

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 2003, together with the comparative unaudited figures for the corresponding period in 2002, as shown below:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended	
		30th September	
		2003	2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		138,218	133,969
Costs of sales		(106,322)	(95,711)
Gross profit		31,896	38,258
Other revenues		860	1,824
Distribution costs		(8,342)	(6,241)
Administrative expenses		(13,587)	(10,551)
Other operating expenses, net		—	(423)
Operating profit	4	10,827	22,867
Finance costs		(1,408)	(1,367)
Profit before taxation		9,419	21,500
Taxation	5	103	(560)
Profit after taxation		9,522	20,940
Minority interests		(278)	(988)
Profit for the period		9,244	19,952
Dividend	6		
Interim dividend declared		2,040	—
Earnings per share			
— Basic	7	2.3 CENTS	5.8 CENTS

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September 2003 <i>HK\$'000</i>	Audited 31st March 2003 <i>HK\$'000</i>
Fixed assets	8	48,928	45,521
Interest in associated company		150	150
Current assets			
Inventories		24,765	23,881
Due from shareholders		—	351
Trade receivables	9	82,294	65,825
Other receivables, deposits paid and prepayments		11,058	5,521
Pledged bank deposits		6,690	9,049
Bank balances and cash		14,418	17,455
		139,225	122,082
Current liabilities			
Due to shareholders		594	91
Trade payables	10	32,719	22,411
Other payables, deposits received and accrued expenses		3,693	5,913
Taxation payable		3,959	4,046
Current portion of long-term liabilities		10,791	14,154
Short-term bank loan — unsecured		5,434	2,703
Trust receipt loans — secured		23,302	27,831
Bank overdrafts — secured		10,249	838
		90,741	77,987
Net current assets		48,484	44,095
Total assets less current liabilities		97,562	89,766
Long-term liabilities		5,811	7,651
Deferred taxation		438	438
Minority interests		5,531	5,139
		11,780	13,228
Net assets		85,782	76,538
Financed by:			
Share capital	11	4,080	4,080
Reserves		79,662	72,458
Proposed dividend		2,040	—
Shareholders' funds		85,782	76,538

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(7,088)	18,380
Net cash outflow from investing activities	(4,156)	(2,897)
Net cash (outflow)/inflow from financing activities	(1,204)	13,712
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(12,448)	29,195
Cash and cash equivalents, beginning of period	16,617	(21,403)
	<hr/>	<hr/>
Cash and cash equivalents, end of period	4,169	7,792
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	14,418	10,875
Bank overdrafts	(10,249)	(3,083)
	<hr/>	<hr/>
	4,169	7,792
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April — total equity	76,538	35,922
Profit for the period	9,244	19,952
	<hr/>	<hr/>
At 30th September — total equity	85,782	55,874
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NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED ACCOUNTS

For the six months ended 30th September 2003

1. BASIS OF PREPARATION

The condensed interim accounts are unaudited, but have been reviewed by the Company's audit committee. The condensed consolidated accounts of the Group have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed accounts have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual accounts for the year ended 31st March 2003, except as described below.

In the current period the Group has adopted, for the first time, the revised SSAP 12 "Income Taxes" ("SSAP 12 (Revised)") issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. 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 accounts and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of this SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. 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 2003					
	Paints and blended solvents	Plastic colorants	Chemical materials	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenues					
External revenue	123,247	4,550	10,421	—	138,218
Inter segment revenue	15	—	806	(821)	—
Other revenue	927	—	—	(67)	860
	<u>124,189</u>	<u>4,550</u>	<u>11,227</u>	<u>(888)</u>	<u>139,078</u>
Total revenue					
Profit before taxation	<u>7,964</u>	<u>315</u>	<u>1,140</u>		<u>9,419</u>

Unaudited					
Six months ended 30th September 2002					
	Paints and blended solvents	Plastic colorants	Chemical materials	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 before taxation	<u>19,468</u>	<u>1,317</u>	<u>715</u>		<u>21,500</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.

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	For the six months ended	
	30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting:		
Gain on disposal of fixed assets	—	215
	<u> </u>	<u> </u>
Charging:		
Depreciation	2,986	2,537
	<u> </u>	<u> </u>

5. TAXATION

	Unaudited	
	For the six months ended	
	30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax (note a)	183	470
PRC income tax (note b)	(286)	90
	<u> </u>	<u> </u>
	<u>(103)</u>	<u>560</u>

(a) Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

(b) For the year ended 31st December 2002, PRC income tax was provided and paid at the rate of 24% on the estimated assessable profit. However, because the Company's subsidiary operating in the PRC is entitled to a 50% reduction of PRC income tax, a tax credit is presented as above.

