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Corporate Information

EXECUTIVE DIRECTORS

Mr. Poon Sum, Chairman
Mr. Mok Yu Kong
Mr. Wong Kwok Leung

NON-EXECUTIVE DIRECTORS

Mr. Chan Shu Kin
Mr. Chan Kam Ching, Paul
Mr. Cheung Kwan Hung

AUDIT COMMITTEE

Mr. Chan Shu Kin
Mr. Chan Kam Ching, Paul
Mr. Cheung Kwan Hung

COMPANY SECRETARY

Mr. Chin Kam Cheung

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 9-10, 4/F., Kinglet Industrial Building
21-23 Shing Wan Road
Tai Wai, Shatin
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR

Bank of Bermuda (Cayman) Limited
36C Bermuda House
British American Centre
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

Woo, Kwan, Lee & Lo

JOINT AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Lau & Au Yeung C.P.A. Limited
Certified Public Accountants

PRINCIPAL BANKERS

Nanyang Commercial Bank, Ltd.
Standard Chartered Bank
Hongkong and Shanghai Banking Corporation Limited

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Wing Shing International Holdings Limited (the "Company"), I am pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31st March 2005.

- The Group's turnover totaled HK\$284,478,000;
- Loss attributable to shareholders amounted to HK\$4,737,000;
- The Group persisted in effective cost-control measures and proactive pricing review;
- The Group was undergoing two acquisitions in line with its business strategy of expanding both customer base and product range;
- The Group underpinned the implementation of enterprise resource planning ("ERP") system and environmental protection management system on the agenda.

Overall speaking, the operating environment for petroleum-linked industries including us had experienced challenging time during the previous year. Intense competition as well as the ever soaring crude oil price had adversely affected the sales performance and simultaneously undermined the gross profit margin of the Group's business operation.

Nevertheless, with our twofold effort at stringent cost-control and continuous pricing review in relaxing the increased petroleum-based raw materials costs, the overall profitability of the Group will be improving in the year ahead.

The necessary approvals from the relevant PRC government authorities for completion of the two business acquisitions by the Group, namely the Dongguan City Changan Xinyimei Paint Company Limited and the Zhongshan Wing Shing Ling Feng Chemical Company Limited, a limited liability company established in Zhong Shan City, have been in the pipeline. Contributions to be stemmed from such strategic moves to expand our customer base and product range are anticipated to be consolidated into the Group's result respectively in the second half of this year.

Meanwhile, the Group has already made the kick off for the implementation of an ERP system within the organization. On the other hand, the Group has set the goal of achieving the accreditation of ISO14000 environmental protection management system for its major production facilities in Dongguan City of PRC in the coming year.

Finally, I would like to extend my gratitude to our business partners, bankers and shareholders who have been supportive to us over the years. I would also like to express my appreciation to our staff for their commitment and dedication especially during the relatively hard time last year.

Poon Sum

Chairman

Hong Kong, 27th July 2005

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in (i) manufacture and sale of paints and blended solvents; (ii) manufacture and sale of plastic colorants; and (iii) trading of chemical materials. For the year ended 31st March 2005, the Group's consolidated turnover amounted to HK\$284,478,000 a trifling decrease of 2.4% compared to that of previous year. Loss attributable to shareholders was HK\$4,737,000.

Paints and blended solvents

The division recorded a turnover of HK\$269,693,000, or a slightly increase of 2% over the previous year. The division contributed a profit for the year under review.

During the period under review, as the international crude oil price and the cost of the petroleum-based raw materials such as solvents, resins and additives were prevailingly high, the operating environment for petroleum-linked industries had remained tough. Since the increase in raw material costs could only be partially passed on to customers after a time lag, the upsurge in the manufacturing costs did erode the gross profit margin of the Group.

In terms of market segment, demands for toy paints and metal paints, which were highly vulnerable to the oil price volatility, had showed less briskly than other products like cabinet and UV cured plastic paints during the year.

Plastic colorants

The division contributed a turnover of HK\$8,523,000, up 1% from last year. Also being adversely affected by the industry-wide increase in direct costs relating to raw materials and labour, the division incurred a loss for the year under review.

Chemical trading

The division accounted for a turnover of HK\$6,262,000, as compared to HK\$18,811,000 of last year. The division also incurred a loss for the year under review.

During the review period, the Group's trading business line has been directly suffering from the fluctuation of international crude oil price on world-wide scale. The sustained increase in prices of petroleum-based raw materials has resulted in the imbalance of supply and demand that had never been experienced before.

Implementation of ERP system

Subsequent to a number of business requirement studies and process reviews conducted last year, deployment of the ERP system will be gathering momentum in the coming year. By means of instant and precise management information flows within the organization, the ERP system will help enhance the Group's capabilities in the areas of costing, pricing and financial management.

