LEI SHING HONG LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 238)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2004

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 2004 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 2004

		Six months ended 30 June	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**4,763,787**	4,333,358
Cost of sales and services		**(4,328,466)**	(3,899,051)
Gross profit		**435,321**	434,307
Other revenue and gains		**60,856**	78,010
Selling and distribution costs		**(48,623)**	(44,440)
Administrative expenses		**(221,628)**	(148,591)
Other operating expenses		**(106,076)**	(128,777)
Profit from operating activities	*2, 3*	**119,850**	190,509
Finance costs		**(31,814)**	(42,996)
Share of profits less losses of:			
A jointly-controlled entity		**19,519**	8,760
Associates		**29,077**	343
Profit before tax		**136,632**	156,616
Tax	*4*	**(34,149)**	(48,572)
Profit before minority interests		**102,483**	108,044
Minority interests		**(7,415)**	(4,865)
Net profit from ordinary activities attributable to shareholders		**95,068**	103,179
Earnings per share	*5*		
– Basic		**9.97 cents**	10.85 cents
– Diluted		**9.62 cents**	10.37 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 2003.

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**	
	2004 (Unaudited)	2003 (Unaudited)	**2004 (Unaudited)**	2003 (Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trading of motor vehicles and spare parts	**2,903,429**	2,473,159	**27,225**	104,934
Trading of heavy equipment	**1,211,133**	1,219,258	**47,070**	62,223
Property development and investment	**77,408**	90,921	**(9,128)**	(6,013)
General trading and services	**2,455,100**	1,822,074	**21,553**	26,583
Securities broking and trading	**16,567**	6,256	**23,281**	2,302
Trading of foreign exchange	**1,026**	(19,788)	**2,674**	(10,968)
Money lending	**8,405**	11,352	**948**	11,296
Others	**1,794**	1,104	**10,109**	17,242
	6,674,862	5,604,336	**123,732**	207,599
Intersegment eliminations	**(1,911,075)**	(1,270,978)	**(3,882)**	(17,090)
	4,763,787	4,333,358	**119,850**	190,509

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

	Turnover Six months ended 30 June	
	2004 (Unaudited)	2003 (Unaudited)
	HK$'000	*HK$'000*
People's Republic of China:		
Hong Kong	**488,304**	409,367
Mainland China	**3,085,962**	2,746,979
Other Asian countries	**1,189,521**	1,177,012
	4,763,787	4,333,358

3. Profit from Operating Activities

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

	Six months ended 30 June **2004** **(Unaudited)** ***HK$'000***	2003 (Unaudited) *HK$'000*
Depreciation	**26,023**	25,678
Amortisation of goodwill	**31,932**	32,180
Amortisation of trading rights	**150**	150
Provision for doubtful debts	**5,021**	4,507
Provision for inventories	**661**	273
Write back of provision for foreseeable loss on properties held for sale	**(5,469)**	(11,524)
Unrealised gains on revaluation of short term investments	**(17,844)**	(5,560)
Dividend income from listed investments	**(4,304)**	(1,390)
Rental income, net	**(9,135)**	(8,417)
Interest income	**(17,990)**	(17,616)
Net gains on dealing in listed investments	**(5,384)**	(2,478)

4. Tax

	Six months ended 30 June **2004** **(Unaudited)** ***HK$'000***	2003 (Unaudited) *HK$'000*
Current:		
Hong Kong	**7,912**	2,003
Elsewhere	**15,997**	44,581
Deferred	**(289)**	(1,286)
Tax attributable to the Company and its subsidiaries	**23,620**	45,298
Share of tax attributable to a jointly-controlled entity	**3,373**	1,019
Share of tax attributable to associates	**7,156**	2,255
	34,149	48,572

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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.