6. DIVIDEND

At a meeting held on 20th November 2003, the Directors of the Company declared an interim dividend of HK0.5 cent per share for the six months ended 30th September 2003 (2002 interim dividend: nil), amounting to HK\$2,040,000 (2002 interim dividend: nil). The interim dividend will be payable on 15th January 2004 to shareholders whose names appear on the register of members of the Company on 9th January 2004.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th September 2003 is based on the unaudited profit for the period of approximately HK\$9,244,000 (2002: HK\$19,952,000) and on the weighted average number of 408,000,000 (2002: 346,800,000) shares in issue during the period.

Diluted earnings per share for the six months ended 30th September 2003 is not presented as the exercise of the outstanding warrants of the Company would have an anti-dilutive effect. For the six months ended 30th September 2002, no dilutive earnings per share is presented because there was no dilutive instrument issued.

8. FIXED ASSETS

Movements of fixed assets for the six months ended 30th September 2003:

	Unaudited <i>HK\$'000</i>
Net book value at 1st April 2003	45,521
Additions	6,393
Disposals	—
Depreciation	(2,986)
	<hr/>
Net book value at 30th September 2003	<u>48,928</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 2003 <i>HK\$'000</i>	Audited At 31st March 2003 <i>HK\$'000</i>
0-30 days	24,560	27,850
31-60 days	25,132	10,477
61-90 days	16,827	11,091
Over 90 days	15,775	16,407
	<hr/>	<hr/>
	<u>82,294</u>	<u>65,825</u>

10. TRADE PAYABLES

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

	Unaudited At 30th September 2003 <i>HK\$'000</i>	Audited At 31st March 2003 <i>HK\$'000</i>
0-30 days	12,954	10,612
31-60 days	10,562	5,464
61-90 days	7,035	3,833
Over 90 days	2,168	2,502
	<u>32,719</u>	<u>22,411</u>

11. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Balance at 31st March 2003 (audited) and 30th September 2003 (unaudited)	<u>2,000,000,000</u>	<u>20,000</u>
	Issued and fully paid ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Balance at 31st March 2003 (audited) and 30th September 2003 (unaudited)	<u>408,000,000</u>	<u>4,080</u>

12. COMMITMENTS

(a) Capital expenditure commitments

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

	Unaudited At 30th September 2003 <i>HK\$'000</i>	Audited At 31st March 2003 <i>HK\$'000</i>
Contracted but not provided for	<u>2,385</u>	<u>918</u>

(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	Audited
	At	At
	30th September	31st March
	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,146	698
Later than one year but not later than five years	1,625	1,538
Later than five years	2,981	3,219
	<u>5,752</u>	<u>5,455</u>

13. RELATED PARTY TRANSACTIONS

	For the six months	
	ended 30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses for directors' quarters charged by Luen Yat Enterprise Company Limited ("Luen Yat")	348	360
Management fee charged by Dongguan Chemicals Import And Export Company, a minority Shareholder of a subsidiary	—	14
Rental expenses charged by Mr. Poon Sau Tin and Mr. Poon Sum	396	398
Interest received from Luen Yat	—	110
	<u>—</u>	<u>110</u>

14. PLEDGE OF ASSETS

At 30th September 2003, the Group has pledged bank deposits totalling approximately HK\$6,690,000 (at 31st March 2003: HK\$9,049,000) and certain assets with a net book value of approximately HK\$5,234,000 (at 31st March 2003: HK\$5,295,000) to secure bank facilities granted to the Group.

15. CONTINGENT LIABILITIES

	Unaudited	Audited
	At	At
	30th September	31st March
	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for bank loans and overdrafts of subsidiaries	<u>108,880</u>	<u>117,000</u>

16. SUBSEQUENT EVENTS

Subsequent to 30th September 2003, the following events took place,

- (a) On 8th October 2003, Wing Shing Group Limited, a directly wholly-owned subsidiary of the Company, acquired from Mr. Lok Wai Man, Joe his 30% interests in Wing Shing Colours Limited, a subsidiary of the Company in which the Company holds an indirect 70% interest. The consideration for the acquisition was HK\$979,190. Upon completion of the acquisition, Wing Shing Colours Limited became an indirectly wholly-owned subsidiary of the Company.
- (b) On 16th October 2003, Wing Shing Chemical Company Limited ("WSCCL"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to purchase a property from Messrs. Poon Sau Tin and Poon Sum, substantial shareholders of the Company. The consideration for the purchase is HK\$1,500,000. Upon completion of the purchase, the property will be used by WSCCL as a retail shop and warehouse for its paint products.
- (c) On 16th October 2003, WSCCL also entered into a conditional agreement with Guangdong Province Dongguan Chemicals Import and Export Company ("DCIEC") whereby WSCCL agreed to acquire from DCIEC its entire approximate 8.46% interests in Dongguan Tung Shing Fat Chemical Company Limited ("TSF"), a subsidiary of the Company in which the Company holds an indirect approximate 91.54% interests. The consideration for the acquisition is HK\$8,000,000. Upon completion of the acquisition, TSF will become an indirectly wholly-owned subsidiary of the Company.