Management Discussion and Analysis

Commitment to environmental protection

To strive for the accreditation of ISO14000 environmental protection management system, the Group has commissioned the environmental specialists to carry out environmental appraisals on its major production facilities in Dong Guan City of PRC. Furthermore, the Group has invested approximately HK\$3,000,000 for the infrastructure of environmental protection facilities within the existing production plants. The Group will be benefited from such an effective material and energy consumption management, which in turn production costs, cost of waste and pollution will be greatly reduced. The enhancement of corporate image and customer relationship satisfaction will probably help the Group increase competitive edge and market share.

FUTURE PROSPECTS

In the wake of the sustainable economic growth in the PRC, business outlook for the Group's industrial buyers will be promising and keeping pace with the strong domestic demands in the foreseeable future. As demands for electronic product casing paints and mobile phone coatings are expected to have notable growth, the Group will continue to devote itself to research and development for such products with huge market potential. The proposed acquisition of Zhongshan Wing Shing Ling Feng Chemical Company Limited, a limited liability company established in Zhong Shan City will also lead the Group to diversify its products into coatings for wooden furniture and decoration with steady demands.

The Group has prepared itself for the demands rebound in the foreseeable future by aggressively expanding its production capacity, auxiliary facilities and accessories during last year. In the coming year, it will probably not entail any significant capital expenditure on the Group to cope with the emerging sales demands.

To intensify the market penetration strategy, the Group has added five more sales outlets in the cities, Shantou, Shanghai, Nanning, Changxia, Nanchuan, to the present sales network in Yangtze and Pearl River Deltas. Furthermore, the proposed acquisition of the Dongguan City Changan Xinyimei Paint Company Limited is in line with the Group's business strategy of expansion in both manufacturing capacity and customer base.

Looking forward, with effective and efficient cost control measures, particularly over direct costs and overheads, the Group's gross profit margin will be improving. Under continuous pricing review, sales revenue will also be boosted by expansion in both market and product range.

DIVIDENDS

No interim dividend was paid or declared in respect of the year ended 31st March 2005 (2004: HK\$0.005 per ordinary share).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2005 (2004: HK\$0.005 per ordinary share).

Report of the Directors

The directors submit their annual report together with the audited accounts for the year ended 31st March 2005.

CHANGE OF NAME

Pursuant to a special resolution passed by the shareholders of the Company on 26th August 2004, the Company's name was changed from Wing Shing Chemical Holdings Limited to Wing Shing International Holdings Limited.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 13 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 24.

No interim dividend was paid or declared in respect of the year ended 31st March 2005 (2004: HK\$0.005 per ordinary share).

The directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2005 (2004: HK\$0.005 per ordinary share).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 25 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 24 to the accounts.

Report of the Directors

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2005 amounted to HK\$81,860,000, comprising share premium and retained earnings. Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's by-laws and there was no restriction against such rights under the laws of the Cayman Islands.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 66.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

Report of the Directors

SHARE OPTIONS AND WARRANTS

On 11th November 2002, warrants to subscribe for a total of 77,714,281 shares of the Company at a subscription price of HK\$0.70 per share before 31st October 2007 were issued to the Company's shareholders at nil consideration. No warrants have been exercised since the date of issue and up to the date of this report.

Share options are granted to directors, executives and employees under a share option scheme (the "Share Option Scheme") approved by shareholders at an Extraordinary General Meeting on 21st October 2002.

The Share Option Scheme is a share incentive scheme and is established to acknowledge the contributions made or to be made by participants to the Group. The Board of Directors may, at its discretion, offer employees, executive and non-executive directors, officers, advisers and consultants of the Company and its subsidiaries, the grant of options to subscribe for shares of the Company. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme.

As at the date of the annual report, the total number of shares available for issue pursuant to the Share Option Scheme was 32,800,000, representing about 7.8% of the issued share capital of the Company. Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue. The Directors will have the absolute discretion to fix the minimum period for which an option must be held before it can be exercised, and the performance targets that must be achieved before the options can be exercised upon the grant of an option to a participant.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the nominal value of the shares, (ii) the average of the closing prices of the shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days immediately preceding the date of offer of the option and (iii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option (which must be a trading day).

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of such period to be determined by the Board in its absolute discretion and notified to the grantee. No option may be granted more than 10 years after the date of adoption of the Share Option Scheme.

