to benefit from the economic growth in Mainland China while the improved investment environment, particularly in Hong Kong, helped our Financial Investment and Services division.

In the first quarter of 2004, sales of cars and excavators were higher than the corresponding period in the previous year. However, Mainland China's implementation of macro-economic policy measures to prevent overheating in the economy at the start of the second quarter inevitably impacted our automobiles and machinery operations.

For the full year 2004 the Group achieved turnover of HK$8,547 million, a 7% decrease on the prior year. This decline was largely due to the impact of the macro-economic measures on automobile and machinery sales. Despite the lower turnover, profit attributable to shareholders of HK$240 million, increased by 2.4% on 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 the prior year.

The Group is continuing to expand its already well-established sales and quality after-sales support network. Our new Mercedes-Benz flagship facilities in Shanghai opened in May 2004. This state of the art facility will enhance the ownership experience and is expected to deliver enhanced customer satisfaction and further strengthen the brand. Our operations in Taiwan made good progress in a steadily expanding market with investment in a showroom refurbishment program now well advanced. In Korea, the Group invested in new facilities for Mercedes-Benz and Porsche and continued its program of enhancing after-sales and customer service. The Group also entered Vietnam during the year with a Mercedes-Benz dealership in Ho Chi Minh City.

The Machinery division had another good year with further progress achieved in our strategy of upgrading and expanding customer support facilities. In addition, we made a successful entry into the Taiwan market, with Capital Machinery Limited, a new subsidiary company established in February 2004 making a positive contribution. The Machinery division's results were adversely impacted by Mainland China's tighter monetary policies, which slowed infrastructure programs and reduced demand for machinery. However, growing requirements for power resulted in strong growth in our power systems business, with this and strong growth in our product support business offsetting the decline in machinery sales.

In our Property division, consumers were affected by the macro-economic policies with limits on the number of units that each homeowner is allowed to purchase. The Central Government also restricted loans to property developers. Nevertheless, the Group achieved record property sales for "Starcrest" in Beijing and "Lei Shing International Plaza" at Yan An Xi Road in Shanghai.

The Group has a well-formulated strategy for expansion with a focus on Northeast Asia, particularly in Mainland China. Our aim is to expand our representation geographically in our Automobile and Machinery divisions by leveraging our strengths and we will continue to seek opportunities to enter new markets in Asia.

In our Automobile division, we believe focusing on Mainland China is a sound strategy for growth. Mainland China is the fastest-growing market in the world, with foreign brands gaining increasing popularity. At the end of 2004, Chinese vehicle registrations represented 8.1% of global vehicle output. The Group believes the economic outlook for Mainland China remains excellent and the economic tightening seen to date will help to maintain a sustainable rate of growth. A key catalyst for automobile sales will be the continuing liberalization of the auto-retailing and auto-financing industry, required by the World Trade Organization. In Taiwan, the Group expects to benefit from the forecast growth of between 8% and 10% in the automobile market in 2005, driven by demand for replacement vehicles, new model launches and an improved economy.

For our Machinery division Mainland China continues to be an attractive market and we are well positioned to benefit from the high levels of infrastructure development. In the near term we see excellent opportunities for our power systems business and we also anticipate growth for our product support business as machine populations increase. In 2005 we will be establishing a Caterpillar refurbishing center in Yangzhou in Jiangsu Province with this operation designed to further enhance customer confidence in the brand and extend the working life of Caterpillar machinery.

Our strategy in Property is to continue focusing on major cities in Mainland China, such as Shanghai and Beijing as we build a portfolio of properties for sale and leasing. We will engage in further residential development, providing quality mid-market apartments in attractive settings at value-for-money prices. Over the longer term, we aim to build a sizeable land bank in premium locations in major cities in Asia and capitalize on our established reputation for high quality property. Our Property division has achieved much in the past two years and we now have an established track record of property development and sales in Mainland China. We believe ongoing strong demand for both residential and commercial property in major cities will provide an attractive market for our property business.

For our Trading business we see growth in South East Asia, and particularly Indonesia and we will be further strengthening our operations in Singapore as a base for covering this region. The operation in Hong Kong will continue to focus on Northeast Asia and the opportunities resulting from the further liberalization of the Chinese market. It is envisaged our Trading and Financial Investment and Services businesses will work closely together in providing credit and export markets for Chinese manufacturers.

We continue to recognize the key role of human resources across all our businesses. The progress we have achieved in the fast growing and rapidly changing markets in which we operate is testament to the skills, hard work and commitment of our people and on behalf of the Board, I would like to thank our people for their contribution.

We see many opportunities ahead of us and are optimistic about the future. We are continuing our program of investment geared to providing excellence in service and remain committed to generating even more value and returns for our shareholders, partners and customers.

Gan Khian Seng
Managing Director

Hong Kong
14 April 2005