

INTERIM RESULTS

The board of directors (the “Board”) of Wing Shing Chemical Holdings Limited (the “Company”) is pleased to present the unaudited consolidated accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002, together with the comparative unaudited figures for the corresponding period in 2001, as shown below:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30th September	
		2002	2001
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	133,969	118,760
Costs of sales		<u>(95,711)</u>	<u>(86,517)</u>
Gross profit		38,258	32,243
Other revenues		1,824	2,447
Distribution costs		(6,241)	(4,202)
Administrative expenses	3	(10,551)	(9,781)
Other operating expenses, net		<u>(423)</u>	<u>(67)</u>
Operating profit	4	22,867	20,640
Finance costs		<u>(1,367)</u>	<u>(1,459)</u>
Profit before taxation		21,500	19,181
Taxation	5	<u>(560)</u>	<u>(1,099)</u>
Profit after taxation		20,940	18,082
Minority interests		<u>(988)</u>	<u>(295)</u>
Profit for the period		<u>19,952</u>	<u>17,787</u>
Dividend	6	<u>—</u>	<u>—</u>
Earnings per share			
- Basic	7	<u>0.058</u>	<u>0.051</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September 2002 <i>HK\$'000</i>	As restated Audited 31st March 2002 <i>HK\$'000</i>
Fixed assets	8	34,414	34,054
Current assets			
Inventories		24,272	19,826
Due from shareholders		—	58
Due from related companies		3,709	7,627
Trade receivables	9	69,432	44,685
Other receivables, deposits paid and prepayments		7,064	4,771
Pledged bank deposits		6,739	2,723
Bank balances and cash		10,875	4,511
		122,091	84,201
Current liabilities			
Trade payables	10	(31,194)	(18,390)
Other payables, deposits received and accrued expenses		(9,613)	(6,681)
Taxation payable		(3,747)	(4,007)
Current portion of long-term liabilities	11	(11,667)	(12,215)
Trust receipt loans — secured		(27,350)	(19,545)
Bank overdrafts — secured		(3,083)	(6,369)
		(86,654)	(67,207)
Net current assets		35,437	16,994
Total assets less current liabilities		69,851	51,048
Long-term liabilities		(7,941)	(8,250)
Deferred taxation		(437)	(438)
Minority interests		(5,509)	(6,439)
		(13,887)	(15,127)
Net assets		55,964	35,921
Financed by:			
Share capital	12	404	404
Reserves		55,560	35,517
Shareholders' funds		55,964	35,921

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow from operating activities	18,380	20,478
Net cash outflow from investing activities	(2,897)	(2,872)
Net cash outflow from financing activities	(13,638)	(13,733)
Increase in cash and cash equivalents	1,845	3,873
Cash and cash equivalents, beginning of period	(21,403)	(16,920)
Cash and cash equivalents, end of period	(19,558)	(13,047)
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	10,875	5,479
Trust receipt loans	(27,350)	(13,015)
Bank overdrafts	(3,083)	(5,511)
	(19,558)	(13,047)

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
At 1st April - total equity	35,922	6,959
Profit for the period	19,952	17,787
At 30th September - total equity	55,874	24,746

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 30th April 2002 as an exempted company with limited liability under the Companies Law, CAP 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands.

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalize the structure of the Group in preparation for the listing of the Company’s shares on the Main Board (the “Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13th November 2002, the Company became the holding company of the Group on 21st October 2002. Details of the Group Reorganisation had been set out in the prospectus issued by the Company dated 31st October 2002 (the “Prospectus”). The shares of the Company were listed on the Main Board on 13th November 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the Group Reorganization has been prepared on the basis of merger accounting in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 27 “Accounting for Group Reconstruction” issued by the Hong Kong Society of Accountants (the “HKSA”), under which the unaudited condensed consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the group throughout the period ended 30th September 2002.

The unaudited condensed consolidated accounts have been prepared in accordance with SSAP No. 25 “Interim Financial Reporting” issued by the HKSA.

The accounting policies used in the preparation of the condensed consolidated accounts are consistent with those used in the Prospectus for the year ended 31st March 2002, except for the adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has no material effect on the prior year financial statements.

2. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and trading of paints, blended solvents, plastic colorants and chemical materials.