SHARE OPTIONS AND WARRANTS *(continued)*

Details of the share option outstanding at 31st March 2005 which have been granted under the scheme are as follows:

Participants	Number of options				Outstanding at 31st March 2005	Exercise price per share HK\$	Grant date	Exercise period
	Outstanding at 1st April 2004	Granted during the year	Exercised during the year	Lapsed during the year				
Directors								
Mr. Mok Yu Kong	—	2,000,000 <i>(Note 2)</i>	—	—	2,000,000	0.29	13/8/2004	From 13/8/2004 to 12/8/2014
Mr. Wong Kwok Leung	—	2,000,000 <i>(Note 2)</i>	—	—	2,000,000	0.29	13/8/2004	From 13/8/2004 to 12/8/2014
Mr. Kwok Kwai Sum	—	4,000,000 <i>(Note 1)</i>	—	—	4,000,000	0.27	9/8/2004	From 9/8/2004 to 8/8/2014
Employees in aggregate	9,500,000	—	—	—	9,500,000	0.301	24/11/2003	From 24/11/2003 to 23/11/2008
	—	6,000,000 <i>(Note 1)</i>	—	6,000,000	—	0.27	9/8/2004	From 9/8/2004 to 8/8/2014
	—	9,000,000 <i>(Note 2)</i>	—	—	9,000,000	0.29	13/8/2004	From 13/8/2004 to 12/8/2014
	<u>9,500,000</u>	<u>15,000,000</u>	<u>—</u>	<u>6,000,000</u>	<u>18,500,000</u>			
	<u>9,500,000</u>	<u>23,000,000</u>	<u>—</u>	<u>6,000,000</u>	<u>26,500,000</u>			

Notes:

1. The closing price of the shares immediately before the date of grant was HK\$0.26.
2. The closing price of the shares immediately before the date of grant was HK\$0.26.
3. The Directors consider it is inappropriate to disclose the value of the share options granted during the year as the market price of the shares as at 31st March 2005 was below the exercise price of the options granted during the year and any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain.

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this report were:

Mr. Poon Sum

Mr. Mok Yu Kong

Mr. Wong Kwok Leung

Mr. Kwok Kwai Sum (appointed on 1st November 2004 and resigned on 1st April 2005)

Mr. Chan Shu Kin⁽¹⁾

Mr. Chan Kam Ching, Paul⁽¹⁾

Mr. Cheung Kwan Hung⁽¹⁾ (appointed on 30th September 2004)

⁽¹⁾ Independent non-executive Directors

Mr. Chan Shu Kin and Mr. Chan Kam Ching, Paul were appointed for a three-year term expiring on 20th October 2005. Mr. Cheung Kwan Hung was not appointed on fixed term.

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Poon Sum shall retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Cheung Kwan Hung shall hold office until the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Poon Sum, Mr. Mok Yu Kong and Mr. Wong Kwok Leung has entered into a service contract with the Company for an initial term of three years commencing from 21st October 2002, and which may be terminated by either party thereto giving to the other not less than six months' prior notice in writing, which notice period shall not expire at any time during the first year.

Under the above service contracts, the remuneration payable to each of the executive Directors may, subject to the discretion of the Directors, be increased by not more than 10% per annum and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed 15% of the audited consolidated net profit of the Group after tax and minority interests but before extraordinary and exceptional items of the Group (the "Profit"). Each executive Director will abstain from voting and not be counted in the quorum in respect of any resolution proposed at any meeting of the Directors regarding the amount of annual salary, discretionary bonus and other allowance available to himself. Each of the executive Directors will also be entitled to all reasonable out-of-pocket expenses. During the year, no discretionary bonus was paid and payable while total emoluments paid and payable to the executive Directors amounted to approximately HK\$3,592,000.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Save as disclosed above, none of the Directors has entered into any service agreements with any member of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Apart from Directors' service contracts as described above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Poon Sum, aged 41, is chairman of the Company and one of the co-founders of the Group. Throughout the year, he has been, and still is, primarily responsible for the overall strategic planning, business development, marketing and formulation of overall corporate policies of the Group. He has over 17 years of experience in the paints and coatings industry and the trading of chemicals in Hong Kong and the PRC.

Mr. Mok Yu Kong, aged 39, is an executive Director. He joined the Group in September 1998. He is currently responsible for overseeing the administration and operations of the Group's paints and coatings production. He graduated from the Hong Kong Polytechnics in 1988 with a bachelor's degree in Civil Engineering. Prior to joining the Group, he had over 10 years of experience in the field of sales and marketing and worked for several multinational corporations.

Mr. Wong Kwok Leung, aged 47, is an executive Director. He joined the Group in September 1997. He is currently responsible for overseeing the Group's finance and accounting affairs. In 1982, he obtained the qualification of LCC - Higher Accounting from London Chamber of Commerce and diploma of supervisory studies from Hong Kong Productivity Council. Prior to joining the Group, he worked in the field of finance and accounting for over 11 years and has obtained extensive knowledge therein.

