

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	1,125	592
	<u>1,975</u>	<u>1,984</u>
Total revenues	<u>286,453</u>	<u>293,582</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
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(4,446)	15,723
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)
Taxation charge	646	584

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
	HK\$'000	HK\$'000
Interim: Nil (2004: HK\$0.005) per ordinary share	—	2,080
Final: Nil (2004: HK\$0.005) per ordinary share	—	2,080
	—	4,160

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

Notes to the Accounts

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments at costs (<i>note (a)</i>)	57,942	57,942
Less: impairment of investment in subsidiaries	(10,000)	—
	<u>47,942</u>	<u>57,942</u>
Due from subsidiaries (<i>note (b)</i>)	39,628	36,157
	<u>87,570</u>	<u>94,099</u>

(a) The following is a list of the subsidiaries at 31st March 2005:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued/registered and fully paid share capital	Attributable equity interest held
<i>Shares held directly:</i>				
Wing Shing Group Limited (“WSGL”)	British Virgin Islands (“BVI”)	Investment holding in Hong Kong	52,000 ordinary shares of US\$1 each	100%
<i>Shares held indirectly:</i>				
Dongguan Tung Shing Fat Chemical Company Limited	PRC	Manufacture of paints and blended solvents in PRC	Fully paid registered capital of HK\$26,000,000	100%
Hai Yue Chemicals Company Limited	Hong Kong	Trading of chemical materials in Hong Kong	1,000,000 ordinary shares of HK\$1 each	75%
Wing Shing Chemical Company Limited (“Wing Shing Chemical”)	Hong Kong	Trading of paints, lacquer, enamel and polyurethane in Hong Kong	3,000,000 ordinary shares of HK\$1 each	100%
Wing Shing Chemical International Limited	BVI	Inactive	3,000,000 ordinary shares of HK\$1 each	100%
Wing Shing Colours Limited	Hong Kong	Manufacture and trading of plastic colorants in Hong Kong	100,000 ordinary shares of HK\$1 each	100%

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued/registered and fully paid share capital	Attributable equity interest held
Wing Shing Chemical Macao Commercial Offshore Company Limited	Macau	Trading of paints and blended solvents in Macau	Issued capital of MOP 500,000	100%
Borex Limited (Formerly known as Dragon Regal International Limited)	Hong Kong	Trading of paints in the PRC	1,300,000 ordinary shares of HK\$1 each	80% <i>note (i)</i>
Kansai Chemicals (Dongguan) Limited	Hong Kong	Inactive	500,000 ordinary shares of HK\$1 each	100% <i>note (ii)</i>
Win Profit (Asia Pacific) Company Limited	Hong Kong	Inactive	100 ordinary shares of HK\$1 each	100% <i>note (iii)</i>

- (i) On 3rd June 2004, Borex Limited's authorised share capital was increased to HK\$1,300,000 by the creation of an additional 1,290,000 ordinary shares of HK\$1 each, ranking pari passu with the existing shares of the company. On the same day, 1,039,998 shares were issued at par as fully paid to Wing Shing Chemical. Upon completion of the issue, the Company holds an indirectly 80% interest in Borex Limited.
- (ii) On 7th January 2005, Wing Shing Chemical acquired from Winfield Paint Limited its 70% interest in Kansai Chemicals (Dongguan) Limited, an 30% owned associated company of the Company at a cash at that time, at a cash consideration of HK\$1. Since then, Kansai Chemicals (Dongguan) Limited has become an indirectly wholly-owned subsidiary of the Company.
- (iii) On 1st September 2004, Wing Shing Group Limited acquired from Nishiko (Hong Kong) Limited its 49% interest in Win Profit (Asia Pacific) Co. Limited, a subsidiary of the Company in which the Company holds an indirect 51% interests for, a cash consideration of HK\$49. Since then, Win Profit (Asia Pacific) Co. Limited became an indirectly wholly-owned subsidiary of the Company.
- (b) The amounts due are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

Notes to the Accounts

14 INTERESTS IN ASSOCIATED COMPANY

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	—	150
Unlisted shares, at cost	—	150

Particulars of the associated company at 31st March 2004 were as follows:

Name	Place of incorporation	Principal activity	Particulars of issued share held	Interest Held
Kansai Chemicals (Dongguan) Limited	Hong Kong	Inactive	500,000 ordinary shares of HK\$1 each	30%

The associated company incurred only immaterial expenses in prior and current years. During the current year, the Group acquired the remaining 70% interest in this company. Since then, this company became a subsidiary of the Group.

