WING SHING INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 850

Annual Report 2006-07

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Poon Sum *(Chairman)*
Mr. Wong Kwok Leung
Mr. Poon Wai Kong

Non-Executive Directors:

Mr. Chen Lizhong
Ms. Chew Lye Yin
(appointed on 15th September 2006)

Independent Non-Executive Directors:

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

AUDIT COMMITTEE

Mr. Chan Shu Kin *(Chairman)*
Mr. Chan Kam Ching, Paul
Mr. Cheung Kwan Hung

REMUNERATION COMMITTEE

Mr. Poon Sum *(Chairman)*
Mr. Chan Shu Kin
Mr. Chan Kam Ching, Paul
Mr. Cheung Kwan Hung

COMPANY SECRETARY

Mr. Chui Che Kong
(resigned on 15th September 2006)
Mr. Poon Wai Kong
(appointed on 15th September 2006)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681 Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1006 10/F. Ocean Center
Harbour City
Tsim Sha Tsui
Kowloon
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

Michael Li & Co

JOINT AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants
Lau & Au Yeung C.P.A. Limited
Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Ltd.
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.
Hang Seng Bank Ltd.

STOCK CODE

850

CONTACT

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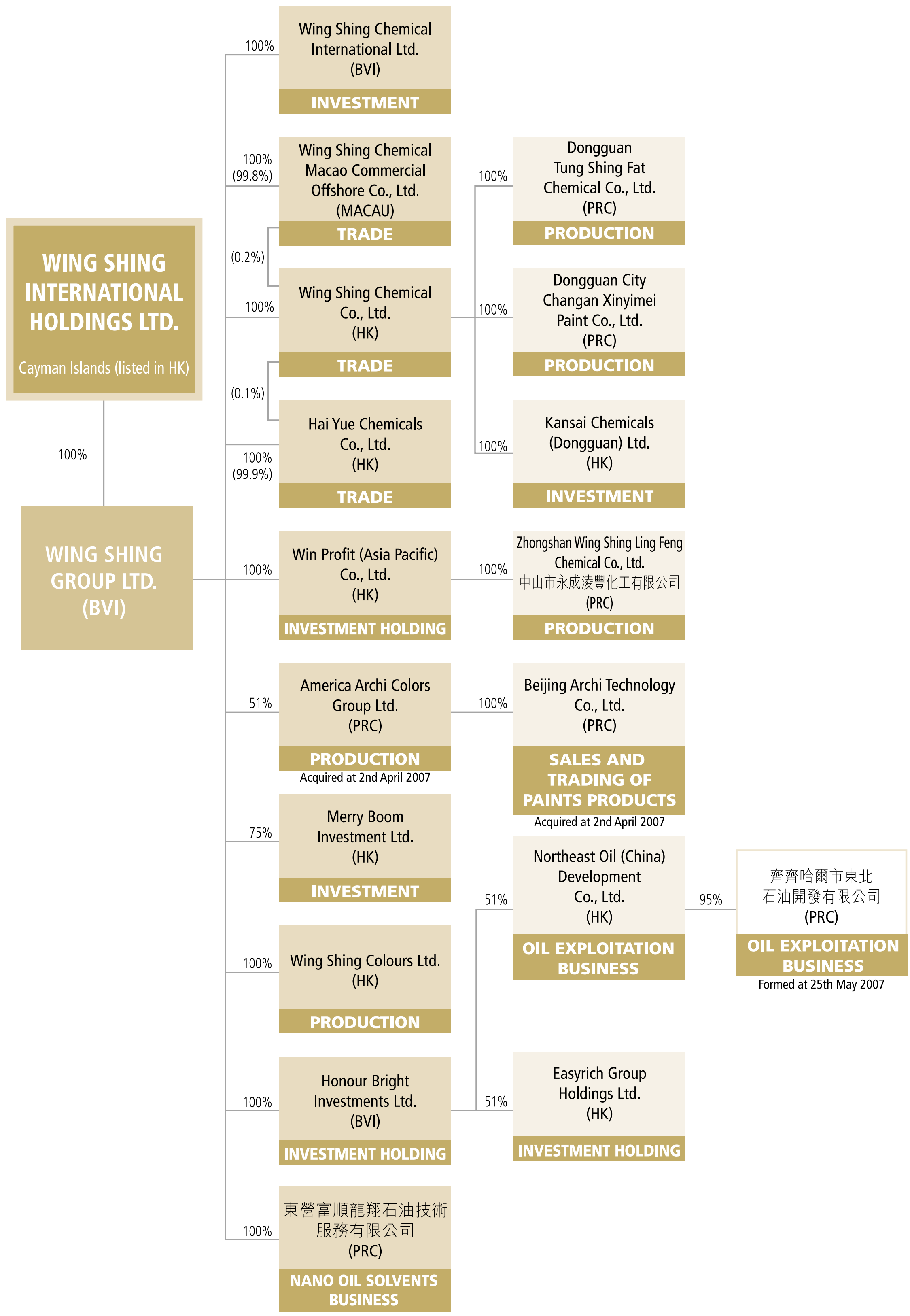
Facsimile: (852) 3580 7793
Website: www.wingshingintl.com

COMPANY STRUCTURE



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Wing Shing International Holdings Limited (the "Company"), I extend my sincere gratitude for your continued support for the Company. I am pleased to report the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31st March 2007.

During the reporting date, we continuously achieved an encouraging result. The turnover totaled approximately HK$309,735,000 and the profit after tax amounted to approximately HK$2,240,000. Excluding a non-cash expenses arise from the grant of the share options to employees amounted to approximately HK$13,584,000 during the year, the net profit generated from the operation should be amounted to approximately HK$15,824,000.

After a year of hard working, we have achieved a profitable result again. This is due to our continuously optimizing the internal resources allocation and has been able to meet the market demands. Underpinning the rise was the fully operation of all production plants and a new business launched during the year.

Although the Group's accounting profit has declined this year, the profit margin increased from 19.01% to 20.71%. The Group made progress in improving production efficiency as well as in achieving economies of scale from continued business growth. Nonetheless, the operating environment of our traditional business during the year remained uniquely challenging, due to the surge in oil and petrochemical prices, increases in labour costs, higher utility costs and the appreciation in the Chinese Reminibi. For these reasons, the Group further expanded its a sales network by acquisition of the America Archi Colors Group Ltd ("**America Archi**") which was completed in April 2007. As America Archi has a good network in distributing paints and latex products, we expect a positive contribution will be made in forthcoming years.

On the other hand, we further expanded operations, improved asset quality, enhanced profitability and achieved significant growth and earnings. Through our continued efforts over many years and the launching of innovative product - nano oil solvents, we successfully entered into the oil exploitation industry in northeast China.

In addition, the Company continued to carry out various reforms. In particular, the Company successful acquired the NorthEast Oil (China) Development Company Limited ("**NE Oil**") for the development of the upstream business in oil exploitation industry. Together with this new acquisition, we also formed a new co-operative joint venture company with the Qiqihar government, Heilongjiang Province for the development of oil exploitation business. As this new co-operative joint venture company has an official right to operate the oil exploitation and this right is very rare in China, we believe that this new business will have a great future. For the preparation of this new challenge, we have our pleasure to invite new potential investors by issuing five years HK$200,000,000 convertible bonds in July 2007.

CHAIRMAN'S STATEMENT

Looking forward in 2007, the global economy may hopefully be able to maintain rapid growth which will lead to a gradual increase in the demand for energy products. The rapid development of the Chinese economy will continue to fuel the demand for oil. We believe the Chinese energy market will open up further in the post-WTO transitional period. At the same time, it is expected that government regulation will be more stringent and the public will become more concerned about changes in oil prices and steady supply of different kind of energy products. The Group shall respond proactively to complicated and ever changing external conditions and fierce market competition in its future development and simultaneously maintain a steady growth of core businesses.

This year marks the fifth year since the company has been listed and is thus a significant year to promote the realization of the Group's strategic reform. We will be positioning as "Integrated Natural Resources and Chemical Group". Together with keen strategic planning, we will have strong confidence on our future.

DIVIDENDS

No interim dividend was paid or declared in respect of the year ended 31st March 2007 (2006: Nil).

The Board does not recommend the payment of final dividend in respect of the year ended 31st March 2007 (2006: Nil).

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all our customers, suppliers, business partners and bankers who have been supportive to us over the years. I would also like to pay a special tribute to all our dedicated staff for their invaluable service and commitment especially of the hard time.

Mr. Poon Sum
Chairman

Hong Kong, 20th July 2007

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 2007, the Group achieved a turnover of approximately HK$309,735,000 (2006: 262,918,000). This represents an increase in turnover of 17.81%, an increase in gross profit margin from 19.01% to 20.71% and a decrease in net profit after tax from approximately HK$11,568,000 to HK$2,240,000 over last year. Excluding the non-cash expense arisen from the grant of the share options to employees amounting to approximately HK$13,584,000 during the period, the net profit generated from the operation should be amounted to approximately HK$15,824,000.

For the year under review, the international crude oil prices were kept steady at prevailingly record high level, the Group continuously suffered with high production cost. The customers were still cautious about accepting and placing orders at the high material costs. This environment developed a fiercely competitive market that our operation could hardly to transfer additional costs to the customers. Labour costs, on the other hand were pushed up by the shortage of manpower in Guangdong province of PRC. Consequently, the Group still suffered a tough profit margin in traditional business.

Confronted with such volatile market environment, the Group placed significant efforts on reforming our business model to face and overcome the challenging environments.

At first, the Group controls the reinforcement of operating cash flow by means of merging customer base and stringent control over costs. In relation to the traditional business of paints and solvent, the Group continues to optimise the internal resources allocation and has been able to continue to meet market demands.

In addition, the China's buoyant economy generated strong demand for property development, and also the latex paints and furniture paints products. As our Zhongshan production facilities and Dongguan City Changan Xinyimei Paint Company Limited operated for full year records, the Group achieved a satisfactory growth in turnover for the year.

At the same time, the Group actively developed the new marketing network in the northern China region. The Company expects the newly acquired sales network, America Archi group, will further contribute a profitable result to the Group in the coming years. As management expected there would be a steadily economic growth in the forthcoming years, the Group is now planning to expand the production plant in Zhongshan to cater for with the new products and orders from the new markets. It is expected that the Group's revenue will have an overall high growth in the foreseeable future.

For further expansion, the Group continued to grow rapidly by searching for new opportunity, the Group had an encouraging result in higher revenue by the launching of higher margin new products, nano-oil solvents. It encourages the management in new business reform, especially targeted towards the upper stream product areas.

The new business models can broaden and supplement the market segments of the Group and create synergies in terms of greater economies of scale and utilisation of management expertise. In taking advantage of the geographic proximity, the Group could capitalise its core competence in production and distribution through a more efficient and effective allocation of resources over the existing production plants in Dongguan and Zhongshan.

In the future, the Group will continuously set the improvement of the quality earnings and shareholder's return as its top priority.

Paints and blended solvents

The division recorded a turnover of approximately HK$289,178,000 (2006: HK$244,909,000), or an increase of 18.08% over the last year. The division contributed an operating profit of approximately HK$24,613,000 for the year under review. As compared with approximately HK$13,925,000 in last year, the annual increment is 76.75%.