(a) Primary report format - business segments

	Unaudited				
	Six months ended 30th September 2002				
	Paints and blended solvents	Plastic colorants	Chemical materials	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues					
External revenue	115,577	7,809	10,583	—	133,969
Inter segment revenue	141	3	681	(825)	—
Other revenue	1,944	—	—	(120)	1,824
	<u>117,662</u>	<u>7,812</u>	<u>11,264</u>	<u>(945)</u>	<u>135,793</u>
Total revenue					
Profit from operations	<u>19,468</u>	<u>1,317</u>	<u>715</u>		<u>21,500</u>

	Unaudited				
	Six months ended 30th September 2001				
	Paints and blended solvents	Plastic colorants	Chemical materials	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues					
External revenue	97,273	9,123	12,364	—	118,760
Inter segment revenue	141	3	388	(532)	—
Other revenue	2,447	—	—	—	2,447
	<u>99,861</u>	<u>9,126</u>	<u>12,752</u>	<u>(532)</u>	<u>121,207</u>
Total revenue					
Profit from operations	<u>16,312</u>	<u>1,625</u>	<u>1,244</u>		<u>19,181</u>

- (b) No geographical segment analysis is presented as less than 10% of the Group's turnover and contribution to operating profit is attributable to customers located outside the PRC.

3. STAFF COSTS

	Unaudited	
	For the six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Salaries	14,292	12,807
Pension costs	710	625
Others	—	70
	<u>15,002</u>	<u>13,502</u>

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	For the six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Crediting:		
Gain on disposal of fixed assets	<u>215</u>	<u>81</u>
Charging:		
Depreciation	<u>2,537</u>	<u>2,800</u>

5. TAXATION

	Unaudited	
	For the six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	470	1,070
PRC income tax	90	29
	<u>560</u>	<u>1,099</u>

In the opinion of the Directors, a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and accordingly is not subject to Hong Kong Profits Tax.

Deferred taxation has not been provided for in the condensed consolidated accounts as the amount involved is not significant.

6. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30th September 2002 and 2001.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th September 2002 is based on the unaudited profit for the period of approximately HK\$19,952,000 (2001: HK\$17,787,000) and on the weighted average number of 346,800,000 (2001: 346,800,000) shares that would have been in issue during the period based on the assumption that the Group Reorganization had been completed on 1st April 2001.

No diluted earnings per share is presented as there is no dilutive potential ordinary share during the period.

8. FIXED ASSETS

Movements of fixed assets for the six months ended 30th September 2002:

	Unaudited <i>HK\$'000</i>
Net book value at 1st April 2002	34,054
Additions	3,112
Disposals	(215)
Depreciation	(2,537)
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Net book value at 30th September 2002	<u>34,414</u>

9. TRADE RECEIVABLES

The majority of the Group's sales are entered into on credit terms ranging from 30 to 120 days. The ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	Unaudited At 30th September 2002 <i>HK\$'000</i>	Audited At 31st March 2002 <i>HK\$'000</i>
0 - 30 days	27,328	18,840
31 - 60 days	9,635	6,279
61 - 90 days	15,002	9,112
Over 90 days	17,467	10,454
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	<u>69,432</u>	<u>44,685</u>

10. TRADE PAYABLES

The ageing analysis of trade payables at the respective balance sheet dates is as follows:

	Unaudited	Audited
	At	At
	30th September	31st March
	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	13,476	8,098
31 - 60 days	5,958	3,341
61 - 90 days	7,830	4,663
Over 90 days	3,930	2,288
	<u>31,194</u>	<u>18,390</u>
	<u><u>31,194</u></u>	<u><u>18,390</u></u>

11. LONG-TERM LIABILITIES

	Unaudited	Audited
	At	At
	30th September	31st March
	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans (<i>note (a)</i>)		
Secured	15,280	16,593
Unsecured	723	802
Obligations under finance leases (<i>note (b)</i>)	3,605	3,070
	<u>19,608</u>	<u>20,465</u>
Less: Current portion of long-term liabilities		
Bank loans, secured	(9,825)	(10,657)
Obligations under finance leases	(1,842)	(1,558)
	<u>(11,667)</u>	<u>(12,215)</u>
	<u><u>7,941</u></u>	<u><u>8,250</u></u>
The analysis of the above is as follows:		
Wholly repayable within five year	<u><u>19,608</u></u>	<u><u>20,465</u></u>

- (a) The Group's bank loans are repayable as follows:

