

# Chairman's Statement

On behalf of the board of directors (the "Board" or "Directors") of Wing Shing Chemical Holdings Limited (the "Company"), I am pleased to present the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003.

The year 2002/2003 was a milestone for the Group in many ways:

- The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited with effect from 13th November 2002;
- The Group achieved a record high turnover of HK\$266 million;
- The Group established market presence in Yangtze River Delta region, an increasingly important region for China's economic growth;
- Our Research and Development ("R & D") team became a full-fledged department and made significant progress in new product development;
- Our existing production facilities were expanded and upgraded.

Among these encouraging developments and results, I am pleased to report that the Group started to establish a presence in the markets of the Yangtze River Delta region (or broadly speaking the south eastern provinces of China along the coast). This area is expected to contribute significant economic growth to the PRC in the next decade and we are optimistic that our investments will pay off in terms of new business growth and diverse market penetration.

In general, our major products such as toy paints, cabinet coatings and powder coatings continued to sell well, and the number of our customers jumped to a new high of over 1,100. In the forthcoming year, our R & D department will come up with several new products - non-stick coatings, water-based plastic coatings and ultra-violet cured coatings and we are confident that they will be successfully launched in the market.

After several years of rapid expansion, we may tend to become complacent with our past performance. Yet in spite of our accomplishment of many targets last year, both our gross profit (GP) and net profit were less than satisfactory. Our GP was adversely affected by the rise in material costs. In particular, the price for our oil-based ingredients rose sharply because of the impending war in Iraq. Now that the Iraq war is over and the price of crude oil returns to normal, we expect our material cost to remain steady again for the next few years. On the other hand, we must make every effort to control our fixed and variable costs in order to sustain profitability in an increasingly competitive environment.

Finally, I would like to express my sincere thanks to our customers and suppliers for their continuous support, and also my profound appreciation to our staff for their commitment and dedication.

**POON SUM**

*Chairman*

Hong Kong, 28th July 2003