

INTERIM RESULTS

The board of directors (the "Board") of Wing Shing International 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 2004, together with the comparative unaudited figures for the corresponding period in 2003, as shown below:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended	
		30th September	
		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		123,561	138,218
Cost of sales		(99,242)	(106,322)
		<hr/>	<hr/>
Gross profit		24,319	31,896
Other revenues		507	860
Distribution costs		(8,727)	(8,342)
Administrative expenses		(14,209)	(13,587)
Other operating expenses, net		(21)	—
		<hr/>	<hr/>
Operating profit	4	1,869	10,827
Finance costs		(1,510)	(1,408)
		<hr/>	<hr/>
Profit before taxation		359	9,419
Taxation	5	—	103
		<hr/>	<hr/>
Profit after taxation		359	9,522
Minority interests		122	(278)
		<hr/>	<hr/>
Profit attributable to shareholders		481	9,244
		<hr/> <hr/>	<hr/> <hr/>
Dividend	6		
Interim dividend declared		—	2,040
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	7		
— Basic		0.1 cent	2.3 cents
— Diluted		0.1 cent	n/a
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CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September 2004 <i>HK\$'000</i>	Audited 31st March 2004 <i>HK\$'000</i>
Non-current assets			
Fixed assets	8	54,365	53,427
Intangible assets		5,431	5,427
Interest in an associate		150	150
Other investment		400	400
		60,346	59,404
Current assets			
Inventories		25,481	24,857
Trade receivables	9	95,675	72,035
Other receivables, deposits and prepayments		16,653	16,569
Due from a shareholder		260	—
Tax prepaid		1,980	1,610
Bank balances and cash		18,038	17,868
		158,087	132,939
Current liabilities			
Trade payables	10	28,173	30,135
Other payables and accruals		6,307	5,927
Due to shareholders		544	418
Taxation		388	446
Current portion of long-term liabilities		10,392	14,242
Short-term bank loans		25,247	7,503
Trust receipt loans		24,223	27,447
Bank overdrafts		7,733	5,006
		103,007	91,124
Net current assets		55,080	41,815
Total assets less current liabilities		115,426	101,219
Long-term liabilities		21,423	7,835
Deferred taxation		438	438
Minority interests		1,189	1,051
		23,050	9,324
		92,376	91,895
Capital and reserves			
Share capital	11	4,160	4,160
Reserves		88,216	85,655
Proposed dividend		—	2,080
Shareholders' funds		92,376	91,895

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
At 1st April — total equity	91,895	76,538
Profit for the period	481	9,244
	<hr/>	<hr/>
At 30th September — total equity	92,376	85,782
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(23,119)	(7,088)
Net cash outflow from investing activities	(4,973)	(4,156)
Net cash inflow/(outflow) from financing activities	25,535	(1,204)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(2,557)	(12,448)
Cash and cash equivalents at beginning of period	12,862	16,617
	<hr/>	<hr/>
Cash and cash equivalents at end of period	10,305	4,169
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	18,038	14,418
Bank overdrafts	(7,733)	(10,249)
	<hr/>	<hr/>
	10,305	4,169
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED ACCOUNTS

For the six months ended 30th September 2004

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 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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 2004.

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 2004				
	Paints and blended solvents <i>HK\$'000</i>	Plastic colorants <i>HK\$'000</i>	Chemical materials <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues					
External revenue	113,054	5,239	5,268	—	123,561
Inter segment revenue	—	—	54	(54)	—
Other revenue	825	6	2	(326)	507
	<u>113,879</u>	<u>5,245</u>	<u>5,324</u>	<u>(380)</u>	<u>124,068</u>
Total revenue					
Profit before taxation	<u>1,181</u>	<u>(629)</u>	<u>(193)</u>		<u>359</u>

	Unaudited				
	Six months ended 30th September 2003				
	Paints and blended solvents <i>HK\$'000</i>	Plastic colorants <i>HK\$'000</i>	Chemical materials <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <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>

(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 charging the following:

	Unaudited	
	For the six months ended	
	30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible assets	146	—
Depreciation	3,904	2,986
	<u> </u>	<u> </u>

5. TAXATION

	Unaudited	
	For the six months ended	
	30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax (note a)	—	183
PRC income tax (note b)	—	(286)
	<u> </u>	<u> </u>
	—	(103)
	<u> </u>	<u> </u>

(a) No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the period. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period ended 30th September 2003.

(b) No provision for PRC income tax has been made as the Company's subsidiary operating in the PRC has no taxable profit for the period. For the period ended 30th September 2003, there was a tax credit of HK\$286,000 in respect of overprovision for PRC income tax in prior year.

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September 2004 (2003: HK\$0.005 per share).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th September 2004 is based on the Group's profit attributable to shareholders of HK\$481,000 (2003: HK\$9,244,000) and on the weighted average number of 416,000,000 (2003: 408,000,000) shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the Group's profit attributable to shareholders of HK\$481,000 (2003: HK\$9,244,000) and on the weighted average number of ordinary shares of 416,679,519, after adjusting for the effects of all dilutive potential shares.