Mr. Kwok Kwai Sum, aged 56, graduated from the University of Hong Kong with a bachelor's degree in Arts and obtained qualification of P.C.L.L. — Postgraduate Certificate in Laws. He has over 29 years of experience in the areas of finance and accounting. He joined the group in November 2001 as a consultant. He was subsequently appointed as an executive Director on 21st October 2002 until he tendered his resignation on 1st December 2003 due to health reason. However, he remained in the Company in the capacity of consultant from 1st December 2003 to 31st October 2004. He was appointed as executive Director and vice chairman on 1st November 2004 and resigned on 1st April 2005 due to health reason. He remains in the Company in the capacity of consultant.

Except for Mr. Kwok Kwai Sum, each of the executive Directors has entered into a service contract with the Company. Details of such service contracts are set out in the section headed "Directors' service contracts" on page 12.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent non-executive Directors

Mr. Chan Shu Kin, aged 50, is an independent non-executive Director. He was appointed on 21st October 2002. He is a certified public accountant and is a partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has over 28 years of experience in field of auditing, accounting as well as financial management. He is the immediate past president of the Society of Chinese Accountants and Auditors (the "Society") and currently a committee member of the Society. He is also an independent non-executive director of Paul Y. - ITC Construction Holdings Limited which is a listed company on the main board of the Stock Exchange.

Mr. Chan Kam Ching, Paul, aged 50, is an independent non-executive Director. He was appointed on 21st October 2002. He is the senior partner of Paul K.C. Chan & Partners Solicitors & Notaries, and has been practising laws in Hong Kong for over 21 years. He obtained a Juris Doctorate degree from University of Toronto in 1979. He has been admitted as a barrister and a solicitor in Ontario, Canada and as a barrister in the Australian Capital Territory, as a solicitor in Hong Kong and in England and Wales, and as an advocate and solicitor in Singapore. He became a China-Appointed Attesting Officer in 1995, a member of Chartered Institute of Arbitrators in 1996, a Notary Public in Hong Kong in 1997, and HKIAC Accredited Mediator in 1999.

Mr. Cheung Kwan Hung, aged 53, is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in accounting, finance and investment banking profession specialising in equity/debt fund raising, mergers and acquisitions and corporate restructuring before working with publicly listed companies undertaking corporate management, planning and strategies development functions. He is a director of New Ocean Green Energy Holdings Limited, Golden Dragon Group (Holdings) Limited and VS International Group Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited.

The Company has received confirmation from each of the independent non-executive Directors as regards their independence from the Company and considers that each of the independent non-executive Directors is independent of the Company.

Senior management

Mr. Chan Chung Yuk, aged 53, is the technical manager of the Group. He joined the Group in April 2001. He is responsible for the product research and development and quality control of the Group. He graduated from the Hong Kong Polytechnic in 1975 with a higher certificate in Chemical Technology. With more than 31 years of work experience in several big paints companies in Hong Kong, he has extensive knowledge in the paints industry and is well versed in related product research and development.

Report of the Auditors

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers

22nd Floor, Prince's Building,

Central

Hong Kong



劉歐陽會計師事務所有限公司

LAU & AU YEUNG C.P.A. LIMITED

Lau & Au Yeung C.P.A. Limited

Room 2701, 27th Floor, Wing On House,

71 Des Voeux Road,

Central,

Hong Kong

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
WING SHING INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS WING SHING CHEMICAL HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)**

We have audited the accounts on pages 24 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Consolidated Profit and Loss Account

For the year ended 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	284,478	291,598
Cost of sales		(236,141)	(227,970)
Gross profit		48,337	63,628
Other revenues	2	1,975	1,984
Distribution costs		(16,734)	(20,435)
Administrative expenses		(28,586)	(25,806)
Other operating expenses, net		(7,296)	(1,120)
Operating (loss)/profit	3	(2,304)	18,251
Finance costs	4	(2,142)	(2,528)
(Loss)/profit before taxation		(4,446)	15,723
Taxation	5	(646)	(584)
(Loss)/profit after taxation		(5,092)	15,139
Minority interests		355	(110)
(Loss)/profit attributable to shareholders		(4,737)	15,029
Dividends	7	—	4,160
(Loss)/earnings per share			
– Basic	8	(1.1 cents)	3.7 cents
– Diluted	8	(1.1 cents)	N/A