5. Earnings Per Share

The calculations of basic and diluted earnings per share for the six months ended 30 June 2004 are based on:

	Six months ended 30 June **2004** **(Unaudited)** ***HK$'000***	2003 (Unaudited) *HK$'000*
Earnings		
Net profit attributable to shareholders for the period, used in the basic and diluted earnings per share calculations	**95,068**	103,179

	Number of shares 2004	2003
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**953,076,212**	951,168,826
Weighted average number of ordinary shares: Assumed issued at no consideration on deemed exercise of all warrants outstanding during the period	**35,643,721**	44,033,990
Weighted average number of ordinary shares used in diluted earnings per share calculation	**988,719,933**	995,202,816

6. Dividend

At a meeting of the Board of Directors held on 16 September 2004, the directors did not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

OPERATIONAL REVIEW

Automobile Division

The Automobile Division's turnover rose by 17% during the first six months of 2004 compared with the same period of last year. The Mainland China, Taiwan and Korea markets were characterised by intense competition in the luxury automobile sector and the continued strength of the Euro against local currencies, which put pressure on margins and forced increases in the prices of some brands.

China

Continued strong economic growth raised GDP by 9.8% during the first five months of 2004. As a result, the number of rich and middle-class consumers, and their disposable incomes, grew steadily. Prices of most imported automobiles declined following reductions of customs import duty for the third successive year as part of China's commitment to WTO (World Trade Organization) membership.

In the latter half of 2003, the Central Government became increasingly concerned about overheating in the economy and began tightening monetary policies. In order to restrain car-purchasing demand, tighter credit for auto-financing regulations was implemented in the second quarter of this year. The outcome was a disappointing 6.7% increase in the overall demand for imported cars for the first half of 2004, compared to the same period last year. This was a setback for the auto manufacturers and created even more intense competition amongst them, and as a result, prices declined.

The turnover of parts increased as a result of the increase in vehicle throughput in the workshops and the decision to dispose of slower-moving items. Careful monitoring of overheads and other expenses ensured that costs remained within budgetary targets.

Under its commitments to the WTO, the Chinese Government will continue to liberalise the auto-retailing and auto-financing industry gradually, thus creating opportunities to increase sales in the near future. The Division remains cautious about the coming months, as the second half of this year will prove to be extremely challenging for the Group. Our Board believe that we have strong financials, well established sales and after-sales support network and professionals to meet these challenges ahead.

Taiwan

The Division distributes Mercedes-Benz and Daimler-Chrysler automobiles, including Chrysler and Smart.

During the coming months, Taiwan's economic development plans are expected to boost economic growth. Import customs duties will continue to decrease, making imported cars more affordable, compared to domestic luxury brands. However, further increases in oil prices may negate the effects of custom duty reduction.

In light of these trends, the Division will continue to strengthen its customer relationship management. By establishing an integrated customer-oriented process and information technology landscape within and across business units and retail network, it aims to enhance the customer satisfaction and brand loyalty.

Korea

Korea's economy was hit by weakened domestic consumption during the first half of 2004. This was partly due to high household debts caused by over-zealous efforts to stimulate domestic consumption. Political tensions with North Korea also contributed to a loss of investor and consumer confidence.

The economic and political situation for the coming months remains uncertain, as the Government attempts to push through reforms against strong opposition. Exports remain strong and the Government has reduced interest rates in recent months to stimulate domestic demand. Two new workshop projects were completed and went into operation in July. The addition of the Daechi showroom is also expected to increase sales volumes in the second half. Customer service training is being stepped up to counteract competition from other brands. After-sales processes and systems will likewise be enhanced during the coming months.

Machinery Division

The Machinery Division's turnover dropped slightly during the first half of 2004.

Sales of parts and services continued to increase, as massive power shortages in many of the cities in China fuelled demand for power generators. The Division was also able to capture an expanded share of the growing demand for hydraulic excavators in the first four months of this year. However, the macroeconomic controls imposed by the Government to cool the economy have severely hampered the growth of machine sales, which also suffered from a lack of competitive financing for end-users.