During the year under review, the division contributed a good performance with an encouraging result. The new launched product, Nano-oil solvent, contributed approximately HK$7,682,000 operating profit. This is a special chemical product that assists the oil to be extracted from underground more easily. The target customers are China oilfields and the target market is expected to be huge and demanding. As this product has been launched for several months only, the return is founded to be well satisfied.

Although the raw materials price was relatively stable, the cost of the petroleum-based raw materials such as solvents, resins and additives were standing high; customers became cautious and delayed in placing orders. Our customers like toys and electronic factories on the whole were in a hard time, with demand tending to weak continuously. The market, in general is suffering in historical high price of petroleum-based raw materials.

Faced with fierce competition in the market, in order to further development, our management decided to carry out a strategic reform, extracted resources to develop new products and also acquired a sales network in northeast China region.

The Group anticipates that the Paints and Blended Solvents division will continue to be a key contributor of the Group's profits. The Group will further deploy its marketing strategies to gain the market share in China.

Plastic colorants

The division contributed a turnover of approximately HK$12,846,000 (2006: HK$10,710,000), up 19.94% from last year. Plastic colorants are supplementary raw material widely used by the toys, electronics, printing and furniture industries. The division contributed a profit of approximately HK$821,000 for the year under review, as compared with a profit of approximately HK$982,000 in the previous year. The decline is mainly due to the increase in production costs over the year.

To improve the negative impact of the increasing raw material costs, the division will further to adopt a stringent cost control. There is no doubt that the China plastic colorants market is large but the market competition becomes much more fierce. It is expected that the business will continue to grow steadily in the foreseeable future.

Chemical trading

The division accounted for a turnover of approximately HK$7,711,000 (2006: HK$7,299,000), up 5.64% as compared to last year. The division also contributed a profit of approximately HK$707,000 for the year under review, as compared with a profit of HK$189,000 for the last year.

During the year under review, the Group's trading business remained more or less stable and the Group will look for any potential opportunity for further development of this kind of business in future.

FUTURE PROSPECT

Over the past year, the Group had already put a significant effort in reforming the business model. At the reporting date, the Group had acquired some valuable projects, they are as described and listed below:

1) Acquisition of 51% equity interest in Northeast Oil (China) Development Company Limited (the "Oil Exploitation Project")

The Group acquired a 51% equity interest in Northeast Oil (China) Development Company Limited ("**NE Oil**") on February 2007 in order to diversify into the oil exploitation sector. NE Oil has contracted with a PRC incorporated oil exploitation and sales company 齊齊哈爾油田開發建設總公司 ("**Qiqihar Oil**") to jointly develop an oil exploitation business (the "Oil Exploitation Business") in certain parts of Fu 710 and Meilisi 723 districts in Fulaerjiqu Oilfield located in Qiqihar City, Heilongjiang Province, PRC (the "Joint Development Zone"), with a total area of about 34 square km.

To improve the management and business operations of the Oil Exploitation Business, NE Oil and Qiqihar Oil established a joint venture enterprise in the PRC called 齊齊哈爾市東北石油開發有限責任公司("**Qiqihar Northeast**") on 25th May 2007 to carry out the Oil Exploitation Business. The total investment and registered capital of Qiqihar Northeast is US$6.45 million of which 95% will be contributed by NE Oil and the remaining 5% will be contributed by Qiqihar Oil. Qiqihar Northeast is an indirect subsidiary of the Company.

Qiqihar Northeast has an exclusive right to develop the Oil Exploitation Business in the Joint Development Zone for a term of 20 years pursuant to a grant by Qiqihar Oil, which will expire on 24th May 2027. Qiqihar Oil has also assigned the relevant licences obtained from the PRC authorities for the operation of the Oil Exploitation Business to Qiqihar Northeast. These licences will expire on 19th August 2010. Qiqihar Oil is required to renew such licences pursuant to an agreement entered into between NE Oil and Qiqihar Oil on 16th April 2007. Qiqihar Oil has further granted to Qiqihar Northeast a first right of refusal to develop additional oil exploitation businesses in other areas within Meilisi 723 district should Qiqihar Oil obtain the necessary licences to do so.

Up to date of this report, Qiqihar Northeast has obtained all necessary approvals and licences from the relevant PRC authorities to carry out the Oil Exploitation Business.

Qiqihar Northeast has recently commenced initial testings on the oil drilling facilities in the Exploitation Zone. If oil drilling and extraction commences, Qiqihar Oil will be entitled to receive, on a monthly basis, 5%. of the income derived from the sale of oil by Qiqihar Northeast and the Group will be entitled to the remaining distributable profits of Qiqihar Northeast.

2) Development of Nano Oil Solvent

With the objective of becoming an integrated energy and chemical group, the Group, in partnership with the technical expert, Mr. Li Xiang Dong, has invested in the development of a variety of chemicals with custom-made application techniques for depressing the viscosity of thickened oil reserves, known as Nano-oil Solvent. Such chemicals are designed to increase the overall output of oil fields. Specifically termed as "納米驅油劑" or "High Efficient Viscosity Depressor for Oil Exploitation", the Group has sold such chemicals to certain oilfields in Shandong in the PRC. The Group is in the process of applying for a patent in the PRC for these products and plans thereafter to apply for a global patent.

3) Acquisition of America Archi Colors Group Limited

On 1st April 2007, the Company acquired 51% of the issued share capital of America Archi Colors Group Limited ("**America Archi**") for a total consideration of HK$8,000,000. America Archi is incorporated in the British Virgin Islands and is the sole beneficial owner of Beijing Archi Technology Co., Ltd ("**Beijing Archi**"), and collectively referred to as the "**Archi Group**". The Archi Group engages in the sale and distribution of paint products and is the authorised dealer in the PRC for a number of paint manufacturers.

As the Archi Group has already established its presence in the northern parts of the PRC in both construction projects and consumer and household markets, the Company believes that the acquisition of Beijing Archi will broaden and supplement the Group's business, in particular its market penetration into the northern parts of the PRC, given that the Group has already established a sales network in North East China Region.

As China's economy grows, China's industrial development will also grow at similar pace. While the Group expects China continues to be the most important market for our products, we will further develop our sales channel in next phases.

FINANCIAL REVIEW

REVENUE AND OPERATING RESULTS

For the year ended 31st March 2007, the Group recorded a turnover of approximately HK$309,735,000. The Group achieved a profit after tax HK$2,240,000 for the year.

The distribution costs of the Group for the financial year amounted to approximately HK$18,055,000, representing a slightly increase of approximately 6.44% over last year. The increment of distribution costs was mainly due to the fully operation of sales force in selling Nano-oil solvent, Zhongshan Wing Shing Ling Feng Chemical Co. Ltd. and Dongguan City Changan Xinyimei Paint Co. Ltd that resulting in the increment of sales related operating expenses.

The administrative expenses of the Group for the financial year under review amounted to approximately HK$32,075,000, representing an increase of approximately 17.39% over last year. The increment is mainly due to the full force of operation in production plants and the newly operation setup for Nano-oil solvent business.

LIQUIDITY AND FINANCIAL RESOURCES

As the poor liquidity level in the last year, the Group put a significant effort to improve the operating cash flow. During the financial year under review, the Company has issued 153,000,000 new shares and raised net proceeds after expenses approximately HK$57,346,000 for its general working capital. In addition, 108,520,000 share options were exercised by staff during the year. The net proceeds amount received is approximately HK$32,440,000.

In general, the Group finances its operations with internally generated cash flow and banking facilities from banks. As at 31st March 2007, a good position of cash being maintained. The Group had bank balances and cash of approximately HK$40,575,000 (2006: HK$17,632,000) and total outstanding borrowings of approximately HK$72,164,000 (2006: HK$84,675,000). Current assets of the Group amounted to approximately HK$195,110,000 (2006: HK$123,916,000) whilst current liabilities were approximately HK$113,516,000 (2006: HK$130,407,000). The net current assets amounted to approximately HK$81,594,000 (2006: net current liabilities HK$6,491,000).

The gearing ratio, calculated by dividing the total borrowing by the total assets, was equal to 19.77% as at 31st March 2007 (2006: 30.88%).

The Group was required to satisfy certain restrictive financial covenants imposed by a major bank. The financial covenants include, among other things, the maintenance of the minimum interest coverage ratio (i.e. earning before interest, taxation, depreciation and amortisation divided by interest expense) which shall be no less than 4.5x as at 31st March 2007. Before the year end, the management considered that the Group may not fulfill these financial covenants as at 31st March 2007, but obtained waivers from the relevant bank in respect of such non-compliance subsequent to 31st March 2007.

As at 31st March 2007, the Group's banking facilities totaling approximately HK$196,400,000 (2006: HK$171,066,000) granted by various banks at prevailing market interest rates. At 3rd July 2007, the Group successfully issued HK$200,000,000 convertible bonds (the "Bonds") for its future operation. The estimated net proceeds (after deduction of fees, commissions and administrative expenses, which are expected to be approximately HK$8,500,000) of the issue of the Bonds are estimated to be approximately HK$191,500,000, and will be used by the Group for the operation of the Oil Exploitation Project, research and development of Nano-oil Solvent, and for general corporate purposes. As at the immediate date after the Bonds issue, the available fund of the Group was approximately HK$232,000,000. The management is of the view that the Group's incoming cash flow from the convertible bonds and business operations together with the available banking facilities will provide sufficient funds for the Group to meet the requirements of present operation and further business development in the foreseeable future.

PLEDGE OF ASSETS

As at 31st March 2007, certain of the Group's assets with a net book value of approximately HK$41,893,000 (2006: HK$41,608,000) were pledged to secure banking facilities granted to the Group.

EXPOSURE TO FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

The Group's business transactions are mainly denominated in Hong Kong dollars and Renminbi. Most interest bearing bank borrowings of the Group are on floating rate basis. Foreign currency exposure is monitored closely by the management and hedged by forward foreign currency contracts. The Group also uses derivative financial instruments to manage interest rate exposures for hedging purpose only.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2007, the Group had an aggregate of 565 (2006: 507) employees of which about 553 (2006: 492) located in mainland China while the rest were based in Hong Kong and Macau. The employee's remuneration package includes salary, bonus and share options. Pursuant to the Group's remuneration policy, employees are rewarded on the basis of merit and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees located.

DISCLOSURES PURSUANT TO RULES 13.21 0F THE LISTING RULES

In accordance with the disclosure requirements of rule 13.21 of the Listing Rules, the Company makes the following disclosures in relation to the details of the Facility Letter (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company:–

On 7th May 2004, the Group has accepted a facility letter dated 6th May 2004 (the "Facility Letter") issued by a bank in Hong Kong (the "Bank') in relation to various working capital facilities up to the aggregate amount of HK$68,000,000 including a term loan facility up to HK$40,000,000 (collectively, the "Facilities"). The Facilities are subject to periodic review by the Bank at its sole discretion.