Diluted earnings per share for the six months ended 30th September 2003 was not presented as the exercise of the outstanding warrants of the Company would have an anti-dilutive effect.

8. FIXED ASSETS

Movements of fixed assets for the six months ended 30th September 2004:

	Unaudited <i>HK\$'000</i>
Net book value at 1st April 2004	53,427
Additions	4,842
Disposals	—
Depreciation	(3,904)
	<hr/>
Net book value at 30th September 2004	<u>54,365</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 2004 <i>HK\$'000</i>	Audited At 31st March 2004 <i>HK\$'000</i>
0-30 days	20,243	25,810
31-60 days	22,967	18,786
61-90 days	25,982	10,844
91-120 days	15,838	7,379
Over 120 days	10,645	9,216
	<hr/>	<hr/>
	<u>95,675</u>	<u>72,035</u>

10. TRADE PAYABLES

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

	Unaudited At 30th September 2004 <i>HK\$'000</i>	Audited At 31st March 2004 <i>HK\$'000</i>
0-30 days	10,225	10,637
31-60 days	10,450	8,951
61-90 days	4,905	3,635
Over 90 days	2,593	6,912
	<hr/>	<hr/>
	<u>28,173</u>	<u>30,135</u>

11. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st March 2004 (audited) and at 30th September 2004 (unaudited)	2,000,000,000	20,000
	<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>
At 31st March 2004 (audited) and at 30th September 2004 (unaudited)	416,000,000	4,160
	<u>416,000,000</u>	<u>4,160</u>

12. COMMITMENTS

(a) Capital expenditure commitments

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

	Unaudited	Audited
	At	At
	30th September	31st March
	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	2,536	3,849
	<u>2,536</u>	<u>3,849</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
	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	816	744
Later than one year but not later than five years	1,538	1,577
Later than five years	2,787	2,979
	<u>5,141</u>	<u>5,300</u>

13. RELATED PARTY TRANSACTIONS

	For the six months ended 30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses for directors' quarters charged by Luen Yat Enterprise Company Limited	432	348
Rental expenses charged by Mr. Poon Sau Tin and Mr. Poon Sum	192	396
	<u> </u>	<u> </u>

14. PLEDGE OF ASSETS

At 30th September 2004, no assets of the Group were pledged. At 31st March 2004, certain of the Group's assets with a net book value of HK\$6,514,000 were pledged to secure banking facilities granted to the Group.

15. CONTINGENT LIABILITIES

	Unaudited	Audited
	At	At
	30th September	31st March
	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for bank loans and overdrafts of subsidiaries	193,080	132,960
	<u> </u>	<u> </u>

16. SUBSEQUENT EVENTS

Subsequent to 30th September 2004, the following events took place.

- (a) On 1st November 2004, Wing Shing Chemical Company Limited (“WSCCL”), a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Mr. Zhou Guihong and Mr. Chen Rongji (the “Vendors”) whereby WSCCL agreed to acquire from the Vendors the entire equity interests in Dongguan City Changan Xinyimei Paint Company Limited (“Xinyimei”) at an aggregate consideration of HK\$7,540,000. The consideration was determined after arm’s length negotiations and was based on the unaudited net asset value of Xinyimei as at 30th September 2004 which was calculated based on the PRC GAAP. Completion of the acquisition is conditional on, among other things, all necessary approvals from the relevant PRC government authorities being obtained in relation to the Equity Transfer agreement.

- (b) On 3rd November 2004, WSCCL, also entered into with Mr. Guo Shun Kei (“Mr. Guo”), an independent third party, the Investment & Joint Venture Agreement (the “Agreement”) in respect of the PRC Chemical Company. Pursuant to the terms of the Agreement, WSCCL conditionally agreed that it (or its nominee) will enter into an equity interest acquisition agreement to purchase from Mr. Guo (or Mr. Guo’s Controlled Company) 55% equity interest in the PRC Chemical Company for a total consideration to be determined by the valuation and confirmation of the value of the then 55% equity interests in the PRC Chemical Company by an independent valuer to be agreed between WSCCL and Mr. Guo, which consideration shall however not exceed the maximum amount of RMB14.57 million (equivalent to approximately HK\$13.75 million). If the conditions precedent to the entering into the equity interests acquisition agreement are not fulfilled within 3 months from the date of the Agreement (or other period as may be agreed between WSCCL and Mr. Guo), the Agreement will be terminated and WSCCL (or its nominee) will then no longer be required to enter into the equity interests acquisition agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September 2004, the Group's turnover was HK\$123,561,000, a decrease of 10.6% as compared to the same period last year. Profit attributable to shareholders for the period was HK\$481,000 (2003: HK\$9,244,000) and basic earnings per share was HK0.1 cent (2003: HK2.3 cents).

The period under review remained a difficult time for the chemical industry. The price of petroleum-based ingredients maintained its steep upward trend throughout the period as the war in Iraq continued. The Group has been able to pass on the increased costs of materials to customers but inevitably has absorbed a considerable portion due to fierce competition in the market. This resulted in a moderately lower gross profit margin accompanied by a decline in the sales turnover as some of the customers ceased their purchases temporarily. Nevertheless, the decreased turnover, deriving much less contribution, together with a stable level of fixed operating costs led to a huge drop in operating profit.