15 OTHER INVESTMENT

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other investment, unlisted	400	400

16 DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

		Group	
	<i>Note</i>	2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Deposit for acquisition of Dongguan City			
Changan Xinyimei Paint Company Limited (“Xinyimei”)	(a)	6,400	—
Deposit for acquisition of Zhongshan Wing Shing Ling Feng			
Chemical Company Limited (“Ling Feng”)	(b)	10,935	—
		<u>17,335</u>	<u>—</u>

- (a) On 1st November 2004, Wing Shing Chemical entered into an equity transfer agreement with Mr. Zhou Guihong and Mr. Chen Rongji, independent third parties (the “Vendors”), whereby Wing Shing Chemical agreed to acquire the entire equity interest in Xinyimei, a company incorporated in the PRC with registered capital of RMB800,000 from the Vendors at an aggregate cash consideration of HK\$7,540,000.

Pursuant to the equity transfer agreement, the completion of the acquisition of Xinyimei is conditional on, among other things, all necessary approvals from the relevant PRC government authorities being obtained in relation to the equity transfer. Application has been made to the relevant authorities in the PRC for the transfer of title of Xinyimei to the Group, but such application has not been approved as at the date of this report.

As at 31st March 2005, the Group has made a deposit of HK\$6,400,000 to the Vendors with respect to this acquisition. The balance is interest free and unsecured. The Directors expect that the outstanding consideration will be paid upon the issuance of the new business licence of Xinyimei and the approval of the change of shareholders from the vendors to Wing Shing Chemical by relevant government authority. As of the date of this report, the application for change of shareholders is still in progress and not yet approval by the relevant authorities in the PRC.

- (b) On 3rd November 2004, Wing Shing Chemical entered into an investment and joint venture agreement (the “Agreement”) with Mr. Guo Shun Kei (“Mr. Guo”) whereby Wing Shing Chemical has conditionally agreed that, subject to the fulfilment of the conditions precedents in the Agreement, Wing Shing Chemical will enter into an equity interest acquisition agreement to purchase from Mr. Guo (or companies controlled by Mr. Guo) 55% equity interest in Ling Feng, a company incorporated in the PRC. The exact amount of the consideration for the acquisition of 55% equity interest in Ling Feng is subject to the valuation and confirmation of the value of the then 55% equity interest in Ling Feng (after the corporate reorganization included in certain conditions precedents stated below) and should not exceed RMB14,570,000 (equivalent to approximately HK\$13,750,000). The conditions precedents include, inter alia, the completion of the increase in the registered capital of Ling Feng from RMB500,000 to RMB26,500,000 by way of Mr. Guo injecting into Ling Feng the land and building owned by Mr. Guo (and other equipment owned by Mr. Guo to make up the difference if the value of the land and building is found to be less than RMB26,000,000 after independent valuation), and the completion of the transfer to Ling Feng of certain banking facilities, together with the related bank loans, and Mr. Guo’s execution and delivery of the debt note to Ling Feng as detailed in the Agreement.

Due to Mr. Guo’s personal reason and on Mr. Guo’s request, on 15th December 2004, Mr. Guo, Mr. Duan Zhijun (“Mr. Duan”), an independent third party, and Wing Shing Chemical agreed in writing that Mr. Guo could transfer all his equity interests in Ling Feng to Mr. Duan and Mr. Duan would assume all Mr. Guo’s role and responsibilities due to Wing Shing Chemical under the Agreement. As a result, on 23rd December 2004, Wing Shing Chemical, Mr. Duan and Mr. Lin Guangfa (“Mr. Lin”), an independent third party who was the other shareholder of Ling Feng at that time, entered into an equity interest acquisition agreement, pursuant to which Wing Shing Chemical agreed to acquire from Mr. Duan 55% equity interest in Ling Feng at a consideration not exceeding RMB14,575,000.