Consolidated Balance Sheet

As at 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets			
Fixed assets	11	75,823	53,427
Intangible assets	12	4,624	5,427
Interests in associated company	14	—	150
Other investment	15	400	400
Deposits paid for acquisition of subsidiaries	16	17,335	—
		<u>98,182</u>	<u>59,404</u>
Current assets			
Inventories	17	24,354	24,857
Investment in securities	18	1,987	—
Trade and other receivables	19	101,634	88,604
Prepaid tax		2,795	1,610
Bank balances and cash	20	17,050	17,868
		<u>147,820</u>	<u>132,939</u>
Current liabilities			
Due to shareholders	21	119	418
Trade and other payables	22	34,449	36,062
Bills payable	29	22,072	17,484
Taxation payable		807	446
Current portion of long-term liabilities	23	13,023	14,242
Short-term bank loan, unsecured	29	36,397	7,503
Trust receipt loans, unsecured	29	22,708	9,963
Bank overdrafts, unsecured	29	5,852	5,006
		<u>135,427</u>	<u>91,124</u>
Net current assets		<u>12,393</u>	<u>41,815</u>
Total assets less current liabilities		<u>110,575</u>	<u>101,219</u>

Report of the Auditors

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers

22nd Floor, Prince's Building,

Central

Hong Kong



劉歐陽會計師事務所有限公司

LAU & AU YEUNG C.P.A. LIMITED

Lau & Au Yeung C.P.A. Limited

Room 2701, 27th Floor, Wing On House,

71 Des Voeux Road,

Central,

Hong Kong

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
WING SHING INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS WING SHING CHEMICAL HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)**

We have audited the accounts on pages 24 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Consolidated Profit and Loss Account

For the year ended 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	284,478	291,598
Cost of sales		(236,141)	(227,970)
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Administrative expenses		(28,586)	(25,806)
Other operating expenses, net		(7,296)	(1,120)
Operating (loss)/profit	3	(2,304)	18,251
Finance costs	4	(2,142)	(2,528)
(Loss)/profit before taxation		(4,446)	15,723
Taxation	5	(646)	(584)
(Loss)/profit after taxation		(5,092)	15,139
Minority interests		355	(110)
(Loss)/profit attributable to shareholders		(4,737)	15,029
Dividends	7	—	4,160
(Loss)/earnings per share			
– Basic	8	(1.1 cents)	3.7 cents
– Diluted	8	(1.1 cents)	N/A

Consolidated Balance Sheet

As at 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets			
Fixed assets	11	75,823	53,427
Intangible assets	12	4,624	5,427
Interests in associated company	14	—	150
Other investment	15	400	400
Deposits paid for acquisition of subsidiaries	16	17,335	—
		<u>98,182</u>	<u>59,404</u>
Current assets			
Inventories	17	24,354	24,857
Investment in securities	18	1,987	—
Trade and other receivables	19	101,634	88,604
Prepaid tax		2,795	1,610
Bank balances and cash	20	17,050	17,868
		<u>147,820</u>	<u>132,939</u>
Current liabilities			
Due to shareholders	21	119	418
Trade and other payables	22	34,449	36,062
Bills payable	29	22,072	17,484
Taxation payable		807	446
Current portion of long-term liabilities	23	13,023	14,242
Short-term bank loan, unsecured	29	36,397	7,503
Trust receipt loans, unsecured	29	22,708	9,963
Bank overdrafts, unsecured	29	5,852	5,006
		<u>135,427</u>	<u>91,124</u>
Net current assets		<u>12,393</u>	<u>41,815</u>
Total assets less current liabilities		<u>110,575</u>	<u>101,219</u>

Balance Sheet

As at 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets			
Investments in subsidiaries	13	<u>87,570</u>	<u>94,099</u>
Current assets			
Trade and other receivables	19	35	35
Bank balances and cash		<u>84</u>	<u>5,543</u>
		<u>119</u>	<u>5,578</u>
Current liabilities			
Due to shareholders	21	345	345
Trade and other payables	22	<u>1,279</u>	<u>116</u>
		<u>1,624</u>	<u>461</u>
Net current (liabilities)/assets		<u>(1,505)</u>	<u>5,117</u>
Total assets less current liabilities		<u>86,065</u>	<u>99,216</u>
Financed by:			
Share capital	24	4,205	4,160
Reserves			
Proposed final dividend	25(b)	—	2,080
Others	25(b)	<u>81,860</u>	<u>92,976</u>
		<u>86,065</u>	<u>99,216</u>

Poon Sum
Director

Mok Yu Kong
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March 2005

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2003	4,080	19,039	3,248	50,171	76,538
Exercise of share options	80	2,328	—	—	2,408
Profit for the year	—	—	—	15,029	15,029
Dividends paid	—	—	—	(2,080)	(2,080)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2004	4,160	21,367	3,248	63,120	91,895
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1st April 2004	4,160	21,367	3,248	63,120	91,895
Issue of shares pursuant to scrip dividend scheme	45	1,129	—	—	1,174
Loss for the year	—	—	—	(4,737)	(4,737)
Dividends paid	—	—	—	(2,080)	(2,080)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2005	4,205	22,496	3,248	56,303	86,252
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Consolidated Cash Flow Statement

