LEI SHING HONG LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2003

INTERIM RESULTS

The Board of Directors (the "Board") of Lei Shing Hong Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 together with the comparative figures as follows. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

		Six months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**4,333,358**	2,715,310
Cost of sales and services		**(3,899,051)**	(2,296,043)
Gross profit		**434,307**	419,267
Other revenue and gains		**78,010**	58,871
Selling and distribution costs		**(44,440)**	(72,638)
Administrative expenses		**(148,591)**	(147,006)
Other operating expenses		**(128,777)**	(128,510)
Profit from operating activities	*2, 3*	**190,509**	129,984
Finance costs		**(42,996)**	(38,970)
Share of profits less losses of:			
A jointly-controlled entity		**8,760**	40,263
Associates		**343**	35,742
Profit before tax		**156,616**	167,019
Tax	*4*	**(48,572)**	(30,120)

Profit before minority interests		**108,044**	136,899
Minority interests		**(4,865)**	(26,204)
Net profit from ordinary activities attributable to shareholders		**103,179**	110,695
Earnings per share	*5*		
– Basic		**10.85 cents**	11.64 cents
– Diluted		**10.37 cents**	11.08 cents
Dividend	*6*	**Nil**	Nil

Notes:

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of these condensed consolidated interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2002 except as disclosed below.

The following revised SSAP and interpretations are effective for the first time in the preparation of the current period's condensed consolidated interim financial statements:

- SSAP 12 (Revised): "Income taxes"
- Interpretation 20: "Income taxes – Recovery of revalued non-depreciable assets"
- Interpretation 21: "Income taxes – Changes in the tax status of an enterprise or its shareholders"

The major effects on the Group's accounting policies disclosed in these financial statements of adopting these SSAP and Interpretations are summarised as follows:

SSAP 12 (Revised) prescribes the accounting treatment and disclosures for income taxes. The principal effect of the adoption of this revised SSAP is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the unaudited condensed consolidated interim financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in the SSAP, the new accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform with the changed policy.

2. Segment Information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is as follows:

	Turnover Six months ended 30 June		Contribution to profit from operating activities Six months ended 30 June	
	2003	2002	**2003**	2002
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trading of motor vehicles and spare parts	**2,473,159**	1,454,171	**104,934**	82,198
Trading of heavy equipment	**1,219,258**	754,771	**62,223**	39,170
Property development and investment	**90,921**	–	**(6,013)**	(55,962)
General trading and services	**1,822,074**	1,527,340	**26,583**	23,213
Securities broking and trading	**6,256**	14,390	**2,302**	34,542
Trading of foreign exchange	**(19,788)**	29,525	**(10,968)**	10,506
Others	**12,456**	11,753	**28,538**	3,428
	5,604,336	3,791,950	**207,599**	137,095
Intersegment eliminations	**(1,270,978)**	(1,076,640)	**(17,090)**	(7,111)
	4,333,358	2,715,310	**190,509**	129,984

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

	Turnover Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
People's Republic of China:		
Hong Kong	**409,367**	540,628
Mainland China	**2,746,979**	1,432,314
Other Asian countries	**1,177,012**	742,368
	4,333,358	2,715,310

3. Profit from Operating Activities

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

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**25,678**	19,286
Amortisation of goodwill	**32,180**	23,907
Amortisation of trading rights	**150**	150
Provision for doubtful debts	**4,507**	4,353
Provision for slow-moving inventories	**273**	217
(Write back of provision)/provision for foreseeable losses on properties held for sale	**(11,524)**	52,721
Unrealised gains on revaluation of short term investments	**(5,560)**	(27,064)
Dividend income from listed investments	**(1,390)**	(950)
Rental income, net	**(8,417)**	(6,346)
Interest income	**(17,616)**	(22,062)
Net gains on dealing in listed investments	**(2,478)**	(11,133)

4. Tax

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**2,003**	406
Elsewhere	**44,581**	34,481
	46,584	34,887
Deferred tax:		
Current year	**(846)**	(13,518)
Attributable to increase in tax rate	**(440)**	–
	(1,286)	(13,518)
Tax attributable to the Company and its subsidiaries	**45,298**	21,369
Share of tax attributable to a jointly-controlled entity	**1,019**	8,809
Share of tax attributable to associates	**2,255**	(58)
	48,572	30,120

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. 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.

Deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. In March 2003, the Hong Kong Government announced an increase in the profits tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%, which was passed by the Legislative Council in July 2003. The increase is taken into account in the preparation of the Group's 2003 condensed consolidated interim financial statements.