As at 31st March 2005, certain of the conditions precedents have not been fulfilled and the legal title of Ling Feng has not yet been transferred to the Group. As at 31st March 2005, the Group has paid deposits of HK\$10,935,000 in respect of this acquisition. As of the date of this report, all the condition precedents as specified in the Agreement have been fulfilled and the total consideration paid by Wing Shing Chemical amounted to approximately HK\$13,714,000. In addition, the application for change of shareholder is still in progress and not yet approved by the relevant authorities in the PRC.

Notes to the Accounts

17 INVENTORIES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	16,381	17,116
Work in progress	2,861	2,698
Finished goods	5,112	5,043
	<u>24,354</u>	<u>24,857</u>

Note:

As at 31st March 2005 and 31st March 2004, no inventories were carried at net realisable value, except for certain inventories that have been fully provided for.

18 INVESTMENT IN SECURITIES

Balance as at 31st March 2005 represented listed shares in Hong Kong and stated at market value (2004: Nil).

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note (a)</i>)	67,275	72,035	—	—
Other receivables, prepayments and deposits (<i>note (b)</i>)	34,359	16,569	35	35
	<u>101,634</u>	<u>88,604</u>	<u>35</u>	<u>35</u>

Note:

(a) Majority of the Group's turnover 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:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	22,750	25,810
31-60 days	16,655	18,786
61-90 days	12,603	10,844
91-120 days	6,337	7,379
Over 120 days	8,930	9,216
	<u>67,275</u>	<u>72,035</u>

19 TRADE AND OTHER RECEIVABLES (continued)

- (b) Included in the balance of other receivables, prepayment and deposits of the Group are amounts due from Dongguan City Gaobu Yongcheng Paint Factory ("Gaobu") of HK\$13,119,000 and Xinyimei of HK\$17,725,000.

Amount due from Gaobu primarily arose in relation to the Group's provision of raw materials to it for productions of the goods supplied to the Group's customers. The balance is interest-free, secured by the raw materials and packaging materials, fixed assets of Gaobu amounted to RMB2.5 million as well as the accounts receivable in the amount of approximately RMB9.6 million of Gaobu. The balance is fully repayable within the year ending 31st March 2006.

As detailed in note 16, the Group has entered into an agreement to acquire Xinyimei, amount due from Xinyimei represented advances to Xinyimei for its working capital purposes. The balance is unsecured, interest-free and repayable on demand.

20 BANK BALANCES AND CASH

Bank balances and cash of approximately HK\$5,258,000 (2004: HK\$3,388,000) were denominated in Renminbi and kept in the PRC. The remittance of these funds out of the PRC are subject to the foreign exchange control restrictions imposed by the PRC government.

21 DUE TO SHAREHOLDERS

The amounts due are interest-free, unsecured and have no fixed terms of repayment.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (note (a))	22,199	30,135	—	—
Other payables and accruals (note (b))	12,250	5,927	1,279	116
	<u>34,449</u>	<u>36,062</u>	<u>1,279</u>	<u>116</u>

Note:

- (a) The ageing analysis of the trade payables is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
0-30days	11,885	10,637
31-60 days	2,139	8,951
61-90 days	4,116	3,635
Over 90 days	4,059	6,912
	<u>22,199</u>	<u>30,135</u>

- (b) Included in the balance are amounts due to Xinyimei of HK\$2,201,000 which are unsecured, interest-free and repayable on demand.