Under the provisions of the Facility Letter, there are conditions, among other things, that (1) Mr. Poon Sum, Mr. Poon Sau Tin and their family members shall collectively maintain at least 50% of the issued share capital of the Company and (2) Mr. Poon Sum shall remain as Chairman or Chief Executive Officer of the Group and shall be actively involved in the management and business of the Group. Should there be any breach of such conditions, the Bank shall have the right to demand for repayment of all outstanding amounts due by the Group under the Facilities.

On 30th November 2004, the Group has accepted the renewal of the Facilities by the Bank together with the same conditions imposing specific performance obligations on the controlling shareholder as described above. The aggregate facilities amount has been revised to approximately HK$66,708,000 following the reducing balance of the term loan facility made by the Group's installment repayment as scheduled.

On 19th October 2005, the Group has accepted the further renewal of the Facilities by the Bank up to the aggregate amount of approximately HK$48,388,000 together with the same conditions imposing specific performance obligations on the controlling shareholder as described above, save as the amendment to the condition, "that Mr. Poon Sum, Mr. Poon Sau Tin and their family members shall collectively maintain at least 40% of the issued share capital of the Company is allowed subject to the maintenance of the consolidated tangible net worth by the Group at no less than HK$100,000,000 throughout the life of all the Facilities" as duly renewed by the Bank. Consolidated net worth is defined as shareholders' equity less any intangible assets, deferred expenditure, loan due from directors and loan due from third party companies.

On 27th November 2006, the Group has accepted the renewal of the Facilities by the Bank up to the aggregate amount of approximately HK$47,900,000 together with the same conditions imposing specific performance obligations on the controlling shareholder as described above, save as the amendment to the condition, a simultaneous amendment of the shareholding undertaking and the net worth covenant to the following level is allowed:

Shareholding by the Poon Family	**Consolidated Tangible Net Worth**
35%	HK$120,000,000
30%	HK$140,000,000

CORPORATE GOVERNANCE REPORT

This corporate governance report ("CG Report") presents the corporate governance matters during the year covering the financial year ended 31st March 2007 ("CG Period") required to be disclosed under the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

ADOPTION OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has adopted the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules which came into effect on 1st January 2005. During the CG Period, the Code had been duly complied with except for the deviations as follows:

Code Provision A2.1 requires the role of Chairman and Chief Executive Officer ("CEO") should not be performed by the same individual. At the moment, the Company does not have a separate Chairman and CEO and Mr. Poon Sum currently holds both positions. The Board believes that vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

The Non-executive Director ("NED") and the Independent Non-executive Directors ("INEDs") of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

As at 31st March 2007, the Board comprised a total of eight Directors, with three Executive Directors ("EDs"), two NED and three INEDs. Two of the INEDs have appropriate professional qualifications, accounting, or related professional management expertise, which is required by the Listing Rules. During the CG Period, four regular Board meetings were held.

The composition of the Board, and the respective attendances of the Directors are presented as follows:

Director	Board Capacity	Appointment/ Resignation during the CG Period	Attendance Regular Board meeting
Mr. Poon Sum	ED & Chairman		4/4
Mr. Wong Kwok Leung	ED		3/4
Mr. Poon Wai Kong	ED & Financial Controller		4/4
Mr. Chen Lizhong	NED		2/4
Ms. Chew Lye Yin	NED	(Appointed on 15th September 2006)	1/4
Mr. Cheung Kwan Hung	INED		4/4
Mr. Chan Kam Ching, Paul	INED		2/4
Mr. Chan Shu Kin	INED		4/4

All the four regular Board meetings were held to discuss and/or approve the financial performance/results of the Group, report, discuss and/or resolve for the ordinary business and operation matters, and the corporate development and decisions. The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective supervision over the management. Daily operations and administration are delegated to the management. During the CG Period, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 21st March 2005 and adopted specific written terms of reference in accordance with the provisions set out in the Code. The role and function of the Remuneration Committee includes:

- recommendation to the Board on the remuneration policy for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable;
- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and
- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

For the financial year under review, the Remuneration Committee had held two physical meetings for the purpose of considering the remuneration of the Directors.

The composition of the Remuneration Committee, and the respective attendances of the committee members are presented as follows:

Member	Committee capacity	Attendance
Mr. Poon Sum	Chairman of the committee	2/2
Mr. Cheung Kwan Hung	INED	2/2
Mr. Chan Kam Ching, Paul	INED	2/2
Mr. Chan Shu Kin	INED	2/2

The chairman of the Remuneration Committee since its establishment has been Mr. Poon Sum.

The summary of the work performed by the Remuneration Committee for the financial year under review included:

- endorsement to the remuneration policy for the Directors;
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

DIRECTORS' REMUNERATION

The remuneration paid to and/or entitled by each of the Directors for the financial year under review is set out in Note 15 to the financial statements in the Annual Report.

The share options granted to/or entitled by the Directors during the financial year under review are inscribed in the section headed "Directors' Interests in Securities" of the Directors' Report.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific equity of all Directors, they confirmed that all of them have complied with the required standard set out in the Model Code during the year.

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Chairman of the Board is responsible to identify and recommend for the Board's approval of any eligible candidate to join the Board for filling the casual vacancy and/or appointing additional directors. The Board composes members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence. During the financial year ended 31st March 2007, the Board has appointed Ms. Chew Lye Yin as the NED of the Company. Mr. Poon Sum, Mr. Poon Wai Kong and Mr. Wong Kwok Leung attended the Board meeting.

AUDIT COMMITTEE

The Audit Committee has adopted specific written term of reference in accordance with the provision set out in the Code. The principal duties of the Audit Committee include:

- monitoring the integrity of the financial statements of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- reviewing of the adequacy of the external audits;
- reviewing on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest;
- considering and reviewing the appointment of the Auditors and the audit fee.

For the financial year under review, the Audit Committee had held three physical meetings for discussing and/or approving the periodic financial results of the Group, reviewing the effectiveness of the financial reporting process and internal control system of the Group and selection of external consultant for internal control review.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

Member	**Committee capacity**	**Attendance**
Mr. Cheung Kwan Hung	INED	3/3
Mr. Chan Kam Ching, Paul	INED	3/3
Mr. Chan Shu Kin	Chairman of the committee	3/3

The chairman of the Audit Committee since its establishment has been Mr. Chan Shu Kin.

AUDIT REMUNERATION

The analysis of the Joint Auditors' remuneration for the financial year under review is presented as follows:

	Fee amount (HK$)
Audit Service	1,050,000
Non-audit Services	150,000

INTERNAL CONTROL

The Directors recognise its responsibility for maintaining an adequate system of internal control for the Company. The Directors have regularly reviewed the internal control policy so as to safeguard the Company's assets. In addition, the Directors have appointed an independent accountancy firm to review the internal control systems of the Company on an on-going basis. The review covered Purchases Cycle, Capital Expenditures Cycle and Operating Expenses Cycle of the production plants. The report concluded that management have put in place an internal control system to safeguard the interests of the Company. The Directors have discussed and considered the review report .

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. In preparing the financial statements for the financial year under review, the Directors have:

- Based on a going concern basis;
- Selected suitable accounting policies and applied them consistently;
- Made judgments and estimates that were prudent, fair and reasonable.

The statement of the Joint Auditors regarding their reporting responsibilities on the financial statements is set out in detail in the Joint Independent Auditors' Report on page 34 to 35.

On behalf of the Board

Mr. Poon Sum
Chairman

Hong Kong, 20th July 2007

The directors submit their annual report together with the audited financial statements for the year ended 31st March 2007.

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 21 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 36.

No interim dividend was paid or declared in respect of the year ended 31st March 2007 (2006: Nil).

The directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2007 (2006: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the statement of changes in equity on page 39 to 40.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 30 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2007 amounted to approximately HK$191,407,000, comprising share premium, employee share option reserve 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 Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands.

FIVE YEARS 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 97 to 98.

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.

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. The 10% limit was refreshed by ordinary resolution passed by the shareholders at the extraordinary general meeting held on 5th March 2007 which enabled the grant of further options to subscribe up to 85,273,578 shares, representing 10% of the shares in issue as at the said date.

SHARE OPTIONS AND WARRANTS *(continued)*

As at the date of the annual report, the total number of shares available for issue pursuant to the exercise of all options granted under the Share Option Scheme was 88,196,000, representing about 9.05% 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 options outstanding at 31st March 2007 which have been granted under the scheme are as follows:

Participants	Date of grant	Exercise price per share HK$	Exercisable Period	Number of Options: Outstanding as at 1st April 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st March 2007	Price of Company's shares: For Option granted HK$ (Note 1)	For Option exercised HK$ (Note 2)
Executive Directors										
Mr. Poon Sum	05/06/2006	0.197	05/06/2006 to 04/06/2009	–	35,000,000	17,000,000	–	18,000,000	0.32	0.69
Mr. Wong Kwok Leung	13/08/2004	0.290	13/08/2004 to 12/08/2014	2,000,000	–	1,900,000	–	100,000	0.28	0.59
Mr. Poon Wai Kong	03/04/2006	0.197	03/04/2006 to 29/09/2006	–	5,000,000	5,000,000	–	–	0.20	0.63
Non-executive Director										
Mr. Chen Lizhong	03/04/2006	0.197	03/04/2006 to 02/04/2008	–	6,000,000	–	–	6,000,000	0.20	–
Independent Non-executive Directors										
Mr. Chan Shu Kin	21/09/2006	0.580	21/09/2006 to 20/09/2007	–	700,000	–	–	700,000	0.58	–
Mr. Chan Kam Ching, Paul	21/09/2006	0.580	21/09/2006 to 20/09/2007	–	700,000	–	–	700,000	0.58	–
Mr. Cheung Kwan Hung	21/09/2006	0.580	21/09/2006 to 20/09/2007	–	700,000	–	–	700,000	0.58	–
Employees in aggregate										
	24/11/2003	0.301	24/11/2003 to 23/11/2008	9,500,000	–	5,000,000	–	4,500,000	0.29	0.67
	13/08/2004	0.290	13/08/2004 to 12/08/2014	7,000,000	–	4,000,000	–	3,000,000	0.28	0.65
	03/04/2006	0.197	03/04/2006 to 02/04/2008	–	5,000,000	–	–	5,000,000	0.20	–
	03/04/2006	0.197	03/04/2006 to 29/09/2006	–	14,500,000	14,500,000	–	–	0.20	0.45
	18/04/2006	0.232	18/04/2006 to 17/04/2008	–	8,000,000	6,920,000	–	1,080,000	0.23	0.62
	26/04/2006	0.275	26/04/2006 to 25/04/2007	–	3,000,000	1,000,000	–	2,000,000	0.28	0.51
	27/07/2006	0.315	27/07/2006 to 26/03/2007	–	24,200,000	24,200,000	–	–	0.28	0.53
	02/08/2006	0.294	02/08/2006 to 26/03/2007	–	15,000,000	15,000,000	–	–	0.28	0.63
	11/01/2007	0.580	11/01/2007 to 30/03/2007	–	20,000,000	14,000,000	6,000,000	–	0.58	0.62
	09/03/2007	0.510	09/03/2007 to 08/03/2008	–	10,000,000	–	–	10,000,000	0.51	–
				18,500,000	147,800,000	108,520,000	6.000.000	51,780,000		

Note:

1. The price of the Company's shares disclosed for options granted is the closing price of the shares immediately before the date on which the options were granted.