The consideration involved in event (a) above does not exceed the higher of HK\$1,000,000 or 0.03% of the consolidated net tangible assets of the Group as at 31st March 2003. Therefore, the transaction will not, under Rule 14.24(5) of the Listing Rules, be subject to any further disclosure or shareholders' approval requirements.

Under rule 14.25 of the Listing Rules, events (b) and (c) above constituted connected and notifiable transactions, the details of which were published in the newspapers on 20th October 2003.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

The Registers of Members and Warrantholders of the Company will be closed from 7th January 2004 to 9th January 2004, both days inclusive, during which period no transfer of shares and no transfer or exercise of warrants will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates or all completed subscription forms in relation to the exercise of the warrants accompanied by the appropriate subscription monies and the relevant warrant certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration and subscription not later than 4:00 p.m. on 6th January 2004. Dividend warrants will be despatched on 15th January 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September 2003, the Group's turnover was HK\$138,218,000, a moderate increase of about 3% as compared to the same period last year. Net profit was HK\$9,244,000 (2002: HK\$19,952,000) and earnings per share was HK2.3 cents (2002: HK5.8 cents).

The period under review was a difficult time for the chemical industry. Competition was fierce. The price of petroleum-based ingredients remained fairly high due to the war in Iraq, even though the prospect of escalating costs has diminished. In addition, the SARS epidemic had a dampening effect on turnover, both in terms of sales volume and selling price. Considering these factors, it was quite a feat of our industrious employees to be able to achieve a modest growth in sales.

On the other hand, our gross profit ("GP") also improved slightly over last year's results. This was mainly attributable to the implementation of cost reduction measures and trimming of head count.

From the standpoint of new products, we also fared quite well. Our Research and Development ("R&D") Department successfully delivered new products according to plan and the market response was quite encouraging. These included industrial paints such as PU or NC based wood paints, UV cured plastic paints and water based polyester paints targeted for the China market. In Hong Kong, our emulsion paints and synthetic enamel were approved by the Hong Kong Housing Authority, giving us a great boost in the market of architectural paints.

Outlook

In the near future, the Group will continue to adopt a three-pronged strategy:

- (a) focus on the industrial paints market in China,
- (b) improve GP margins and
- (c) strengthen our R&D capacity and exploit other niche markets.

To increase our share of the industrial paints market in China, we have already established a sales office each in Shanghai, Shantau and Quanzhou. In addition to strengthening our logistics support to these sales offices, we will set up more sales outlets in the Yangtze River Delta region.

In the second half of this financial year, cost reduction activities will be intensified. Furthermore, a new sales incentive program will be introduced and concerted sales effort will be devoted to customers with high GP contribution. All these measures are expected to produce better GP margins.

Finally, we will continue to strengthen our R&D capacity by introducing advanced technology from other countries and collaborating with academic institutions in the research of new products. Discussions are underway to lead to the formation of a joint venture enterprise with a European company aimed at expanding the product range and customer base of our non-stick coatings. Through successful co-operation with a university in Hong Kong, we expect to be able to launch a new consumer paint in the second half of 2004.

In summary, we are confident that our strategy will result in a profitable year and lay a sound foundation for the Group to meet the challenges ahead.

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 2003, the Group had total outstanding borrowings of approximately HK\$55,587,000, cash and bank balances of approximately HK\$21,108,000 and assets of approximately HK\$188,303,000. Current assets of the Group on the same date amounted to approximately HK\$139,225,000 whilst current liabilities were HK\$90,741,000. The gearing ratio, calculated by dividing the total current debts by the total assets, was equalled to 0.30 as at 30th September 2003 (31st March 2003: 0.32).

The Group has minimal currency exposure as the majority of its transactions are denominated in Hong Kong dollars and Renminbi.

The Group generally finances its operations with internally generated cash flow and loan facilities from banks. Through proper management of its treasury functions, the Group will continue to maintain sufficient funds to meet its operational requirements as well as future development needs.

Capital Structure of The Group

As at 30th September 2003, the Group's cash holding was approximately HK\$21,108,000. The directors are confident that with its cash holdings and banking facilities of approximately HK\$114 million, the Group is able to meet current and future operational and capital expenditure requirements.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the period and up to the date of this report.