Notes to the Accounts

23 LONG-TERM LIABILITIES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
Secured (<i>note (a)</i>)	—	5,379
Unsecured (<i>note (a)</i>)	34,380	13,872
Obligations under finance leases (<i>note (b)</i>)	1,442	2,826
	<u>35,822</u>	<u>22,077</u>
Less: Current portion of long-term liabilities		
Bank loans, secured	—	(3,305)
Bank loan, unsecured	(12,454)	(8,619)
Obligations under finance leases	(569)	(2,318)
	<u>(13,023)</u>	<u>(14,242)</u>
	<u>22,799</u>	<u>7,835</u>
The analysis of the above is as follows:		
Wholly repayable within five years	<u>35,822</u>	<u>22,077</u>

(a) At 31st March 2005, the Group's bank loans are repayable as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	12,454	11,924
In the second year	12,068	5,406
In the third to fifth year	9,858	1,921
	<u>34,380</u>	<u>19,251</u>

The long-term bank loans bear interest at prevailing market rates. Details of banking facilities are set out in note 29 below.

Notes to the Accounts

23 LONG-TERM LIABILITIES *(continued)*

(b) At 31st March 2005, the Group's finance leases liabilities were repayable as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	649	2,495
In the second year	388	534
In the third to fifth year	562	—
	<u>1,599</u>	<u>3,029</u>
Future finance charges on finance leases	(157)	(203)
	<u>1,442</u>	<u>2,826</u>

The present value of finance lease liabilities is as follows:

Within one year	569	2,318
In the second year	345	508
In the third to fifth year	528	—
	<u>1,442</u>	<u>2,826</u>

24 SHARE CAPITAL

	Authorised ordinary shares of HK\$0.01 each	
	<i>No. of Shares</i>	<i>HK\$'000</i>
At 31st March 2005 and 2004	<u>2,000,000,000</u>	<u>20,000</u>

Notes to the Accounts

24 SHARE CAPITAL (continued)

	Issued and fully paid ordinary shares of HK\$0.01 each	
	<i>No. of Shares</i>	<i>HK\$'000</i>
At 1st April 2003	408,000,000	4,080
Issue of shares upon exercise of share options (Note (a))	8,000,000	80
At 31st March 2004	416,000,000	4,160
Issue of the shares pursuant to scrip dividend scheme for 2004 final dividend (Note(c))	4,495,226	45
At 31st March 2005	<u>420,495,226</u>	<u>4,205</u>

- (a) Under a share option scheme approved and adopted by the shareholders on 21st October 2002 (the "Share Option Scheme"), the directors of the Company may, at their discretion, invite full-time employees including executive Directors to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the share option scheme).

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2005	2004
At the beginning of the year	9,500,000	—
Granted (Note (i))	23,000,000	17,500,000
Exercised (Note (ii))	—	(8,000,000)
Lapsed	(6,000,000)	—
At the end of the year (Note (iii))	<u>26,500,000</u>	<u>9,500,000</u>

- (i) Share options were granted on 9th August 2004 and 13th August 2004 at the exercise price of HK\$0.27 per share and HK\$0.29 per share respectively.

24 SHARE CAPITAL (continued)

- (ii) Options were exercised by employees on 5th January 2004 which resulted in 8,000,000 new shares of the Company being issued at HK\$0.301, totaling HK\$2,408,000. The difference between the par value of shares issued and the proceeds from the exercise of the options totalling HK\$2,328,000, was recognised as share premium.

	2005 HK\$	2004 HK\$
Fair value of shares issued at the exercise date of: 5th January 2004	—	0.355

- (iii) Share options outstanding at the end of the year have the following terms:

	Exercise price	2005 Number of options	2004	2005 Vested percentage	2004
Directors					
8th August 2014	HK\$0.27	4,000,000	—	100%	—
12th August 2014	HK\$0.29	4,000,000	—	100%	—
Other employees					
24th November 2008	HK\$0.301	9,500,000	9,500,000	100%	100%
12th August 2014	HK\$0.29	9,000,000	—	100%	—

6,000,000 share options were cancelled during the year (2004: Nil).

- (b) On 11th November 2002, warrants to subscribe for a total of 77,714,281 shares of the Company at subscription price of HK\$0.70 per share (subject to adjustment) 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 these accounts.
- (c) On 6 October 2004, the Company issued and allotted a total of 4,495,226 shares of HK\$0.01 each in the Company to the shareholders who elected to receive shares in the Company for the 2004 final dividends pursuant to the scrip dividend scheme announced by the Company on 26th July 2004. These shares rank pari passu in all respects with other shares in issue.