For the year ended 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net cash (outflow)/inflow generated from operations	27(a)	(5,664)	14,529
Interest paid		(2,142)	(2,528)
Hong Kong profits tax paid		(806)	(5,973)
PRC income tax (paid) / refund		(314)	179
Net cash (outflow) / inflow from operating activities		(8,926)	6,207
Investing activities			
Purchase of fixed assets		(27,109)	(14,101)
Proceeds from sale of fixed assets		350	83
Payment for other investment		—	(400)
Purchase of investment in securities		(1,892)	—
Purchase of minority interests in subsidiaries		—	(8,978)
Research and development expenses capitalised		—	(259)
Interest received		20	128
Deposits for acquisition of subsidiaries		(17,335)	—
Net cash used in investing activities		(45,966)	(23,527)
Net cash outflow before financing		(54,892)	(17,320)
Financing activities	27(b)		
Issuance of shares		—	2,408
Decrease in pledged bank deposits		—	9,049
Capital elements of finance lease payments		(2,674)	(2,776)
Inception of bank loans		63,960	15,465
Repayment of bank loans		(19,937)	(7,617)
Increase / (decrease) in trust receipt loans		12,745	(384)
Advance from a minority shareholder		40	—
Dividend paid		(906)	(2,080)
Dividend paid to minority shareholders		—	(500)
Net cash inflow from financing		53,228	13,565
Decrease in cash and cash equivalents		(1,664)	(3,755)
Cash and cash equivalents at 1st April		12,862	16,617
Cash and cash equivalents at 31st March		11,198	12,862
Analysis of balances of cash and cash equivalents			
Bank balances and cash		17,050	17,868
Bank overdrafts		(5,852)	(5,006)
		11,198	12,862

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policy below, investments in securities are stated in fair value.

The HKICPA has issued a number of Hong Kong Financial Reporting Standards and Hong Kong Accounting Practice (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) **Associated companies**

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated company for the year, up to the date of disposal.

(d) **Intangible assets**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/ joint venture at the date of acquisition.

Goodwill on acquisitions is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 10 years.

Where an indication of impairment exists, the carrying amount of goodwill on acquisitions is assessed and written down immediately to its recoverable amount.

(e) **Other investments**

Other investments are carried at cost less any provision for impairment losses. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of other investments are recognized in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognized in the profit and loss account as they arise.

(f) **Investments in securities**

Investments in securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of investments in securities are recognised in the profit and loss account. Profits or losses on disposal of investments in securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Fixed assets

(i) *Properties under development*

Properties under development are interests in leasehold land and buildings on which construction work has not been completed and which, upon completion, will be held for intended use. Properties under development are included in fixed assets and are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development, less accumulated impairment losses. On completion, the properties are transferred to other fixed asset categories at cost less accumulated impairment losses.

(ii) *Other fixed assets*

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings are depreciated over the shorter of the period of the lease and their estimated useful lives while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses and residual value over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	2 - 2.38%
Plant and machinery	9 - 20%
Furniture, fixtures and equipment	18 - 20%
Motor vehicles	9 - 30%

Major costs incurred in restoring the fixed assets to their normal working condition to allow continued use of the overall asset are charged to the profit and loss account.

(iii) *Impairment of fixed assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) **Assets under leases**

(i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term and short-term liabilities, as appropriate. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(i) **Inventories**

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) **Account receivables**

Provision is made against account receivables to the extent they are considered to be doubtful. Account receivables in the balance sheet are stated net of such provision.

(k) **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise bank balances and cash and bank overdrafts.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) **Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(m) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(n) **Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst profit and loss accounts are translated at average rates. Exchange differences are dealt with as a movement in reserves.

(o) **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group operates a number of defined contribution plans in Hong Kong and the PRC, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(r) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Handling income is recognised when the underlying services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognised on a straight-line basis over the terms of the lease.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) **Research and development costs**

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(t) **Segmental reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude certain corporate assets, investment in associated company and other investment. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

Notes to the Accounts

2 TURNOVER AND REVENUES

The Group is principally engaged in the manufacture and trading of paints, blended solvents, plastic colorants and chemical materials. Revenues recognised during the year are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of goods	<u>284,478</u>	<u>291,598</u>
Other revenues		
Handling income	19	1,171
Bank interest income	20	128
Rental income	716	93
Unrealised gain on investment in securities	95	—
Other income	<u>1,125</u>	<u>592</u>
	<u>1,975</u>	<u>1,984</u>
Total revenues	<u><u>286,453</u></u>	<u><u>293,582</u></u>