2. The price of the Company's shares disclosed for options exercised is the weighted average closing price of the shares immediately before the dates on which the options were exercised.

Save as disclosed above, none of the directors, or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period.

REPORT OF THE DIRECTORS

DIRECTORS

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

Mr. Poon Sum
Mr. Wong Kwok Leung
Mr. Poon Wai Kong
Mr. Chen Lizhong[1]
Ms. Chew Lye Yin[1] (appointed on 15th September 2006)
Mr. Chan Shu Kin[2]
Mr. Chan Kam Ching, Paul[2]
Mr. Cheung Kwan Hung[2]

[1] Non-Executive Director
[2] Independent Non-Executive Director

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, Mr. Chen Lizhong and Ms. Chew Lye Yin were not appointed on fixed term.

Pursuant to Article 86(3) of the Company's Articles of Association, Ms. Chew Lye Yin was appointed as Director of the Company by the Board. She will retire from office at the forthcoming annual general meeting and will be eligible for election. In accordance with Article 87(1) of the Company's Articles of Association, Mr . Poon Sum, Mr. Wong Kwok Leung and Mr. Cheung Kwan Hung shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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 43, 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 19 years of experience in the paints and coatings industry and the trading of chemicals in Hong Kong and the PRC.

Mr. Wong Kwok Leung, aged 49, is an Executive Director. He is currently responsible for the administration and production management of the Group's subsidiary in Dongguan. 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 12 years and has obtained extensive knowledge therein. He joined the Group in September 1997.

Mr. Poon Wai Kong, aged 36, is an Executive Director. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Certified Practising Accountant of Australia. He also holds a Master degree in Business Administration from the City University of Hong Kong, a Master degree in Practising Accounting from the Monash University, Australia and a Bachelor degree in Economics from the University of London, United Kingdom. He has more than 16 years' experience in accounting and financial field. He joined the Group as the Financial Controller in September 2005. He was appointed as Company Secretary for the Company in September 2006.

Non-Executive Director

Mr. Chen Lizhong, aged 53, is a Non-executive Director. He is an accountant in the People's Republic of China and holds a Master's degree in business management. Mr. Chen joined Guangdong Dongshen Water Supply Bureau (the "Bureau") in 1975. He acted as the general manager of Shenzhen City Dongshen Industrial Development Holding Company between 1994 to 2000 and vice bureau head of the Bureau between 1996 to 2000. He was an executive director and general manager of Guangnan (Holdings) Limited between December 2000 to June 2002.

Ms. CHEW Lye Yin, aged 43, was appointed as non-executive Director on 15th September 2006. She graduated from Deakin University, Australia, with a Bachelor of Science Degree (Computer Science). She has over 19 years of experience in the information technology and electronic fields, responsible for research and development administration, marketing, and project development at senior level.

Independent non-executive Directors

Mr. Chan Shu Kin, aged 52, 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 member of the Institute of Chartered Accountants in England And Wales, 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 30 years of experience in field of auditing, accounting as well as financial management. He is the 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 PYI Corporation Limited which is a listed company on the main board of the Stock Exchange.

Mr. Chan Kam Ching, Paul, aged 52, 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 23 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 55, is an Independent Non-Executive Director. He was appointed on 30th September 2004. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 22 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 V.S. 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. Wan Wai Shing, aged 47, is a director of Wing Shing Chemical Company Limited, Zhongshan Wing Shing Ling Feng Chemical Company Limited and Wing Shing Colours Limited, wholly owned subsidiaries of the Group. He joined the Group in January 1994 and is responsible for the sales and marketing of the Group's paints and coatings products. Prior to joining the Group, he worked in the field of commercial banking for more than 15 years.

Mr. Yiu Po Wah, aged 52, is the production manager of the paints and coatings division of the Group. He joined the Group in April 1993 and is responsible for production management of the paints and coatings. He has over 32 years of experience in the paints industry. Prior to joining the Group, he worked for a big paints company in Hong Kong.

Mr. Chui Che Kong, aged 44, is the Corporate Development Director of the Group. He joined the Group in July 2005 and is responsible for the Group's strategic planning and corporate development. He holds a Master of Business Administration degree in Finance and Investment, a Master of Business Administration degree in Strategic Financial Management and a Bachelor of Science degree (with Honours) in Financial Services. He is a member of the Hong Kong Institute of Certified Public Accountants, an Associateship of the Chartered Institute of Bankers in the United Kingdom and has over 20 years of experience in banking, accounting and corporate financial management.

Ms. Liu Yu Qin, aged 39, is the General Manager and Director of America Archi Colors Group Limited. She joined the Group in April 2007 and is responsible for the sales and marketing of paints products in Northeast China Market. She has a post-graduate degree from the Chinese Academy of Social Sciences. She has 10 years of experience in the coating industry in both China and internationally and over 10 years of experience in sales and marketing.

Mr. Li Xue Tian, aged 64, is the Group's Vice President. He joined the Group in June 2006 and responsible to the oil exploitation business. He graduated from Beijing Institute of Geosciences "北京地質學院", predecessor of the China University of Geosciences (Beijing) "中國地質大學（北京）". He has over 30 years of experience in the exploitation and development of oilfields, such as the Daqing Oilfield and Shengli Oilfield. He has also published 16 research papers and 4 books, all in the oil field area. Further, he has received seven academic prizes.

Mr Bi Yan Peng, aged 64, is the Group's Chief Engineer. He joined the Group in June 2006 and responsible to the development of oil exploitation business. He graduated from the Beijing Institute of Geosciences "北京地質學院", predecessor of the China University of Geosciences (Beijing) "中國地質大學（北京）". He has involved in geological research in, and exploration and development of, the Gudao Oilfield, and has been the chief geologist until 2005. He has also published six research papers and one book, all in the oilfield area. Further, he has received 21 academic prizes in the oilfield area.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st March 2007, the interests of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company, and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model code for Securities Transactions by Directors were as follows:

Name	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Total % of Issued Shares
Mr. Poon Sum	Beneficial Owner	Personal Interest (Note 1 & 2)	50,934,265	21,814,037	324,611,341	37.20%
	Founder of a Discretionary Trust	Other Interest (Notes 1 & 3)	220,898,799	30,964,240		
Mr. Wong Kwok Leung	Beneficial Owner	Personal Interest (Note 1 & 4)	–	110,857	110,857	0.01%
Mr. Poon Wai Kong	Beneficial Owner	Personal Interest (Note 1)	1,112,000	–	1,112,000	0.12%
Mr. Chen Lizhong	Beneficial Owner	Personal Interest (Note 1 & 5)	–	6,000,000	6,000,000	0.68%
Ms. Chew Lye Yin	Beneficial Owner	Personal Interest (Note 1)	17,840,000	–	17,840,000	2.04%
Mr. Chan Shu Kin	Beneficial Owner	Personal Interest (Note 1 & 6)	–	700,000	700,000	0.08%
Mr. Chan Kam Ching, Paul	Beneficial Owner	Personal Interest (Note 1 & 6)	–	700,000	700,000	0.08%
Mr. Cheung Kwan Hung	Beneficial Owner	Personal Interest (Note 1 & 6)	–	700,000	700,000	0.08%

Notes:

1. All interests in shares and underlying shares of equity derivatives of the Company are long positions.

2. All interests in underlying shares of equity derivatives of the Company are interests in warrants of the Company which conferred rights to subscribe for shares at an initial subscription price of HK$0.70 per share (subject to adjustment) exercisable during the period from 13th November 2002 to 31st October 2007 ("Warrants") and interests in share options of the Company granted under the share option scheme of the Company which may be exercised during the period 5th June 2006 to 4th June 2009 to subscribe for 18,000,000 shares at an exercise price of HK$0.197 per share.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

3. All interest in underlying Shares of equity derivatives of the Company are interests in Warrants. These Shares and Warrants are held by Ever Source Enterprises Limited ("Ever Source"). The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord Limited ("Time Concord"), a company incorporated in the British Virgin Islands ("BVI") and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited ("Guidance"), a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, Mr. Poon Sum will be deemed to be interested in 220,898,799 shares, representing approximately 25.31% of the Company's shares in issue as at 31st March 2007 through his shareholding in Ever Source.

4. All interests in underlying Shares of equity derivatives of the Company are interests in Warrants which conferred rights to subscribe 10,857 Shares and interests in share options of the Company granted under the share option scheme of the Company which may be exercised during the period from 13th August 2004 to 12th August 2014 to subscribe for 100,000 Shares at an exercise price of HK$0.29 per Share.

5. All interest in underlying Shares of equity derivatives of the Company are interests in share options of the Company are interests in share options of the Company granted under the share option Scheme of the Issuer which may be exercised during the period from 3rd April 2006 to 2nd April 2008 to subscribe for 6,000,000 Shares at an exercise price of HK$0.197 per Share.

6. All interest in underlying Shares of equity derivatives of the Company are interests in share options of the Company granted under the share option scheme of the Company which may be exercised during the period from 21st September 2006 to 20th September 2007 to subscribe for 700,000 Shares at an exercise price of HK$0.58 per Share.

Save as disclosed above, as at 31st March 2007, none of the Directors of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st March 2007, the interest of the shareholders, not being a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:–

Name of Substantial of Equity shareholders	Capacity	Nature of Interests	Number of Shares held	Equity Derivative	Total Interest	Approximate percentage of the Company's total issued share capital
BNP Paribas Jersey Trust Corporation Limited ("BNP Paribas Jersey")	Trustee	Other Interest (Notes 1, 2, 3 & 4)	220,898,799	30,964,240	251,863,039	28.86%
Ground Point Limited ("Ground Point")	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2 ,3 & 4)	220,898,799	30,964,240	251,863,039	28.86%
Red Tiles Limited	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	220,898,799	30,964,240	251,863,039	28.86%
Guidance	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	220,898,799	30,964,240	251,863,039	28.86%
Time Concord	Interest of Controlled Corporation	Corporate Interest (Notes 1, 2, 3 & 4)	220,898,799	30,964,240	251,863,039	28.86%
Ever Source	Beneficial Owner	Corporate Interest (Notes 1, 2, 3 & 4)	220,898,799	30,964,240	251,863,039	28.86%
Mr. Poon Sau Tin	Beneficial Owner	Personal Interest (Note 1)	27,002,265	3,814,037	282,679,341	32.39%
	Founder of a Discretionary Trust	Other Interest (Notes 1, 2, 3 & 4)	220,898,799	30,964,240		
Well Lead Group Ltd.	Beneficial Owner	Corporate Interest (Notes 1 & 5)	60,606,060	–	60,606,060	6.95%
Yin Jiancai	Interest of Controlled Corporation	Corporate Interest (Notes 1 & 5)	60,606,060	–	60,606,060	6.95%
Au Kin Keung	Interest of Controlled Corporation	Corporate Interest (Notes 1 & 5)	60,606,060	–	60,606,060	6.95%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Notes:

1. All interests in shares and underlying shares of equity derivatives of the Company are long position. All interest in underlying shares of equity derivatives of the Company are interests in warrants.