Notes to the Accounts

25 RESERVES

(a) Group

	Group			
	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note a)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2003	19,039	3,248	50,171	72,458
Exercise of share options <i>(note 24(a)(ii))</i>	2,328	—	—	2,328
Profit for the year	—	—	15,029	15,029
Dividends paid	—	—	(2,080)	(2,080)
At 31st March 2004	<u>21,367</u>	<u>3,248</u>	<u>63,120</u>	<u>87,735</u>
At 1st April 2004	21,367	3,248	63,120	87,735
Credit arising on scrip dividend <i>(note 24(c))</i>	1,129	—	—	1,129
Profit for the year	—	—	(4,737)	(4,737)
Dividends paid	—	—	(2,080)	(2,080)
At 31st March 2005	<u>22,496</u>	<u>3,248</u>	<u>56,303</u>	<u>82,047</u>
The Balance as at 31st March 2004 representing:				
2004 Final dividend proposed			2,080	
Others			<u>61,040</u>	
Retained earnings as at 31st March 2004			<u>63,120</u>	

Note:

- (a) Merger reserve represents the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of shares issued by WSGL, the then holding company of the subsidiaries in exchange thereof.

25 RESERVES (continued)

(b) Company

	Company		
	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2003	76,975	(812)	76,163
Exercise of share options (<i>note 24(a)(ii)</i>)	2,328	—	2,328
Profit for the year	—	18,645	18,645
Dividends paid	—	(2,080)	(2,080)
	<hr/>	<hr/>	<hr/>
At 31st March 2004	79,303	15,753	95,056
	<hr/>	<hr/>	<hr/>
At 1st April 2004	79,303	15,753	95,056
Credit arising on scrip dividend (<i>note 24(c)</i>)	1,129	—	1,129
Loss for the year	—	(12,245)	(12,245)
Dividends paid	—	(2,080)	(2,080)
	<hr/>	<hr/>	<hr/>
At 31st March 2005	80,432	1,428	81,860
	<hr/>	<hr/>	<hr/>
The balance as at 31st March 2004 representing:			
2004 Final dividend proposed		2,080	
Others		13,673	
		<hr/>	
Retained earnings as at 31st March 2004		15,753	
		<hr/>	

Notes to the Accounts

26 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The deferred tax liabilities are as follows:

	2005	2004
	HK\$	HK\$
At 1st April	438	438
Deferred taxation charged to profit and loss account	350	—
	<hr/>	<hr/>
At 31st March	788	438
	<hr/> <hr/>	<hr/> <hr/>

The analysis of deferred tax liabilities is as follows:

	Accelerated tax		Others		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st April	449	449	(11)	(11)	438	438
Charged to profit and loss account	—	—	350	—	350	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March	449	449	339	(11)	788	438
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Deferred tax assets are recognised for tax loss to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st March 2005, the Group has unrecognised tax losses of HK\$329,000 (2004: Nil) to carry forward against future taxable income.

27 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Operating (loss)/profit	(2,304)	18,251
Interest received	(20)	(128)
Depreciation	5,863	6,195
Amortisation of intangible assets	544	112
Gain on disposal of fixed assets	(210)	(83)
Intangible assets written off	259	—
Unrealized gain on investment in securities	(95)	—
	<hr/>	<hr/>
Operating profit before working capital changes	4,037	24,347
Decrease/(increase) in inventories	503	(976)
Decrease/(increase) in trade receivables	4,760	(6,210)
Increase in other receivables, deposits paid and prepayments	(17,790)	(11,048)
(Decrease) / increase in trade payables and bills payables	(3,348)	7,724
Increase in other payables, deposits received and accrued expenses	6,323	14
Increase in due from shareholders	—	351
(Decrease) / increase in due to shareholders	(149)	327
	<hr/>	<hr/>
Net cash (outflow) / inflow generated from operations	<u>(5,664)</u>	<u>14,529</u>