	Unaudited	Audited
	At	At
	30th September	31st March
	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,825	10,657
In the second year	2,550	2,240
In the third to fifth year	3,628	4,498
	<u>16,003</u>	<u>17,395</u>

- (b) The Group's obligations under finance leases are repayable as follows:

	Unaudited	Audited
	At	At
	30th September	31st March
	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,765	1,558
In the second year	1,082	840
In the third to fifth year	758	672
	<u>3,605</u>	<u>3,070</u>

12. SHARE CAPITAL

At 30th September 2002, the Group Reorganization has not yet been completed and accordingly the share capital of Wing Shing Group Limited, which was a holding company of members of the Group prior to the Group Reorganization, is presented in lieu of the share capital of the Company for the purpose of this interim report.

13. COMMITMENTS

(a) Capital expenditure commitments

The Group had capital commitments in respect of properties under development as follows:

	Unaudited At 30th September 2002 <i>HK\$'000</i>	Audited At 31st March 2002 <i>HK\$'000</i>
Contracted but not provided for	8,345	8,594

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited At 30th September 2002 <i>HK\$'000</i>	Audited At 31st March 2002 <i>HK\$'000</i>
Not later than one year	905	1,265
Later than one year but not later than five years	—	12
	905	1,277

14. RELATED PARTIES TRANSACTIONS

	For the six months ended 30th September	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Rental expenses for directors' Quarters charged by		
Luen Yat Enterprise Company Limited	360	360
Management fee charged by		
Dongguan Chemicals Import And Export Company, a minority Shareholder of a subsidiary	14	14
Interest expense to Dongguan Chemicals Import and Export company	—	98
Rental expenses charged by Mr. Poon Sau Tin and Mr. Poon Sum and Wing Shing Company	398	398

15. PLEDGE OF ASSETS

At 30th September, 2002, the Group has pledged certain assets with a net book value of approximately HK\$5,357,000 (at 31st March 2002: HK\$5,418,000) to secure back facilities granted to the Group.

16. SUBSEQUENT EVENTS

Subsequent to 30th September 2002, the following significant event took place.

In preparing the listing of the Company's shares on the Main Board, the companies comprising the Group underwent a reorganization to rationalize the corporate structure of the Group and the Company became the ultimate holding company of the Group. The Group Reorganization was completed on 26th October, 2002.

On 13th November, 2002, the shares of the Company were successfully listed on the Main Board and 102,000,000 shares of the Company of HK\$0.01 each (comprising 61,200,000 new shares and 40,800,000 sale shares) were offered to the public by way of placing and public offer ("Share Offer") at HK\$0.50 each. The net proceeds of the Share Offer, after deduction of the expenses payable by the Company, amounted to approximately HK\$23.1 million.

Save as aforesaid, no other significant events took place subsequent to 30th September, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September, 2002, the Group recorded a combined turnover of HK\$133,969,000, an increase of 12.8% as compared to the corresponding period last year. Profit from operations also went up to HK\$22,867,000, from HK\$20,640,000 of the previous year.

The increase in turnover was attributable to the steady growth in the Group's paints and blended solvents business, in particular cabinet coatings, powder coatings, baking enamel for metals and emulsion paints. In addition, this division accounted for a 19.3% growth in operating profit, from HK\$16,312,000 in 2001 to HK\$19,468,000 in 2002.

On the other hand, the turnover and operating profit of plastic colorants decreased by 14.4% and 19% respectively as this business segment was still under a development stage and affected by personnel turnovers.

The Group's chemical trading business experienced a temporary setback as its turnover decreased by 14.4% and its operating profit was a modest HK\$715,000. The main reason was due to the possible outbreak of war in the Middle East which triggered the price increase of a wide range of petrochemical raw ingredients.

Prospects

The outlook for the second half of the financial year remains murky. On the one hand, a sluggish world economy, uncertainty in the Middle East and seasonal downturn will continue to affect the Group's plastic colorants and chemical trading business. The bright side is that the PRC economy has maintained its rapid growth, opening up vast opportunities in both the Pearl River and Yangtze River Delta regions.