Directors' interests

At 30th September 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company, and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors were as follows:

Name of Director	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Total Interest as Percentage of Issued Shares
Mr. Poon Sum	Beneficial Owner	Personal Interest (Note 1)	26,698,265	3,814,037	278,226,228	68.19%
	Founder of a Discretionary Trust	Other Interest (Notes 1 & 2)	216,749,686	30,964,240		
Mr. Mok Yu Kong	Beneficial Owner	Personal Interest (Note 1)	10,404,000	1,486,285	11,890,285	2.91%
Mr. Wong Kwok Leung	Beneficial Owner	Personal Interest (Note 1)	6,936,000	990,857	7,926,857	1.94%

Notes:

- All interests in shares and underlying shares of equity derivatives of the Company are long positions. All interests in underlying shares of equity derivatives of the Company are interests in warrants of the Company ("warrants") which conferred rights to subscribe for shares at an initial subscription price of HK\$0.70 per share (subject to adjustment) exercisable during the period from 13th November, 2002 to 31st October, 2007.
- These shares and warrants are held by Ever Source Enterprises Limited ("Ever Source"). The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord Limited ("Time Concord"), a company incorporated in the British Virgin Islands ("BVI") and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited ("Guidance"), a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which 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 53.12% of the Company's shares in issue as at 30th September, 2003, through his shareholding in Ever Source.

Save as disclosed above, none of the Directors of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations and none of the Directors, or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period.

Substantial Shareholders' Interests

As at 30th September, 2003, the interests and short positions of the shareholders, not being a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:-

Name of Substantial Shareholder	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Total Interest as Percentage of Issued Shares
BNP Paribas Jersey Trust Corporation Limited ("BNP Paribas Jersey")	Trustee	Other Interest (Notes 1, 2 & 3)	216,749,686	30,964,240	247,713,926	60.71%
Ground Point Limited ("Ground Point")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 & 3)	216,749,686	30,964,240	247,713,926	60.71%
Red Tiles Limited ("Red Tiles")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 & 3)	216,749,686	30,964,240	247,713,926	60.71%
Guidance	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	216,749,686	30,964,240	247,713,926	60.71%
Time Concord	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	216,749,686	30,964,240	247,713,926	60.71%
Ever Source	Beneficial Owner	Beneficial Interest (Notes 1, 2, 3 & 4)	216,749,686	30,964,240	247,713,926	60.71%
Mr. Poon Sau Tin	Beneficial Owner	Personal Interest (Note 1)	26,698,265	3,814,037	278,226,228	68.19%
	Founder of a Discretionary Trust	Other Interest (Note 1, 2, 3 & 4)	216,749,686	30,964,240		

Notes:

1. All interests in shares and underlying shares of equity derivatives of the Company are long positions. All interests in underlying shares of equity derivatives of the Company are interests in warrants.
2. All interests of BNP Paribas Jersey, Ground Point, Red Tiles, Guidance, Time Concord and Ever Source and the other interest of Mr. Poon Sau Tin were duplicated.
3. BNP Paribas Jersey is deemed to be interested in the shares and warrants in the capacity of a trust through interests of corporations controlled by it as follows:-

Name of Controlled Corporation	Name of Controlling Shareholder	Percentage Control
Ground Point	BNP Paribas Jersey	100
Red Tiles	BNP Paribas Jersey	100
Guidance	Ground Point	100
Time Concord	Red Tiles	100
Ever Source	Guidance	50
Ever Source	Time Concord	50

4. These shares and warrants are held by Ever Source. The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, each of Mr. Poon Sum and Mr. Poon Sau Tin will be deemed to be interested in 216,749,686 shares, representing approximately 53.12% of the Company's shares in issue as at 30th September, 2003, through his shareholding in Ever Source.

Save as disclosed above, there was no person known to the Directors of the Company, other than a director of the Company, who as at 30th September, 2003 had an interest or a short position in the shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

Share Options

The Company has on 21st October, 2002 adopted a Share Option Scheme whereby employees, executive and non-executive directors, officers, advisers and consultants of the Group may be granted options to subscribe for the shares of the Company. A summary of the principal terms of the Share Option Scheme was disclosed in the Prospectus. No options were granted, exercised, cancelled or lapsed during the period.

Employees And Remuneration Policies

As at 30th September 2003, the Group had 631 employees of which about 600 operated in the PRC while the rest were based in Hong Kong and Macau. The employees' remuneration package includes salary, bonus and share options. Under the Group's remuneration policy, employees are rewarded on the basis of merit and job market conditions, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged.

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 discussed and reviewed this unaudited interim report with the Company's management 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, 20th November 2003