5. Earnings Per Share

The calculations of basic and diluted earnings per share for the six months ended 30 June 2003 are based on the following data:

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Net profit attributable to shareholders for the period for the purpose of basic and diluted earnings per share calculations	**103,179**	110,695
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**951,168,826**	951,168,546
Weighted average number of ordinary shares: Assumed issued at no consideration on deemed exercise of all warrants outstanding during the period	**44,033,990**	48,075,479
Weighted average number of ordinary shares used in diluted earnings per share calculation	**995,202,816**	999,244,025

6. Dividend

At a meeting of the Board of Directors held on 18 September 2003, the directors did not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

OPERATIONAL REVIEW

Automobile Division

Turnover of the Automobile Division of the Group increased by 70% for the period under review as compared to that of previous year. Despite the steady demand in Taiwan and the overall growing demand for luxury cars in China and Korea, the continued appreciation of the Euro against Asian currencies during current period rendered European cars less competitive. Also affecting revenues was the SARS (Severe Acute Respiratory Syndrome) outbreak, which adversely affected vehicle sales during the first half of 2003.

In China, tariffs for vehicles with engine capacity of 3 litres and below was reduced from 43.8% to 38.2% and those with engine capacity of above 3 litres was reduced from 50.7% to 43%. In April 2003, construction commenced on the Group's new multi-function flagship building in Shanghai.

The second half of 2003 should reflect an improved performance helped by a full-year China economic growth forecast of 7%. The Group will further leverage its competitive advantage – based on a well-established network of dealerships – with a commitment to increase staff productivity and efficiency towards enhancing its sales and service networks.

In Korea, the year commenced strongly, although the Group experienced increased competition from Japanese brands. In an effort to stimulate consumption, in July the government lowered the consumption tax. For the luxury car segment, the tax was reduced from 14% to 10%. The positive effect of this announcement was negated, however, by consumers holding off luxury car purchases in May and June while awaiting the expected tax reduction.

Looking ahead, Han Sung Motor Company Limited of Korea will continuously upgrade its staff capabilities in order to increase its competitiveness. Front-line staff training will be strengthened in customer services, while middle management will focus on building leadership and motivational skills. Dealer principals will be provided with general training and management techniques that more closely align with business requirements of our principal, DaimlerChrysler AG.

In Taiwan, the first half of 2003 featured two significant events that affected the island's vehicle purchases.

Firstly, the SARS outbreak had an adverse effect on both the economy and public confidence which resulted in a GDP forecast of 1.8% (year 2002: 3.6%). Secondly, the strong Euro resulted in the Group's jointly-controlled entity DaimlerChrysler Taiwan Limited adjusting upward the price of Mercedes-Benz cars by nearly 15% from October 2002 to May 2003. However, the Group is reasonably optimistic that Mercedes-Benz sales will pick up with public confidence in an improved local economy.

Machinery Division

During the first half of the year, turnover of the Group's Machinery Division increased by 62% in value terms due to increased government and private-sector spending in the areas of infrastructure and construction.

The Group has developed a branch network within its designated territory and plans to set up additional two branches in Zhejiang Province before the end of 2003 to further augment both sales and product support coverage there.

As well, management will intensify its resources in developing our staff through continuous training programs. The Group also plans to implement systematic new methodology measures throughout the organization in order to streamline its processes and services.

Property Division

An increasing and competitive influx of residential units in Beijing, combined with the SARS outbreak during the second quarter of 2003, adversely affected property sales of Starcrest Phase I. Starcrest is a three-phase property project totaling approximately 400,000 square meters.

Positive indicator materialised in the form of increased maximum loan ceilings from RMB300,000 to RMB400,000 was granted by the Beijing Housing Fund Society from June to August 2003 to boost sales of post-SARS performance. Other indicator includes reduction in property tax from 2% to 1.5% for properties with flat size of 120 square meters and above. However, government measures to curb China's high-end property market have resulted in more stringent regulations on developers. Buildings must now be completed before bank financing loan can be released to these developers and to customers in general.

New measures for Phase I include quality enhancements, new incentive schemes, increasing media awareness, and the heightened marketing efforts along a "value for money" theme. Communal facilities, including a school, supermarket, arcade-style retail shops, and a club managed by a company with international reputation are planned for Phase II. The construction of Phase II in late 2003 should provide significant added value to the project identity.