The nationwide power shortage is expected to persist during the coming six months, and demand for generators is likely to remain at a higher level than for the same period last year. The Division's key competitive advantage will be its extensive branch network, which provides comprehensive sales and field service coverage to customers and a product support capability that differentiate it from its competitors. The opening of a new building in Shanghai to house the entire Power Systems team under one roof will be another key differentiation.

Property Division

The Division's Starcrest development is a three-phase residential project totalling around 400,000 square metres.

Phase 1 of Starcrest is substantially all sold and leased to tenants according to the Division's plan. Units in Phase 2 are scheduled to go on sale in the last quarter of this year. In line with market demand, there will be a higher percentage of smaller apartments, for the middle-market segment. The initial response to Phase 2 has been encouraging, and sales are expected to be good.

The Division's development project on Yan An Xi Road commenced construction of residential and commercial areas and ground floor slab has completed. Sales for this project is also expected to commence in the last quarter of this year.

Under its macro-economic policies, in addition to restricting loans to property developers, the Government has also tightened bank lending and retail financing to limit the number of housing units permitted to be purchased by each homeowner. We expect these measures to weed out the financially weak developers and the property industry will emerge stronger than before.

Barring unforeseen circumstances, looking ahead, we anticipate that the high purchasing power and aspiration to be homeowners, coupled with good locations of the Wangjing and Yan An Xi Road projects will contribute to positive conditions for the our sales in the last quarter of this year.

Trading Division

The Trading Division's sales remained steady during the first half of 2004. The wood-based trading business suffered a downturn in both volume and sales. On the other hand, sales of watch movements and fertilisers fared better.

The market in wood products in China, while very active, also remained extremely competitive during the first half, with imports of log supplies coming from more than 15 countries around the world. Continuing weaknesses in the prices of veneers, plywood and other wood-based finished products failed to lift the prices of round logs. These adverse factors were further aggravated by a dramatic increase in ocean freight charges, arising from an acute shortage of cargo ship space from March 2004 onwards. This coincided with the sudden imposition of austerity measures and tightening of bank credit by the Government; steps which are aimed at cooling the economy.

Steady and sustained agricultural commodity prices, plus a general improvement in the retail economies of importing countries, helped increase sales of fertilisers by about 29% in the first half, although efforts to further improve sales were hampered by a general shortage of supplies and difficulties in securing ship space. Continuing high ocean freight charges also resulted in some suppliers reneging on a few contracts.

The forecast of an imminent growth slowdown as well as the expectation of a soft landing in the China economy do not bode well for timber trading in the second half of this year. Nevertheless, the Group remains cautiously optimistic that China's demand for timber, especially tropical wood, will rise again in the short term, given the ongoing infrastructure development required for the 2008 Olympics in Beijing and the 2010 World Expo in Shanghai, as well as facilities for other international events. At the same time, log shipments to India and Vietnam, where the economies are growing, are expected to increase during the second half.

Following a prolonged period of deflation and weak consumption, which subdued the watch component business in Hong Kong, an anticipated mild revival in the world economy during the second half of the year, together with the growing economic benefits of the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and Mainland China, are set to stimulate an increase in turnover. Barring unforeseen developments, fertiliser-trading turnover is also expected to remain on track during the second half.

Considering all these factors, the Group believes that trading conditions may remain much the same during the coming months.

Financial Investment and Services Division

The turnover of the Division increased substantially during the first four months of 2004. This was mainly attributable to improvements in the Hong Kong stock market, and better sentiment in global markets. There was also a growth in business volumes in overseas markets. At the same time, higher oil prices, possible increases in US interest rates, political instability in the Middle East, and China's imposition of macroeconomic controls all hampered the growth of its business.