2. All interests of BNP Paribas Jersey, Ground Point, Red Tiles, Guidance, Time Concord and Ever Source and the other interest of Mr. Poon Sau Tin were duplicated.

3. BNP Paribas Jersey is deemed to be interested in the shares and warrants in the capacity of a trust through interests of corporations controlled by it as follows:–

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

4. These Shares and Warrants are held by Ever Source. The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, each of Mr. Poon Sum and Mr. Poon Sau Tin will be deemed to be interested in 220,898,799 shares, representing approximately 25.31% of the Company's shares in issue as at 31st March 2007, because each of them is the respective founder of the aforesaid two discretionary trusts which indirectly own 50% beneficial interest in Ever Source respectively.

5. All interests of Well Lead Group Limited, Yin Jiancai and Au Kin Keung were duplicated. Well Lead Group Limited was owned as to 40% by Mr. Yin Jiancai and 60% by Mr. Au Kin Keung.

Save as disclosed above, there was no person known to the directors of the Company, other than a director of the Company, who as at 31st March 2007 had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group purchased less than 30% of its goods from its 5 largest suppliers and sold less than 30% of its goods to its 5 largest customers.

CONNECTED TRANSACTIONS

During the year under review, the Group entered into transaction with certain Directors or companies related to them. Details of the significant related party transactions and the Directors' interests therein are set out in Note 39 to the financial statements. The rental expenses of approximately HK$996,000 payable to Luen Yat Enterprises Company Limited, and approximately HK$384,000 payable to Mr. Poon Sum, Mr. Poon Sau Tin, also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange (the "Main Board Listing Rules"). Mr. Poon Sum and Mr. Poon San Tin have beneficial interests in Luen Yat Enterprises Company Limited.

Save as disclosed above, there were no other transactions, which need to be disclosed as connected transactions in accordance with the requirements of the Main Board Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors has an interest in a business which competes or may compete with the business of the Group.

PENSION SCHEME

With effect from 1st December 2000, the MPF scheme was set up for certain employees in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

Employees in the Group's PRC subsidiary are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiary contributes 2% to 4% of the employee payroll to the scheme to fund the retirement benefits of the employees.

No forfeited contribution is available to reduce the contribution payable under the above schemes.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Main Board Listing Rules.

AUDITORS

During the year ended 31st March 2006, PriceWaterhouseCoopers resigned as one of the joint auditors of the Company. Lau & Au Yeung C.P.A. Limited, being the other joint auditors of the Company, continued to remain in office. Baker Tilly Hong Kong Limited and Lau & Au Yeung C.P.A. Limited were appointed by the shareholders of the Company as the new joint auditors of the Company. There have been no other changes of auditors in the past three years. The financial statements for the year ended 31st March 2007 have been audited by Baker Tilly Hong Kong Limited and Lau & Au Yeung C.P.A. Limited. A resolution for reappointment of Baker Tilly Hong Kong Limited and Lau & Au Yeung C.P.A. Limited as the joint auditors of the Company will be proposed in the forthcoming Annual General Meeting.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

The registers of members and warrantholders of the Company will be closed from Monday, 27th August 2007 to Friday, 31st August 2007, both days inclusive, during which period no transfer of shares will be affected, no transfer or exercise of warrants will be affected and no conversion of bonds will be affected. In order to determine the identity of members who are entitled to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates or all completed subscription forms in relation to the exercise of the warrants accompanied by the appropriate subscription monies and the relevant warrant certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 24th August 2007 and all conversion of bonds must be lodged with the conversion agent in accordance with the terms and conditions of the bonds not later than 4:30 p.m. on Friday, 24th August 2007, Hong Kong time.

By order of the Board
Wing Shing International Holdings Limited

Mr. Poon Sum
Chairman

Hong Kong, 20th July 2007

BAKER TILLY
HONG KONG LIMITED
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LAU
AU YEUNG
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

JOINT INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WING SHING INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wing Shing International Holdings Limited set out on pages 36 to 96 which comprise the consolidated and company balance sheets as at 31st March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of principal accounting policies and other explanatory notes.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITIES OF AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31st March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 20th July 2007
Andrew David Ross
Partner
Practising Certificate Number P01183

Lau & Au Yeung C.P.A. Limited
Certified Public Accountants
Hong Kong, 20th July 2007
Au Yeung Tin Wah
Director
Practising Certificate Number P02343

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	7	**309,735**	262,918
Cost of sales		**(245,587)**	(212,928)
Gross profit		**64,148**	49,990
Other revenues	7	**5,425**	1,358
Distribution costs		**(18,055)**	(16,962)
Administrative expenses		**(32,075)**	(27,324)
Employee benefits recognised from share options granted		**(13,584)**	(279)
Other operating income, net		**1,753**	10,187
Operating profit	8	**7,612**	16,970
Finance costs	9	**(4,639)**	(4,868)
Profit before income tax		**2,973**	12,102
Income tax	10	**(733)**	(534)
Profit for the year		**2,240**	11,568
Attributable to:			
Equity shareholders of the Company		**2,070**	11,536
Minority interests		**170**	32
Profit for the year		**2,240**	11,568
Dividend	12	**–**	–
Earnings per share	13		
– Basic		**HK0.28 cents**	HK2.30 cents
– Diluted		**HK0.26 cents**	HK2.30 cents

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At as 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**126,363**	108,853
Prepaid lease payments	*17*	**28,290**	30,604
Investment properties	*18*	**15**	16
Goodwill	*19*	**10,424**	10,424
Available-for-sale financial assets	*20*	**400**	400
Deposits for acquisition of a subsidiary and project development	*22*	**4,500**	–
		169,992	150,297
Current assets			
Inventories	*23*	**23,215**	23,408
Trade and other receivables	*24*	**123,545**	80,134
Investments held for trading	*25*	**4,642**	–
Derivative financial instruments	*26*	**676**	–
Prepaid tax		**2,457**	2,742
Bank balances and cash	*27*	**40,575**	17,632
		195,110	123,916
Current liabilities			
Trade and other payables	*28*	**25,492**	27,317
Derivative financial instruments	*26*	**687**	730
Taxation payable		**54**	984
Bills payable	*29*	**29,241**	28,552
Bank and other borrowings	*29*	**58,042**	72,824
		113,516	130,407
Net current assets/(liabilities)		**81,594**	(6,491)
Total assets less current liabilities		**251,586**	143,806
Non-current liabilities			
Bank and other borrowings	*29*	**14,122**	11,851
Deferred taxation	*33*	**1,793**	1,170
		15,915	13,021
Net assets		**235,671**	130,785
Capital and reserves			
Share capital	*30*	**8,727**	6,111
Reserves	*32*	**226,944**	124,120
Total equity attributable to equity shareholders of the Company		**235,671**	130,231
Minority interests		**–**	554
Total equity		**235,671**	130,785

Mr. Poon Sum
Director

Mr. Poon Wai Kong
Director

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

At as 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	*21*	**47,942**	47,942
Current assets			
Due from subsidiaries	*21*	**142,818**	68,779
Trade and other receivables	*24*	**162**	35
Bank balances and cash	*27*	**10,193**	223
		153,173	69,037
Current liabilities			
Trade and other payables	*28*	**981**	1,617
Net current assets		**152,192**	67,420
Total assets less current liabilities		**200,134**	115,362
Capital and reserves			
Share capital	*30*	**8,727**	6,111
Reserves		**191,407**	109,251
Total equity attributable to equity shareholders of the Company		**200,134**	115,362

Mr. Poon Sum
Director

Mr. Poon Wai Kong
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2007

The Group

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Employee share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1st April 2005 as restated	4,205	22,496	3,248	3,641	52,662	86,252	736	86,988
Employee share option benefit								
– value of services provided	–	–	–	279	–	279	–	279
– share options exercised	–	279	–	(279)	–	–	–	–
– proceeds from shares issued	85	1,428	–	–	–	1,513	–	1,513
Subscription of shares	1,420	18,730	–	–	–	20,150	–	20,150
Shares issued for acquisition of a subsidiary	401	10,436	–	–	–	10,837	–	10,837
Listing fees for shares issuance	–	(336)	–	–	–	(336)	–	(336)
Disposals of subsidiary	–	–	–	–	–	–	186	186
Profit for the year	–	–	–	–	11,536	11,536	32	11,568
Dividend paid to minority interests	–	–	–	–	–	–	(400)	(400)
At 31st March 2006	6,111	53,033	3,248	3,641	64,198	130,231	554	130,785
Employee share option benefit								
– value of services provided	–	–	–	13,584	–	13,584	–	13,584
– share options exercised	–	9,672	–	(9,672)	–	–	–	–
– proceeds from shares issued	1,086	31,354	–	–	–	32,440	–	32,440
Issue of new shares by public placing	1,530	56,480	–	–	–	58,010	–	58,010
Listing fees for shares issuance	–	(664)	–	–	–	(664)	–	(664)
Acquisition of additional interest in a subsidiary company	–	–	–	–	–	–	(725)	(725)
Acquisition of a subsidiary	–	–	–	–	–	–	1	1
Profit for the year	–	–	–	–	2,070	2,070	170	2,240
At 31st March 2007	8,727	149,875	3,248	7,553	66,268	235,671	–	235,671

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2007

The Company

	Share capital HK$'000	Share premium HK$'000	Employee share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1st April 2005 as restated	4,205	80,432	3,641	(2,213)	86,065
Employee share option benefit					
– value of services provided	–	–	279	–	279
– share options exercised	–	279	(279)	–	–
– proceeds from shares issued	85	1,428	–	–	1,513
Subscription of shares	1,420	18,730	–	–	20,150
Share issued for acquisition of a subsidiary	401	10,436	–	–	10,837
Listing fees for share issuance	–	(336)	–	–	(336)
Loss for the year	–	–	–	(3,146)	(3,146)
At 31st March 2006	6,111	110,969	3,641	(5,359)	115,362
Employee share option benefit					
– value of services provided	–	–	13,584	–	13,584
– share options exercised	–	9,672	(9,672)	–	–
– proceeds from shares issued	1,086	31,354	–	–	32,440
Issue of new shares by public placing	1,530	56,480	–	–	58,010
Listing fees for shares issuance	–	(664)	–	–	(664)
Loss for the year	–	–	–	(18,598)	(18,598)
At 31st March 2007	8,727	207,811	7,553	(23,957)	200,134

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash (outflow)/inflow from operations	*34(a)*	**(20,169)**	38,523
Interest paid		**(4,639)**	(4,868)
Hong Kong profits tax paid		**(160)**	(114)
PRC income tax (paid)/refunded		**(56)**	158
Net cash (used in)/generated from operating activities		**(25,024)**	33,699
Investing activities			
Net cash paid in business combination	*35(c)*	**(493)**	(3,274)
Purchases of property, plant and equipment		**(28,643)**	(23,824)
Proceeds from disposals of property, plant and equipment		**4,499**	493
Deposits for acquisition of a subsidiary and project development		**(4,500)**	–
Proceeds from disposals of investments in securities		**–**	2,194
Net cash received from disposals of a subsidiary		**–**	573
Interest received		**410**	27
Net cash used in investing activities		**(28,727)**	(23,811)
Financing activities	*34(b)*		
Issuance of shares		**89,786**	21,327
Capital elements of finance lease payments		**(460)**	(565)
Inception of bank loans		**20,500**	12,797
Repayments of bank loans		**(36,763)**	(29,465)
Increase/(decrease) in trust receipt loans		**2,866**	(12,648)
Dividends paid to a minority shareholder		**–**	(400)
Net cash generated from/(used in) financing activities		**75,929**	(8,954)
Net increase in cash and cash equivalents		**22,178**	934
Cash and cash equivalents at 1st April		**12,132**	11,198
Effect of foreign exchange rate changes		**(98)**	–
Cash and cash equivalents at 31st March		**34,212**	12,132
Analysis of balances of cash and cash equivalents			
– Bank balances and cash		**40,575**	17,632
– Bank overdrafts		**(6,363)**	(5,500)
		34,212	12,132

The accompanying notes form an integral part of these financial statements.