Trading Division

The Group's Trading Division reported a 19% increase in turnover compared with the same period in 2002. Trading activities continued to be adversely affected by a generally turbulent global economy, fuelled by uncertainties and weak commodity prices resulting from the US-Iraq war and its aftermath.

Competition in the timber sector was strong, with prices remaining weak, a trend the Group foresees likely to continue in the medium term. Fertiliser's turnover outperformed the corresponding period in last year and that of 2003 budget, mainly due to a steady price and a general improvement in the economy of the consuming country, Malaysia. Turnover of the Group's watch component business in Hong Kong was down 22% compared to the same period last year, although an US recovery and a good Christmas season could help boost the volume.

Despite most of countries revising downward their GDP forecasts for full-year 2003, the Group's Trading Division should be profitable for the year.

Financial Investment and Services Division

A volatile foreign exchange market impacted results of the Group's Financial Investment and Services Division.

Overall turnover contracted in first half of year 2003. Turnover of the Hong Kong stock market in May and June was boosted by news that investors from Mainland China will be able to invest in the Hong Kong shares.

Management is focused on increasing its market share in the financial services area by implementing a number of initiatives, including the provision of internet trade through the adoption of an Order Routing System, participating in sub-underwriting, and boosting the number of its quality sales staff.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position remains strong. Shareholders' funds increased to HK$4,300 million as at 30 June 2003 from HK$4,143 million as at 31 December 2002. The Group has a positive cash flow from operations and sufficient bank facilities to fund its ongoing businesses, including capital expenditure in year 2003.

The maturity profiles of the Group's term loans are:

Within one year	HK$702 million
In the second year	HK$337 million
In the third to fifth years, inclusive	HK$222 million

Gearing

The Group has a gearing ratio (long term debt to equity) of 13.0%, compared to 16.5% as at 31 December 2002. Profit from operating activities covers 4.4 times over finance costs for the current interim period ended 30 June 2003, compared to 3.4 times for the year ended 31 December 2002.

Interest Rates and Foreign Currency Exposure

The Group's funding reflects the capital structure of each business. All its financing and treasury activities are monitored by a Central Treasury at the corporate level. The Group structures to match the tenure of its borrowing with its assets and liabilities and manages its interest rates exposure in relation to the interest rates level and outlook. The Group also aims to minimize its risks of currency exposure by buying forward, through hedging mechanisms, where appropriate.

Pledge of Assets

At 30 June 2003, the Group's short term bank loans amounting to HK$693 million (31 December 2002: HK$667 million) were secured by fixed charges on foreign currency bank deposits of HK$767 million (31 December 2002: HK$728 million). A piece of land of HK$11 million (31 December 2002: HK$11 million) held by the Group was pledged to secure a bank borrowing of HK$7 million (31 December 2002: HK$7 million).

Contingent Liabilities

At 30 June 2003, the Group had contingent liabilities in respect of bills discounted with recourse and bank guarantees given in lieu of deposit payments, amounting to HK$775 million (31 December 2002: HK$242 million) and HK$7 million (31 December 2002: HK$9 million), respectively.

PROSPECTS

Looking ahead, the Automobile business in all territories will remain the key growth driver for the Group. With exposure to Euro fluctuation minimised, and continued economic recovery from SARS-affected areas, the Group is cautiously optimistic with respect to this sector.

The Machinery business is forecast to experience good full-year results, with the Group's long-term partnership with Caterpillar Inc. further underpinned by a joint-venture Logistics agreement signed in June 2003. The agreement allows the Group to expand into the fast-growing logistics industry in China and the Asia Pacific region.

An improving property picture in China should emerge over the short to medium term. Along with the Starcrest Phase II starting construction later this year, the Property Division will also begin the development of a 78,000 square meter residential and commercial project in Shanghai in late 2003.

Within its Trading business, the Group foresees continued demand for timber products, particularly tropical wood, in the second half of 2003. The Group believes the fertiliser business will be boosted by continued strong demand from Malaysian palm oil producers.

The Financial Investment and Services Division plans to upgrade its front line trading system.

EMPLOYMENT POLICY

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 4 July 2003, the Group entered into a sale and purchase agreement with an independent third party to dispose of a subsidiary for a consideration of HK$190 million. The disposal was completed on the same date and resulted in a gain on disposal before tax of approximately HK$7 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

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 the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2003.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would reasonably 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") at any time during the six months ended 30 June 2003 except that the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

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

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of 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, 18 September, 2003

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