Notes to the Accounts

27 CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital including share premium and merger reserve	Minority interests	Bank loans and obligations under finance leases	Pledged bank deposits
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1st April 2003	26,367	5,139	34,855	9,049
Minority interests' share of profits	—	110	—	—
Acquisition of minority interests in subsidiaries by the Group	—	(3,698)	—	—
Cash inflows/(outflows) from financing	2,408	(500)	4,688	(9,049)
At 31st March 2004	<u>28,775</u>	<u>1,051</u>	<u>39,543</u>	<u>—</u>
At 1st April 2004	28,775	1,051	39,543	—
Issuance of shares pursuant to scrip dividend scheme for 2004 final dividend	1,174	—	—	—
Minority interests' share of losses	—	(355)	—	—
Inception of the finance leases	—	—	1,290	—
Cash inflows from financing	—	40	54,094	—
At 31st March 2005	<u>29,949</u>	<u>736</u>	<u>94,927</u>	<u>—</u>

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK\$1,290,000 (2004: Nil).

28 COMMITMENTS**(a) Capital expenditure commitments**

The Group had capital expenditure commitments in respect of properties under development, plant and machinery and acquisition of subsidiaries as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for acquisition in subsidiaries	3,955	—
properties under development	128	3,849
plant and machinery	753	—
	<u>4,836</u>	<u>3,849</u>

(b) Commitments under operating leases

At 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	416	744
Later than one year but not later than five years	1,538	1,577
Later than five years	2,595	2,979
	<u>4,549</u>	<u>5,300</u>

(c) The Company did not have material capital expenditure and operating lease commitments as at 31st March 2004 and 2005.

29 BANKING FACILITIES

As at 31st March 2005, the Group's banking facilities totalling approximately HK\$206,397,000 (2004: HK\$132,960,000) were supported by corporate guarantees issued by the Company.

In last year, a leasehold land and building with net book value of HK\$6,514,000 was pledged as a first legal charge for the banking facilities as at 31st March 2004.

As at 31st March 2005, the Group has breached certain covenants in respect of financial ratios underlying the banking facilities given by a bank. Subsequently, on 23rd July 2005, the bank agreed in writing to waive the full compliance of these financial covenants by the Group in respect of the year ended 31st March 2005.

Notes to the Accounts

30 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the accounts, significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	<i>Note</i>	Group	
		2005	2004
		HK\$'000	HK\$'000
Rental expenses for directors' quarters paid to Luen Yat Enterprises Company Limited, a related company of the Group	(a)	(864)	(766)
Purchase of a property from Mr. Poon Sau Tin and Mr. Poon Sum	(b)	—	(1,500)
Rental expenses charged by Mr. Poon Sau Tin and Mr. Poon Sum	(c)	(384)	(384)
Purchase of a motor vehicle from Mr. Poon Sau Tin	(d)	—	(150)
Purchases of finished goods from Xinyimei	(e)	(2,109)	—
Sales of materials to Xinyimei	(e)	132	—

Mr. Poon Sau Tin and Mr. Poon Sum have beneficial interests in Luen Yat Enterprises Company Limited. Mr. Poon Sau Tin has beneficial interests in the Company. Mr. Poon Sum is the director and has beneficial interests in the Company.

- (a) Rental expenses were charged at fixed monthly rate in accordance with the underlying tenancy agreement.
- (b) The property is used by the Group as warehouse for storage purposes. The consideration was arrived after arm's length negotiations and was based on the value of the property as at 23rd July 2003 as valued by C. L. Tsang Surveyors Limited, an independent property valuer appointed by the Company, which is not associated with any director, Chief executive, substantial shareholder of the Company or any of its subsidiaries or an associate of any of them.
- (c) Rental expenses were charged at fixed monthly rate in accordance with the underlying tenancy agreement.
- (d) Purchases of a motor vehicle has determined and agreed with both parties.
- (e) These transactions were undertaken at terms mutually agreed by Xinyimei and the Group.

31 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

32 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 27th July 2005.