1 CORPORATE INFORMATION

Wing Shing International Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal place of business of the Company is located at Suite 1006, 10th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are manufacture and sale of paints and blended solvents, manufacture and sale of plastic colorants and trading of chemical materials. There were no significant changes in the nature of the Group's principal activities during the year.

2 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which also include Hong Kong Accounting Standards ("HKASs"), Hong Kong Interpretations and Hong Kong (SIC) Interpretation ("HK (SIC)- Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instruments, which have been measured at fair value.

The financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

2.1 ADOPTION OF NEW AND REVISED HKFRSS

During the year, the Group adopted the following New and Revised HKFRSs, which are effective for accounting periods commencing on or after 1st December 2005/1st January 2006/1st March 2006:

HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedges of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS – Int 4	Determining whether an arrangement contains a lease
HKFRS – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies

The adoption of these new HKFRSs did not result in substantial changes to the accounting policies and the methods of computation used in the financial statements. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustments is required.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRS

At the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	*Note a*	Capital disclosures
HKFRS 7	*Note a*	Financial Instruments: Disclosures
HKFRS 8	*Note b*	Operating segments
HK(IFRIC)-Int 8	*Note c*	Scope of HKFRS 2
HK(IFRIC)-Int 9	*Note d*	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	*Note e*	Interim financial reporting and impairment
HK(IFRIC)-Int 11	*Note f*	HKFRS 2 – Group and treasury share transactions
HK(IFRIC)-Int 12	*Note g*	Service concession arrangements

Note a: effective for annual periods beginning on or after 1st January 2007
Note b: effective for annual periods beginning on or after 1st January 2009
Note c: effective for annual periods beginning on or after 1st May 2006
Note d: effective for annual periods beginning on or after 1st June 2006
Note e: effective for annual periods beginning on or after 1st November 2006
Note f: effective for annual periods beginning on or after 1st March 2007
Note g: effective for annual periods beginning on or after 1st January 2008

The Group has commenced considering the potential impact of the above new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its result of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3 PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March each year.

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 consolidated from the effective date of acquisition, being the date on which the Group obtains control, or up to the effective date of disposal, as appropriate and continue to be consolidated until the date that such control ceases.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The gain or loss on the disposal of a subsidiary is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

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

Minority interests represent the interests of outside equity holders in the results and net assets of the Company's subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

(b) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

An excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the consolidated income statement.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Investments held for trading

Trading securities are classified as investments held for trading under the category of financial assets at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

(d) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment loss and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and shall be measured at cost.

(e) Property, plant and equipment

(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 property, plant and equipment 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, these properties are transferred to other property, plant and equipment categories at cost less accumulated impairment losses and prepaid lease payments at cost less accumulated amortisation over the lease periods.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of other property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of other property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of other property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Buildings and other property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses and residual value, if any, over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2 – 4.75%
Plant and machinery	9 – 20%
Furniture, fixtures and equipment	18 – 20%
Motor vehicles	9 – 30%

The useful lives and residual values of the assets are reviewed and adjusted if necessary, at each balance sheet date.

Major costs incurred in restoring the property, plant and equipment to their normal working conditions to allow continued use of the overall asset are charged to the income statements.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Investment properties

Investment properties, which are properties held to earn rentals and/or capital appreciation, are carried at cost less accumulated depreciation and accumulated impairment loss, if any. The costs of investment properties are deprecated over their estimated useful lives of 20 to 50 years using the straight-line method. Gains or losses arising from disposal of properties are determined as the difference between the sales proceeds and the carrying amount of the properties and are recognised in the income statement.

(g) Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Prepaid lease payments and assets under leases

(i) Prepaid lease payments

Prepaid lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(ii) 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 income statement over the lease periods.

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

(iii) Operating leases

As a lessee

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 income statement on a straight-line basis over the lease periods.

As a lessor

Rental income, included rentals charged in advance from properties let under operating leases, is recognised in the income statement on a straight-line basis over the terms of the relevant leases.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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) Trade and other receivables

Trade and other receivables are recognised initially at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less impairment losses for bad and doubtful debts. A provision of impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision, recognised in the income statement, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(n) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, bank and other borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss over the period of the borrowing using the effective interest method.

(o) Income tax

Income tax comprises current and deferred tax. The charge for income tax is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided in full, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) 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 income statement in the year in which they are incurred.

(q) Translation of foreign currencies

These financial statements are presented in HK$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the HK$. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into HK$ at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(r) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(s) Employee benefits

(i) Employee leave entitlements

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Pension obligations

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) Employee benefits *(continued)*

(iii) Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed over the relevant vesting periods to the income statement, with the corresponding amount credited to share-based employee compensation reserve within equity.

(t) 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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(u) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(ii) Handling income is recognised when the underlying services are rendered.

(iii) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(iv) Rental income is recognised on a time proportion basis over the terms of the lease.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(v) 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.

(w) 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, property, plant and equipment, inventories, receivables and operating cash, and mainly exclude certain corporate assets, 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 property, plant and equipment.

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.

(x) Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary of the guarantee for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the company issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(x) Financial guarantees *(continued)*

The amount of the guarantee initially recognised as deferred income is amortised over the terms of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the company under the guarantee, and (ii) the amount of that claim on the company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, ie the amount initially recognised, less accumulated amortisation.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

4 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank loans and other borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no significant trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policies for managing each of these risks are as follows:

(a) Cash flow interest rate risk

The Group is exposed to interest rate risks due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short-term in nature whereas interest-bearing financing liabilities with primarily floating interest rates. The Group is therefore exposed to both fair value and cash flow interest rate risks. The Group's policy is to obtain the most favourable interest rate available and also uses derivative financial instrument to manage interest rate exposures for hedging purpose only.

(b) Foreign currency risk

The Group has transactional currency exposures, which arise from sales or purchases by operating units in currencies other than the functional currency. The Group's main operating subsidiaries are located in Hong Kong and the PRC and the Group's sales and purchases were mainly in HK$ and Renminbi ("RMB"). The Group does not expect significant movements in the exchange rates. Foreign currency exposure is monitored closely by the management and hedged by forward foreign currency contracts.

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may require. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has no significant concentration of credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

4 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that reserves of cash and available banking facilities are sufficient to meet its liquidity requirements in short and long terms.

(e) Fair values

The carrying amount of financial assets and liabilities in the financial statements approximates their fair values.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimate and assumptions concerning the future. The resulting accounting estimates may not equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Useful lives of property, plant and equipment

The directors determine the estimated useful lives and residual values for its property, plant and equipment. The directors revise the depreciation charge when useful lives are different from previously estimates. Obsolete or non-strategic assets, that have been abandoned or sold, shall be written off or written down.

(c) Income tax

The Group is subject to income tax in a number of jurisdictions. Significant judgement is required in determining the provision for income tax for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) Share-based payments

The fair value of option granted is measured using Trinomial model based on various assumptions on volatility, option life, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at date of grant.

6 SEGMENT INFORMATION

(a) Business segments

The following table presents revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Paints and blended solvents		Plastic colorants		Chemical materials		Eliminations		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenues										
Turnover										
External revenue	**289,178**	244,909	**12,846**	10,710	**7,711**	7,299	**–**	–	**309,735**	262,918
Inter segment revenue	**–**	–	**–**	125	**2,346**	60	**(2,346)**	(185)	**–**	–
Other revenues excluding interest income	**3,532**	1,105	**167**	7	**1,316**	219	**–**	–	**5,015**	1,331
	292,710	246,014	**13,013**	10,842	**11,373**	7,578	**(2,346)**	(185)	**314,750**	264,249
Segment results	**24,613**	13,925	**821**	982	**707**	189			**26,141**	15,096
Unallocated costs									**(19,166)**	(3,218)
Unallocated income									**227**	5,065
Interest income									**410**	27
Operating profit									**7,612**	16,970
Finance costs									**(4,639)**	(4,868)
Profit before income tax									**2,973**	12,102
Income tax									**(733)**	(534)
Profit for the year									**2,240**	11,568
Segment assets	**325,147**	244,467	**6,573**	6,141	**11,922**	2,393			**343,642**	253,001
Unallocated corporate assets									**21,460**	21,212
									365,102	274,213
Segment liabilities	**123,524**	139,593	**1,785**	1,953	**94**	259			**125,403**	141,805
Unallocated corporate liabilities									**4,028**	1,623
									129,431	143,428
Capital expenditure	**28,909**	23,511	**217**	313	**–**	–			**29,126**	23,824
Depreciation charge and amortisation of prepaid lease payments and investment properties	**10,131**	7,003	**515**	397	**3**	3			**10,649**	7,403

6 SEGMENT INFORMATION *(continued)*

(b) 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.

7 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:

	Group	
	2007	2006
	HK$'000	HK$'000
Turnover		
Sale of goods	**309,735**	262,918
Other revenues		
Bank interest income	**410**	27
Dividend income from investment in securities	**–**	12
Gain on disposals of investment in securities	**–**	206
Gain on disposals of investments held for trading	**1,232**	–
Rental income	**1,189**	91
Realised gain on derivatives financial instruments	**1,642**	–
Other income	**952**	1,022
	5,425	1,358
Total revenues	**315,160**	264,276

8 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2007	2006
	HK$'000	HK$'000
Crediting:–		
Bad debts recovery	**1,000**	5,163
Bank interest income	**410**	27
Gain on disposals of a subsidiary	**–**	219
Gain on disposals of property, plant and equipment	**–**	276
Gain on disposals of investment in securities	**–**	206
Gain on disposals of investments held for trading	**1,232**	–
Negative goodwill on acquisition of a subsidiary	**225**	5,065
Net exchange gains	**1,569**	465
Rental income	**1,189**	91
Realised gain on derivative financial instruments	**1,642**	–
Charging:–		
Amortisation of:–		
– prepaid lease payments	**723**	325
– investment properties	**1**	5
Auditors' remuneration		
– provision for the year	**1,352**	1,039
– prior year's (over)/under provision	**(29)**	440
Bad debts written off	**18**	–
Cost of inventories sold	**229,749**	200,227
Depreciation		
– owned property, plant and equipment	**9,575**	6,513
– leased property, plant and equipment	**350**	560
Impairment loss on:–		
– buildings	**–**	150
– goodwill	**6**	–
– investment properties	**–**	6
– investments held for trading	**18**	–
– prepaid lease payments	**–**	315
– trade and other receivables	**446**	80
– inventories	**58**	–
Loss on disposal of property, plant and equipment	**450**	–
Unrealised loss on derivative financial instruments	**11**	529
Rental charges under operating leases		
– land and buildings	**995**	865
– plant and machinery	**21**	–
Research and development costs *(Note (a))*	**–**	348
Staff costs (including directors' emoluments) *(Note 14)*	**39,164**	27,841

Note:

(a) No staff costs were included in the research and development costs this year (2006: HK$290,319, which had also been included in staff costs disclosed above last year).