Notes to the Accounts

2 TURNOVER AND REVENUES (continued)

Primary report format - business segments

	2005				Group total HK\$'000
	Paints and blended solvents HK\$'000	Plastic colorants HK\$'000	Chemical materials HK\$'000	Eliminations HK\$'000	
Segment revenues					
Turnover					
External revenue	269,693	8,523	6,262	—	284,478
Inter segment revenue	—	—	54	(54)	—
Other revenues excluding interest income	2,530	9	97	(681)	1,955
	<u>272,223</u>	<u>8,532</u>	<u>6,413</u>	<u>(735)</u>	<u>286,433</u>
Segment results	<u>2,180</u>	<u>(1,731)</u>	<u>(503)</u>		(54)
Unallocated costs					(2,270)
Interest income					20
Operating loss					(2,304)
Finance costs					(2,142)
Loss before taxation					(4,446)
Taxation					(646)
Loss after taxation					<u>(5,092)</u>
Segment assets	231,678	5,862	3,529		241,069
Unallocated corporate assets					4,933
					<u>246,002</u>
Segment liabilities	154,571	2,712	205		157,488
Unallocated corporate liabilities					1,526
					<u>159,014</u>
Capital expenditure	27,249	1,150	—		28,399
Depreciation charge	5,059	800	4		5,863
Amortisation charge	544	—	—		544
Intangible assets written off	259	—	—		259

2 TURNOVER AND REVENUES (continued)

Primary report format - business segments (continued)

	2004				Group total HK\$'000
	Paints and blended solvents HK\$'000	Plastic colorants HK\$'000	Chemical materials HK\$'000	Eliminations HK\$'000	
Segment revenues					
Turnover					
External revenues	264,309	8,478	18,811	—	291,598
Inter segment revenues	—	—	1,139	(1,139)	—
Other revenues excluding interest income	1,921	82	1,164	(1,311)	1,856
	<u>266,230</u>	<u>8,560</u>	<u>21,114</u>	<u>(2,450)</u>	<u>293,454</u>
Segment results	<u>16,905</u>	<u>636</u>	<u>1,808</u>		19,349
Unallocated costs					(1,226)
Interest income					128
Operating profit					18,251
Finance costs					(2,528)
Profit before taxation					15,723
Taxation					(584)
Profit after taxation					<u>15,139</u>
Segment assets	172,502	6,097	5,880		184,479
Unallocated corporate assets					7,864
					<u>192,343</u>
Segment liabilities	94,223	1,700	2,130		98,053
Unallocated corporate liabilities					1,344
					<u>99,397</u>
Capital expenditure	13,523	578	—		14,101
Depreciation charge	5,605	584	6		6,195
Amortisation charge	112	—	—		112

Notes to the Accounts

2 TURNOVER AND REVENUES *(continued)*

Secondary reporting formant - geographical segments

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 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Crediting		
Gain on disposal of fixed assets	210	83
Net exchange gain	—	92
	<u> </u>	<u> </u>
Charging		
Auditors' remuneration		
- provision for the year	969	721
- prior year's under provision	110	—
Amortisation of intangible assets	544	112
Cost of inventories sold	217,707	206,738
Depreciation		
- owned fixed assets	5,325	4,615
- leased fixed assets	538	1,580
Intangible assets written off	259	—
Net exchange loss	125	—
Operating leases in respect of land and buildings	865	1,347
Provision for doubtful debts and bad debts written off	6,790	1,183
Provision for slow moving inventories	618	—
Research and development costs (see note below)	937	1,494
Staff costs (including directors' emoluments) <i>(Note 9)</i>	32,688	37,522
	<u> </u>	<u> </u>

Note:

Included in the research and development costs were staff costs of HK\$851,000 (2004: HK\$1,400,000) which had also been included in staff costs disclosed above.

Notes to the Accounts

4 FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank loans and overdrafts	1,265	984
Interest element of finance leases	169	405
Interest on trust receipt loans	708	1,139
	<u>2,142</u>	<u>2,528</u>

5 TAXATION

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current taxation:		
- Hong Kong profits tax (<i>Note (a)</i>)	—	801
- PRC income tax (<i>Note (b)</i>)	116	—
- Over provision for PRC income tax in prior year	—	(285)
- Under provisions in prior years	180	68
Deferred taxation relating to the origination and reversal of temporary differences	350	—
Taxation charges	<u>646</u>	<u>584</u>

- (a) Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.
- (b) PRC income tax has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the People's Republic of China (the "PRC"). PRC income tax has been provided at the rate of 27% on the estimated assessable profit.

