

Letter to Shareholders

“If you torture the data long enough, they will confess.”

MIT T-shirt

“Give me any man for 24 hours, and I’ll have him confessing and believing that he is the King of England.” – Lavrenty Beria, Stalin’s police chief

To the Shareholders of Lee Hing Development Limited :

At the end of 2004, the book value of Lee Hing shares was HK\$4.92 which was up 33.7 percent from the close of 2003. By comparison the Hang Seng Index was up 13.15 percent. Those are the good, friendly data.

The bad, unforgiving data are that for the past 17 years during the stewardship of the current management, Lee Hing’s book value (after including all dividends and adjusting for the rights and bonus issue of 1987) increased from HK\$3.01 to HK\$11.71. Which is an average annual growth rate of 8.3 percent compounded. This figure is below the 10.6 percent achieved by the Hang Seng Index. Shareholders would have been better off if they had simply invested in the Hang Seng Index.

In spite of hours spent under mathematical torture, the data have stubbornly refused to confess to any other conclusion. Since then, I have thrown that MIT T-shirt away and lost my faith in Beria.

I am confident, given the successful showing of the Company this past year in spite of a major natural disaster striking at our biggest investment, shareholders will get a better return in the future and the gap with the Hang Seng Index will narrow.

Amanresorts: SARS and the Century Tsunami

Amanresorts, our biggest investment, rebounded from the terrible SARS-infected year of 2003. The loss was reduced from US\$14.0 million to US\$6.1 million. This investment continues to be a drag on our results.

We worked hard to prepare for a much better year in 2005, but the bottom line will be affected by the Century Tsunami of December 26, 2004. The hotels in Phuket and Sri Lanka suffered physical damage of less than US\$2 million, which was largely covered by insurance. The brunt of the impact on the bottom line will come from tourist cancellations. In time, tourists will return to Phuket and Sri Lanka, but in the meantime business will be adversely affected.

Letter to Shareholders (Cont'd)

Appreciation

On behalf of the Company, I would like to place on record our appreciation and thanks for the invaluable advice of the late Dr. Ho Tim. We will miss his wisdom.

Going Forward

I will explore ways of giving shareholders a better return.

Tan Boon Seng
Chairman

Hong Kong, 27 April 2005