9 FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**3,363**	3,477
Interest element of finance leases	**29**	106
Interest on trust receipt loans	**1,247**	1,285
	4,639	4,868

10 INCOME TAX

	Group	
	2007	2006
	HK$'000	HK$'000
Current income tax:		
– Hong Kong profits tax *(Note (a))*	**54**	–
– PRC income tax *(Note (b))*	**56**	103
– Underprovision for PRC income tax in prior year	**–**	49
Deferred taxation relating to the origination and reversal of temporary differences *(Note 33)*	**623**	399
Overprovision of deferred taxation in prior year	**–**	(17)
Income tax charges	**733**	534

Notes:

(a) Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year (2006: Nil).

(b) PRC income tax has been calculated on the estimated assessable profit of subsidiaries for the year at the rates of income tax prevailing in the PRC and has been provided at the rate of 27% (2006: 27%) on the estimated assessable profit.

10 INCOME TAX *(continued)*

Income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before income tax	**2,973**	12,102
Calculated at a tax rate of 17.5% (2006: 17.5%)	**520**	2,118
Effect of different tax rates in other countries	**154**	(2,324)
Tax effect on timing differences not recognised	**(14)**	(189)
Tax effect on unused tax losses not recognised	**888**	995
Tax effect on tax loss utilised	**(69)**	–
Underprovision of PRC profits tax in prior year	**–**	49
Overprovision for deferred taxation in prior year	**–**	(17)
Tax effect on non-taxable Income	**(4,903)**	(1,349)
Tax effect on non-deductible expenses	**4,157**	1,251
Income tax charges	**733**	534

11 NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31st March 2007 dealt with in the financial statements of the Company was approximately HK$18,598,000 (2006: HK$3,146,000).

12 DIVIDENDS

The board of directors has resolved not to recommend any final dividend for the year ended 31st March 2007 (2006: Nil).

13 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK$2,070,000 (2006: HK$11,536,000).

The basic earnings per share is based on the weighted average number of 746,035,020 (2006: 495,667,421) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31st March 2007 is based on 784,189,810 (2006: 495,509,369) ordinary shares which is the weighted average number of ordinary shares in issue during the year ended 31st March 2007 plus the weighted average number of 38,154,790 (2006: 841,948) ordinary shares deemed to be issued at no consideration if all outstanding warrants and options with dilutive effect had been exercised.

14 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2007	2006
	HK$'000	HK$'000
Wages and salaries	**24,982**	27,225
Employee share option benefits	**13,584**	279
Pension cost – defined contribution plans	**598**	337
	39,164	27,841

15 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:

	Group					
	2007					2006
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Employee Share option benefits HK$'000	Total HK$'000	Total HK$'000
Executive Directors						
Mr. Poon Sum	–	1,836	12	6,384	8,232	1,704
Mr. Wong Kwok Leung	–	396	12	–	408	277
Mr. Kwok Kwai Sum (Resigned on 1st April 2005)	–	–	–	–	–	120
Mr. Mok Yu Kong (Resigned on 21st March 2006)	–	–	–	–	–	303
Mr. Poon Wai Kong (Appointed on 21st March 2006)	–	576	12	194	782	–
	–	2,808	36	6,578	9,422	2,404
Non-executive Directors						
Mr. Chan Shu Kin	120	–	–	108	228	120
Mr. Chan Kam Ching, Paul	120	–	–	108	228	120
Mr. Cheung Kwan Hung	120	–	–	108	228	120
Mr. Chen Lizhong (Appointed on 21st March 2006)	185	–	–	461	646	7
	545	–	–	785	1,330	367
Total	545	2,808	36	7,363	10,752	2,771

None of the directors of the Company waived any emoluments paid by the Group during the year (2006: Nil).

15 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 three (2006: one) directors whose emoluments have been reflected in the analysis presented above. The emoluments payable to the remaining two (2006: four) individuals during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**860**	1,473
Retirement benefit scheme contributions	**24**	45
Employee share option benefits	**116**	–
	1,000	1,518

The emoluments of these individuals fell within the following bands:

	Group Number of individuals	
	2007	2006
Emolument bands		
Nil to HK$1,000,000	**2**	4
	2	4

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.

16 PROPERTY, PLANT AND EQUIPMENT

	Group					
	Buildings	Properties under development	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At cost						
At 1st April 2005, as restated	37,141	12,177	23,653	25,847	10,599	109,417
Acquired on acquisition of subsidiaries	20,819	–	1,290	18	–	22,127
Additions	158	2,584	14,749	5,502	831	23,824
Disposed on disposals of a subsidiary	–	–	–	(149)	–	(149)
Disposals	–	–	–	–	(1,590)	(1,590)
Transfers	14,205	(14,232)	–	–	–	(27)
At 1st April 2006	72,323	529	39,692	31,218	9,840	153,602
Exchange realignment	648	–	1	–	–	649
Additions	44	12,098	7,766	8,381	837	29,126
Disposals	(2,559)	–	(4,038)	(9,217)	(80)	(15,894)
Transfers	8,086	(12,009)	3,923	–	–	–
At 31st March 2007	78,542	618	47,344	30,382	10,597	167,483
Accumulated depreciation and impairment						
At 1st April 2005, as restated	1,447	–	10,929	20,343	6,221	38,940
Charge for the year	1,576	–	2,089	2,216	1,192	7,073
Impairment	150	–	–	–	–	150
Written back on disposals of a subsidiary	–	–	–	(42)	–	(42)
Disposals	–	–	–	–	(1,372)	(1,372)
At 31st March 2006	3,173	–	13,018	22,517	6,041	44,749
Exchange realignment	10	–	–	–	–	10
Charge for the year	2,041	–	3,764	2,770	1,350	9,925
Disposals	(687)	–	(3,581)	(9,217)	(79)	(13,564)
At 31st March 2007	4,537	–	13,201	16,070	7,312	41,120
Net book value						
At 31st March 2007	74,005	618	34,143	14,312	3,285	126,363
At 31st March 2006	69,150	529	26,674	8,701	3,799	108,853
Net book value of leased assets						
At 31st March 2007	–	–	–	–	1,888	1,888
At 31st March 2006	–	–	–	–	1,185	1,185

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

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

	Group 2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**424**	2,330
Outside Hong Kong, held on:		
Leases of less than 10 years	**34,139**	17,376
Leases of between 10 to 50 years	**39,442**	49,444
	74,005	69,150

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

17 PREPAID LEASE PAYMENTS

	Group 2007 HK$'000	2006 HK$'000
At cost		
Prepaid balance at 1st April	**32,053**	6,155
Exchange realignment	**1,036**	–
Additions from acquisition of subsidiaries	**–**	25,898
Disposals	**(3,598)**	–
Balance at 31st March	**29,491**	32,053
Accumulated amortisation and impairment		
Balance at 1st April	**1,449**	809
Exchange realignment	**8**	–
Amortisation during the year	**723**	325
Impairment	**–**	315
Eliminated on disposals	**(979)**	–
Balance at 31st March	**1,201**	1,449
Net book balance at 31st March	**28,290**	30,604

17 PREPAID LEASE PAYMENTS *(continued)*

The Group's prepaid lease payments at their net book value are analysed as follows:–

	Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**1,315**	4,013
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**26,975**	26,591
	28,290	30,604

18 INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
At cost		
Balance at 1st April	**27**	–
Reclassification from land and buildings	**–**	27
Balance at 31st March	**27**	27
Accumulated amortisation and impairment		
Balance at 1st April	**11**	–
Amortisation during the year	**1**	5
Impairment	**–**	6
Balance at 31st March	**12**	11
Net book balance at 31st March	**15**	16

19 GOODWILL

Goodwill is allocated to the Group's cash-generating unit identified according to country of operation and business segment as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Cost		
At 1st April	**10,424**	5,280
Elimination against accumulated amortisation in accordance with HKFRS 3	**–**	(656)
Acquisition of a subsidiary *(Note 35 (a))*	**6**	5,800
At 31st March	**10,430**	10,424
Accumulated amortisation		
At 1st April	**–**	656
Elimination against cost in accordance with HKFRS 3	**–**	(656)
Impairment	**6**	–
At 31st March	**6**	–
Carrying amounts		
At 31st March	**10,424**	10,424

The recoverable amount of the cash-generating unit ("CGU") is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the directors covering a five-year period for CGU at a discount rate of 5%. The directors of the Company believe that possible changes in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the recoverable amount.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are investments in unlisted equity securities which were stated at the cost at balance sheet date.

21 INVESTMENTS IN SUBSIDIARIES

	Company 2007 HK$'000	2006 HK$'000
Unlisted investments at cost *(Note (a))*	**57,942**	57,942
Less: impairment of investment in subsidiaries	**(10,000)**	(10,000)
	47,942	47,942
Due from subsidiaries *(Note (b))*	**142,818**	68,779
	190,760	116,721

Notes:

(a) Details of the subsidiaries at 31st March 2007 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued/registered and fully paid share capital	Attributable equity interest held
DIRECTLY HELD:				
Wing Shing Group Limited ("WSGL")	British Virgin Islands ("BVI")	Investment holding in Hong Kong	52,000 ordinary shares of US$1 each	100%
INDIRECTLY HELD:				
Dongguan Tung Shing Fat Chemical Company Limited ("Tung Shing Fat")	PRC	Manufacture of paints and blended solvents in the PRC	Fully paid registered capital of HK$42,000,000	100% *Note(i)*
Hai Yue Chemicals Company Limited ("Hai Yue")	Hong Kong	Trading of chemical materials in Hong Kong	1,000,000 ordinary shares of HK$1 each	100% *Note(ii)*
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	1 ordinary share of US$1 each	100%

21 INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes: *(continued)*

(a) Details of the subsidiaries at 31st March 2007 are as follows: *(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 Colours Limited	Hong Kong	Manufacture and trading of plastic colorants in the PRC	100,000 ordinary shares of HK$1 each	100%
Wing Shing Chemical Macao Commercial Offshore Company Limited	Macau	Trading of paints and blended solvents in Macau	Issued capital of MOP 500,000	100%
Kansai Chemicals (Dongguan) Limited	Hong Kong	Inactive	500,000 ordinary shares of HK$1 each	100%
Win Profit (Asia Pacific) Company Limited ("Win Profit")	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	100%
Dongguan City Changan Xinyimei Paint Company Limited ("Xinyimei")	PRC	Manufacture and sales of lacquer and emulsion paint in the PRC	Fully paid registered capital of HK$10,500,000	100% *Note (iii)*
中山市永成凌豐化工有限公司 ("Ling Feng")	PRC	Manufacture and sales of emulsion paint in the PRC	Fully paid registered capital of RMB21,964,200	100% *Note (iv)*
Merry Boom Investment Ltd	Hong Kong	Inactive	100 ordinary shares of HK$1 each	75%
Honour Bright Investment Limited ("Honour Bright")	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Northeast Oil (China) Development Company Limited ("NE Oil")	Hong Kong	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	51% *Note (v)*

21 INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes: *(continued)*

(a) Details of the subsidiaries at 31st March 2007 are as follows: *(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
Easyrich Group Holdings Limited ("Easyrich")	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	51%
東營富順龍翔石油技術服務有限公司	PRC	Manufacturing of Nano oil solvents in PRC	Fully paid registered capital of RMB1,000,000	100%

Notes:

(i) On 6th December 2006, Tung Shing Fat's registered share capital was increased to HK$42,000,000 by the additional paid-in capital of HK$14,000,000. The amount was fully paid by Wing Shing Chemical. Upon completion of the injection, the Company still holds indirectly 100% interest in Tung Shing Fat.