Notes to the Accounts

5 TAXATION (continued)

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before taxation	<u>(4,446)</u>	<u>15,723</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	(778)	2,752
Effect of different taxation rates in other countries	164	—
Timing differences not recognized	(22)	(9)
Tax losses not recognized	329	—
Under provision of profits tax	180	68
Over provision for income tax	—	(285)
Income not subject to taxation	(1,481)	(3,040)
Expenses not deductible for taxation purposes	2,254	1,112
Others	—	(14)
	<u>646</u>	<u>584</u>
Taxation charge	<u><u>646</u></u>	<u><u>584</u></u>

6 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK\$12,245,000 (2004: profit of HK\$18,645,000).

7 DIVIDENDS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim: Nil (2004: HK\$0.005) per ordinary share	—	2,080
Final: Nil (2004: HK\$0.005) per ordinary share	—	2,080
	<u>—</u>	<u>4,160</u>
	<u><u>—</u></u>	<u><u>4,160</u></u>

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$4,737,000 (2004: profit of HK\$15,029,000).

The basic (loss)/earnings per share is based on the weighted average number of 418,179,877 (2004: 409,884,932) ordinary shares in issue during the year.

The diluted loss per share for the year ended 31st March 2005 is based on 418,244,058 ordinary shares which is the weighted average number of ordinary shares in issue during the year ended 31st March 2005 plus the weighted average number of 64,181 ordinary shares deemed to be issued at no consideration if all outstanding warrants and options with dilutive effect had been exercised. Diluted earnings per share for the year ended 31st March 2004 is not presented as the exercise of the outstanding options and warrants of the company would have anti-dilutive effect.

9 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	31,868	37,052
Pension cost – defined contribution plans	820	470
	<u>32,688</u>	<u>37,522</u>

Notes to the Accounts

10 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amount of emoluments paid and payable to the directors of the Company are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	300	240
Salaries, allowances and benefits in kind	3,251	3,482
Retirement benefit scheme contributions	41	52
	<u>3,592</u>	<u>3,774</u>

Directors' fees disclosed above include HK\$300,000 (2004: HK\$240,000) paid to the independent non-executive Directors.

None of the directors of the Company waived any emoluments paid by the Group during the year (2004: Nil).

The emoluments of the Directors fell within the following bands:

	Number of directors	
	2005	2004
Emolument bands		
Nil to HK\$1,000,000	6	5
HK\$2,000,001 to HK\$2,500,000	1	1
	<u>7</u>	<u>6</u>

10 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS (continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2004: three) individuals during the year are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,518	2,610
Retirement benefit scheme contributions	36	49
	<u>1,554</u>	<u>2,659</u>

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
Nil to HK\$1,000,000	3	2
HK\$1,500,001 to HK\$2,000,000	—	1
	<u>3</u>	<u>3</u>

- (c) During the current and prior years, no emoluments were paid by the Group to any of the above Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Accounts

11 FIXED ASSETS

	Group					
	Leasehold land and buildings <i>HK\$'000</i>	Properties under development <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost						
At 1st April 2004	27,931	5,570	21,255	23,791	9,824	88,371
Additions	10,361	12,177	2,398	1,490	1,973	28,399
Disposals	—	—	—	—	(1,198)	(1,198)
Transfer	5,004	(5,570)	—	566	—	—
At 31st March 2005	43,296	12,177	23,653	25,847	10,599	115,572
Accumulated depreciation						
At 1st April 2004	1,667	—	9,398	18,098	5,781	34,944
Charge for the year	589	—	1,531	2,245	1,498	5,863
Disposals	—	—	—	—	(1,058)	(1,058)
At 31st March 2005	2,256	—	10,929	20,343	6,221	39,749
Net book value						
At 31st March 2005	41,040	12,177	12,724	5,504	4,378	75,823
At 31st March 2004	26,264	5,570	11,857	5,693	4,043	53,427
Net book value of leased assets:						
At 31st March 2005	—	—	—	—	1,888	1,888
At 31st March 2004	—	—	2,982	497	1,742	5,221

Notes to the Accounts

11 FIXED ASSETS (continued)

Notes:

(a) The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
In Hong Kong, held on:		
Leases of between 10 to 50 years	6,996	7,140
Outside Hong Kong, held on:		
Leases of less than 10 years	10,767	3,664
Leases of between 10 to 50 years	23,277	15,460
	41,040	26,264
	41,040	26,264

(b) Properties under development are situated in the PRC under a lease of less than 50 years.

12 INTANGIBLE ASSETS

	Group		
	Goodwill on acquisition <i>HK\$'000</i>	Development Costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31st March 2005			
Opening net book amount	5,168	259	5,427
Amortisation charge	(544)	—	(544)
Written off	—	(259)	(259)
	4,624	—	4,624
	4,624	—	4,624
At 31st March 2005			
Cost	5,280	259	5,539
Accumulated amortisation	(656)	—	(656)
Written off	—	(259)	(259)
	4,624	—	4,624
	4,624	—	4,624