The Division will leverage on the strong financial backing of its holding company, which gives it extra leeway to expand or improve its resources, even in difficult times. Its main objectives will be profitability and increased market share in the financial services area. The main strategies for achieving these will be to expand the range of financial products that can be offered to customers, and more marketing activities to promote the Company's image in the industry. Internet trading will be introduced, and the Division intends to participate in sub-underwriting. Additional account executives will be recruited to boost sales volumes. Actions will be taken to improve processes and services to customers. The implementation of a Proprietary Network System (PNS) in conjunction with AMS/3 will also serve to speed up trade execution time, and enhance risk management.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position remains strong. At 30 June 2004, the Group's shareholders' funds increased to HK$4,783 million as compared to HK$4,425 million as at 31 December 2003.

As at 30 June 2004, the Group's total banking facilities stood at HK$6,909 million (31 December 2003: HK$6,028 million) of which term loans amounted to HK$1,152 million (31 December 2003 : HK$954 million). An increase in borrowing for the Group's capital expenditure and working capital requirement was offset by repayments on the terms loans due during the period. The Group has sufficient financial resources and adequate banking facilities to fund its ongoing operations, including capital expenditure in year 2004.

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

Within one year	HK$626 million
In the second year	HK$129 million
In the third to fifth years, inclusive	HK$350 million
Beyond five years	HK$47 million

Gearing

The Group's gearing ratio measured on the basis of long term debt to equity was 11% (31 December 2003: 12%). Profit from operating activities covered 3.8 times over the finance cost for period ended 30 June 2004 as compared to 4.4 times for period ended 30 June 2003.

Capital Structure

During the period, 87,198,807 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$262 million.

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 Central Treasury structures to match the tenure of its borrowing with its assets and liabilities and manages its interest rate exposure in relation to the interest rates level and outlook. The Group also aims to minimise its risks of currency exposure by buying forward, through hedging mechanisms, where appropriate.

Contingent Liabilities

At 30 June 2004, the Group had contingent liabilities in respect of bills discounted with recourse and bank guarantees, amounting to HK$656 million (31 December 2003: HK$690 million) and HK$13 million (31 December 2003: HK$25 million), respectively.

Pledge of Assets

A bank loan of the Group amounting to HK$7 million (31 December 2003: HK$7 million) was secured by the Group's leasehold land and buildings, which had an aggregate net book value at 30 June 2004 of approximately HK$11 million (31 December 2003: HK$11 million).

At 31 December 2003, the Group's short term bank loans amounting to HK$743 million were secured by fixed charges on foreign currency bank deposits of HK$865 million.

PROSPECTS

Looking ahead, the uncertainty of high oil prices, US$ interest rate hike and political instability in the Middle East will continue to post challenges to the Group.

China's positive economic growth and political stability will support business investments and consumer demand, albeit at a more controlled pace with the Government's macro-economic measures in place. The Group will be cautious on new projects but will continue to invest prudently in China for the future, particularly in the automobile, property and machinery businesses.

In addition, the Group is looking at prospects within Asia for the expansion of its core businesses.

Internally, the Group conducts periodic reviews on its processes to streamline, improve and upgrade its systems and human resource. The remaining months of 2004 will prove to be challenging for the Group. The Board remains confident that the Group has the resources, financial and otherwise, to face these challenging times.

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

Mr Lam Kwong Yu has been appointed as an Executive Director of the Company with effect from 4 August 2004. Mr Victor Yang has been re-designated from an Independent Non-Executive Director to a Non-Executive Director of the Company with effect from 16 September 2004 and he remains as a member of the Audit Committee of the Company. Mr Hubert Meier has been appointed as an Independent Non-Executive Director of the Company to take effect from 17 September 2004.

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 2004.

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 at any time during the six months ended 30 June 2004 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 paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are Mr Gan Khian Seng, Mr Yong Foo San, Mr Volker Josef Eckehard Harms, Ms Lim Mooi Ying, Marianne and Mr Lam Kwong Yu. The Non-Executive Director is Mr Victor Yang and the Independent Non-Executive Directors are Mr Fung Ka Pun and Mr Christopher Patrick Langley.

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

Hong Kong, 16 September 2004

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