Outlook

Looking ahead, the Group will focus on expanding both its market and product range. Dongguan City Changan Xinyimei Paint Company Limited, the newly acquired wholly-owned subsidiary will help boost sales revenue in the second half of the financial year. Furthermore, our sales offices and outlets are also expected to generate increasing industrial paints revenue in the near future.

In product terms, our research and development department will concentrate its effort on delivering new products which would offer promising margins to the China market. These include premium metallic plastic paint for high quality electronic commodities and stoving clear paint for electroplating goods.

The Group will continue to exercise diligent cost control and strive to increase operational efficiencies by perfecting the management system with the Enterprise Resource Planning (ERP) system currently undergoing implementation.

Liquidity and Financial Resources

As at 30th September 2004, the Group had total outstanding borrowings of approximately HK\$89,018,000, cash and bank balances of approximately HK\$18,038,000 and assets of approximately HK\$218,433,000. Current assets of the Group on the same date amounted to approximately HK\$158,087,000 whilst current liabilities were HK\$103,007,000. The gearing ratio, calculated by dividing the total borrowings by the total assets, was equal to 0.41 as at 30th September 2004 (31st March 2004: 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.

Directors' Interests in Securities

At 30th September 2004, the interests 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	66.88%
	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 3)	10,404,000	3,486,285	13,890,285	3.34%
Mr. Wong Kwok Leung	Beneficial Owner	Personal Interest (Note 4)	6,936,000	2,990,857	9,926,857	2.39%

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 52.10% of the Company's shares in issue as at 30th September, 2004, through his shareholding in Ever Source.

3. 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 which conferred rights to subscribe for 1,486,285 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 and interests in share options of the Company granted under the share option scheme of the Company which may be exercised during the period from 13th August 2004 to 12th August 2014 to subscribe for 2,000,000 shares at an exercise price of HK\$0.29 per share.
4. 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 which conferred rights to subscribe for 990,857 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 and interests in share options of the Company granted under the share option scheme of the Company which may be exercised during the period from 13th August 2004 to 12th August 2014 to subscribe for 2,000,000 shares at an exercise price of HK\$0.29 per share.

Save as disclosed above, at 30th September 2004, none of the Directors or chief executive 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 as defined in Part XV of the SFO.

Substantial Shareholders' Interests

As at 30th September, 2004, the interests 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	59.55%
Ground Point Limited ("Ground Point")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 & 3)	216,749,686	30,964,240	247,713,926	59.55%
Red Tiles Limited ("Red Tiles")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 & 3)	216,749,686	30,964,240	247,713,926	59.55%
Guidance	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	216,749,686	30,964,240	247,713,926	59.55%

Name of Substantial Shareholder	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Total Interest as Percentage of Issued Shares
Time Concord	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	216,749,686	30,964,240	247,713,926	59.55%
Ever Source	Beneficial Owner	Corporate Interest (Notes 1, 2, 3 & 4)	216,749,686	30,964,240	247,713,926	59.55%
Mr. Poon Sau Tin	Beneficial Owner	Personal Interest (Note 1)	26,698,265	3,814,037	278,226,228	66.88%
	Founder of a Discretionary Trust	Other Interest (Note 1, 2, 3 & 4)	216,749,686	30,964,240		

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.
- 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.
- 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

- 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 52.10% of the Company's shares in issue as at 30th September, 2004, 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, 2004 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, and their movements during the period under review were as follows:

Participants	Date of grant	Exercise price HK\$	Exercise period	Number of share options				
				As at 1/4/2004	Granted during the period	Exercised during the period	Lapsed during the period	As at 30/9/2004
Directors								
Mr. Mok Yu Kong	13/8/2004	0.29	13/8/2004 to 12/8/2014	—	2,000,000	—	—	2,000,000
Mr. Wong Kwok Leung	13/8/2004	0.29	13/8/2004 to 12/8/2014	—	2,000,000	—	—	2,000,000
				—	4,000,000	—	—	4,000,000
Employees								
In aggregate	24/11/2003	0.301	24/11/2003 to 23/11/2008	9,500,000	—	—	—	9,500,000
	9/8/2004	0.27	9/8/2004 to 8/8/2014	—	10,000,000	—	—	10,000,000
	13/8/2004	0.29	13/8/2004 to 12/8/2014	—	9,000,000	—	—	9,000,000
				9,500,000	19,000,000	—	—	28,500,000
				9,500,000	23,000,000	—	—	32,500,000

Save as disclosed above, 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.

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.

Employees and Remuneration Policies

As at 30th September 2004, the Group had 611 employees of which about 580 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 consisting of Mr. Chan Shu Kin, Albert and Mr. Chan Kam Ching, Paul and Mr. Cheung Kwan Hung, 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 Listing Rules save that one of the independent non-executive Directors of the Company is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

By Order of the Board
POON SUM
CHAIRMAN

Hong Kong, 17th December 2004