With a record high of over 750 customers, the Board is confident to be able to capitalize on the business opportunities in the PRC and achieve strong growth in the Group's paints and blended solvents business. The Board is optimistic that the Group's combined annual turnover for 2002-2003 will surpass that of 2001-2002 by implementing the following strategies:

- continue to upgrade the Group's machinery and equipment;
- complete the construction of new factories and staff quarters (partially completed by 15th December, 2002) to manufacture new products such as non-stick coatings;
- continue to strengthen the research and development function to design new products; and
- sustain the growth of Kansai Chemicals (Dongguan) Limited (already commenced business in December 2002) by developing the automotive repair paints market in the PRC.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and loan facilities from banks and its ultimate holding company. As at 30th September, 2002, the Group had total outstanding borrowings of approximately HK\$50,041,000, cash and bank balances of HK\$17,614,000 and assets of approximately HK\$156,505,000. Current assets of the Group on the same date amounted to approximately HK\$122,091,000 whilst current liabilities were HK\$86,654,000. The gearing ratio, calculated by dividing the total current debts by the total assets, was equaled to 0.27 as at 30th September, 2002.

Capital Structure of The Group

As at 30th September, 2002, the Group's cash holding was approximately HK\$17,614,000. The directors are confident that with its cash holdings and banking facilities of approximately HK\$84.1 million, the Group is able to meet current and future operational and capital expenditure requirements.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the period and up to the date of this report. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period and up to the date of this report.

Directors' and Chief Executives' Interests in Equity

As at 31st December 2002, the interests of the Directors and chief executives in the shares of the Company and any associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained under Section 29 of The SDI Ordinance or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Interest in shares		Interest in warrants	
	Personal interests	Corporate interests	Personal interests	Corporate interests
Mr. Poon Sum (<i>Note 1</i>)	26,698,265	216,749,686	3,814,037	30,964,240
Mr. Mok Yu Kong	10,404,000	—	1,486,285	—
Mr. Wong Kwok Leung	6,936,000	—	990,857	—
Mr. Kwok Kwai Sum	—	—	—	—

Note 1: Held through Ever Source Enterprises Limited in which Mr. Poon Sum is legally and beneficially owning shares in.

Substantial Shareholders

As at 31st December, 2002, so far as are known to the Directors of the Company, the following company (other than the Directors of the Company whose interests are disclosed above,) was recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as being directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company:

Ordinary shares held

EVER SOURCE ENTERPRISES LIMITED	216,749,686
Mr. Poon Sau Tin (<i>Note 1 & 2</i>)	26,698,265

Note 1: Immediately upon completion of the Capitalisation Issue and the Share Offer, the Controlling Shareholder will be interested in 216,749,686 Shares, representing approximately 53.13% of the Shares then in issue of the Company. The issued share capital of the Controlling Shareholder is beneficially owned as to 50% by Time Concord limited, a company incorporated in the British Virgin Island ("BVI") with limited liability on 1st August, 2002 and indirectly owned by a discretionary trust, which beneficiaries are family members of Mr. Poon Sum, the chairman of the Company, and as to 50% by Guidance Investments Limited, a company incorporated in the BVI with limited liability on 2nd July, 2002 and indirectly owned by a discretionary trust, which beneficiaries are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, Mr Poon Sum will be deemed to be interested in 216,749,686 Shares, representing approximately 53.13% of the Shares then in issue of the Company, through his shareholding in the Controlling Shareholder and Mr. Poon Sau Tin will be deemed to be interested in 216,749,686 Shares, representing approximately 53.13% of the Shares then in issue of the Company, through his shareholding in the Controlling Shareholder.

Note 2: Mr. Poon Sau Tin and his family have applied for immigration to Canada and the immigration visa was recently granted to them in May, 2002. Mr. Poon Sau Tin has given an undertaking to the Company that he will neither request for any notice nor attend the meetings of directors of any member of the Group, and neither he nor his associates will involve themselves in the decision making of the Group.

Interim Dividend

The Board does not recommend the payment of an interim dividend (30/09/2001: Nil).

Audit Committee

In accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Board established an audit committee on 21st October, 2002 consisting of Mr. Chan Shu Kin, Albert and Mr. Chan Kam Ching, Paul, the independent non-executive Directors of the Company. The objectives of the Audit Committee are to review and oversee the Group's financial reporting and internal control systems.

The Audit Committee had reviewed this interim report before it was approved by the Board.

Compliance with the Code of Best Practice

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by this interim report 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.

By Order of the Board
POON SUM
CHAIRMAN

Hong Kong, 31st December, 2002