(ii) On 31st December 2006, WSGL acquired from Mr. Tong Chung, an independent third party, 25% interests in Hai Yue, a 75% owned subsidiary of the Group, at cash consideration of HK$500,000. Since then, Hai Yue has become an indirectly wholly-owned subsidiary of the Company. Details of the acquisition are shown in note 35(b).

(iii) On 24th August 2006, Xinyimei's registered share capital was approved to increase to HK$10,500,000. During the year, additional paid-in capital of HK$4,550,000 in aggregate was injected by Wing Shing Chemical. Upon completion of the injection, the Company still holds indirectly 100% interest in Xinyimei.

(iv) Up to and as at 31st March 2006, Win Profit injected a total of RMB10,605,555 paid-in capital in Ling Feng which had a registered capital of RMB21,964,200 upon its acquisition from independent third parties last year. Up to 29th August 2006, all the remaining RMB11,358,645 (equivalent to HK$11,069,150) capital owing by Win Profit have been fully paid up by several installments to former individual owners. Since then, Win Profit has no outstanding investments in its registered capital.

(v) On 26th January 2007, Honour Bright acquired from Well Lead Group Limited, independent third party, 51% interests in NE Oil, a company incorporated in Hong Kong with 10,000 ordinary share capital of HK$1 each. Since then, NE Oil became an indirectly subsidiary of the Company. Details of the acquisition are shown in note 35(a).

(b) Amounts due are unsecured, interest-free and are repayable within the next twelve months from the balance sheet date.

22 DEPOSITS FOR ACQUISITION OF A SUBSIDIARY AND PROJECT DEVELOPMENT

	Group	
	2007	2006
	HK$'000	HK$'000
Deposit for acquisition of a subsidiary *(Note 40(a))*	**1,500**	–
Deposit for project development *(Note 40(b))*	**3,000**	–
	4,500	–

23 INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**15,842**	14,550
Work in progress	**3,753**	4,609
Finished goods	**3,620**	4,249
	23,215	23,408

As at 31st March 2007 and 31st March 2006, no inventories were carried at net realisable value, except for certain inventories that have been fully provided for.

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(Note (a))*	**107,012**	61,443	**–**	–
Other receivables, prepayments and deposits	**16,533**	18,691	**162**	35
	123,545	80,134	**162**	35

Note:

(a) Majority of the Group's turnover are entered into on credit terms ranging from 30 to 120 days. Ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0-30 days	**39,228**	25,910
31-60 days	**22,730**	16,113
61-90 days	**17,453**	8,063
91-120 days	**8,969**	4,874
Over 120 days	**22,352**	9,757
	110,732	64,717
Less: provision for impairment losses	**(3,720)**	(3,274)
	107,012	61,443

The carrying value of trade and other receivables approximate their fair value due to their short term maturities.

25 INVESTMENTS HELD FOR TRADING

	Group	
	2007	2006
	HK$'000	HK$'000
Trading securities listed in Hong Kong	**4,642**	–

26 DERIVATIVE FINANCIAL INSTRUMENTS

		Group			
		2007		2006	
		Assets	**Liabilities**	Assets	Liabilities
	Note	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Currency options	*(a)*	**257**	**–**	–	–
Exchange rate contracts	*(b)*	**419**	**318**	–	707
Interest rate swaps	*(c)*	**–**	**369**	–	23
Total		**676**	**687**	–	730

Notes:

(a) Currency options

The notional principal amounts of the outstanding currency options at 31st March 2007 are HK$966,250,000 (2006: Nil). The currency options were scheduled to settle or expire, through October 2007.

(b) Foreign exchange rate contracts

The notional principal amounts of the outstanding financial assets or liabilities of forward foreign exchange contracts at 31st March 2007 are approximately HK$9,750,000 (2006: Nil) and HK$13,914,000 (2006: HK$17,300,000) respectively.

The above foreign exchange rate contracts were scheduled to settle or expire, through February and July 2008 respectively.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Notes: (continued)

(c) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st March 2007 are approximately HK$56,301,000 (2006: HK$56,301,000).

The interest rate swap contracts were scheduled to settle or expire, through November 2008.

All the derivative financial instruments above allow the Group to transfer, modify or reduce its foreign exchange and interest rate risks.

The Group mostly undertakes its transactions in foreign exchange and interest rate contracts with its banker. Management has established notional limits of these contracts. Actual credit exposures and limits are regularly monitored and controlled by the management.

27 BANK BALANCES AND CASH

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**31,075**	17,632	**693**	223
Short-term bank deposit	**9,500**	–	**9,500**	–
Bank balances and cash	**40,575**	17,632	**10,193**	223

Bank balances and cash of approximately HK$8,572,000 (2006: HK$4,549,000) were denominated in RMB and kept in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange control restrictions imposed by the PRC government.

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note (a))*	**12,799**	19,350	**–**	–
Other payables and accruals	**12,693**	7,967	**981**	1,617
	25,492	27,317	**981**	1,617

Note:

(a) Ageing analysis of trade payables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0-30 days	**5,922**	7,243
31-60 days	**2,299**	3,213
61-90 days	**2,992**	4,018
Over 90 days	**1,586**	4,876
	12,799	19,350

All of the trade and other payables shall be repaid within one year. The carrying value of trade and other payables approximate their fair value due to their short term maturities.

29 BILLS PAYABLE AND BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2007 HK$'000	2006 HK$'000
Current				
Bank loans, secured *(note (a))*	5.58%	1 year	**1,500**	–
Bank loans, unsecured *(note (a))*	HIBOR+1.4% to 2%	1 year	**8,179**	13,014
Obligations under finance leases *(note (b))*	2.75%-10.8%	1 year	**393**	324
Short-term bank loan	5.22%-6.12%/ 6 month HIBOR+1.5%/ 3-mth HIBOR+2%/			
– Unsecured	Prime rate	1 year	**28,681**	32,484
– Secured			**–**	11,442
Trust receipt loans, unsecured	HIBOR+1.75 to 1.85%	3-4 months	**12,926**	10,060
Bank overdrafts, unsecured	P-1.5% to P+1.5%/ HIBOR+1.85%	On demand	**6,363**	5,500
			58,042	72,824
Bills payable	Nil	1-3 months	**29,241**	28,552
			87,283	101,376
Non-current liabilities				
Bank loan, secured *(note (a))*	5.58%	5 years	**10,500**	–
Bank loan, unsecured *(Note (a))*	HIBOR+1.45% to 2%	1-3 years	**3,139**	11,322
Obligations under finance leases *(note (b))*	2.75%-10.8%	1-3 years	**483**	529
			14,122	11,851
The analysis of the above is as follows:				
– Wholly repayable within five years			**101,405**	113,227

29 BILLS PAYABLE AND BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) At 31st March 2007, the Group's bank loans are repayable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**9,679**	13,014
In the second year	**2,949**	8,178
In the third to fifth year	**10,690**	3,144
	23,318	24,336

Long-term bank loans bear interest at prevailing market rates. Details of banking facilities are set out in Note 37 below.

(b) At 31st March 2007, the Group's finance leases liabilities were repayable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**428**	367
In the second year	**404**	293
In the third to fifth year	**112**	269
	944	929
Future finance charges on finance leases	**(68)**	(76)
	876	853

The present value of finance lease liabilities is as follows:

Within one year	**393**	324
In the second year	**371**	268
In the third to fifth year	**112**	261
	876	853

Most of the bank loans and overdrafts are in HK$.

The fair value of the Group's bank and other borrowings was approximate to the corresponding carrying amounts.

30 SHARE CAPITAL

	Company	
	Number of shares	
	('000)	HK$'000
Authorised ordinary shares of HK$0.01 each		
At 31st March 2007 and 2006	2,000,000	20,000
Issued and fully paid ordinary shares of HK$0.01 each		
At 1st April 2005	420,495	4,205
Employee share option scheme – proceeds from shares issued	8,500	85
Subscription of shares	142,000	1,420
Shares issued for acquisition of a subsidiary	40,141	401
At 31st March 2006	611,136	6,111
Employee share option scheme – proceeds from shares issued	108,520	1,086
Subscription of shares	153,000	1,530
At 31st March 2007	872,656	8,727

31 SHARE OPTIONS

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).

31 SHARE OPTIONS *(continued)*

(a) Movements of the share options outstanding during the year are as follows:

	Company			
	2007		2006	
	Weighted average exercise price	**Number of share involved in the options**	Weighted average exercise price	Number of share involved in the options
At the beginning of the year	**0.296**	**18,500,000**	0.291	26,500,000
Granted *(Note (i))*	**0.308**	**147,800,000**	0.183	25,500,000
Exercised *(Note (ii))*	**0.299**	**(108,520,000)**	0.178	(8,500,000)
Lapsed	**0.580**	**(6,000,000)**	0.215	(25,000,000)
At the end of the year *(Note (iii))*	**0.291**	**51,780,000**	0.296	18,500,000
Exercisable at the end of the year	**0.291**	**51,780,000**	0.296	18,500,000

Notes:

(i) Date and exercise price of share options granted during year ended 31st March 2007 are as follows:

Grant date	**Exercise price** HK$
3rd April 2006	0.197
18th April 2006	0.232
26th April 2006	0.275
5th June 2006	0.197
27th July 2006	0.315
2nd August 2006	0.294
21st September 2006	0.580
11th January 2007	0.580
9th March 2007	0.510

(ii) Options were exercised by employees during the year which resulted in 108,520,000 new shares of the Company being issued at weighted average exercise price amounting to HK$0.299, totaling HK$32,440,000. The difference between the par value of shares issued and the proceeds from the exercise of the options totaling HK$31,355,000, was recognised as share premium. The weighted average share price at the date of exercise for share options exercised during the year was HK$0.597.

31 SHARE OPTIONS *(continued)*

(a) Movements of the share options outstanding during the year are as follows: *(continued)*

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

	Lapsed date	Exercise price	2007	2006	2007	2006
			Number of options		Vested percentage	
Directors						
Mr. Chan Shu Kin	20th September 2007	HK$0.580	**700,000**	–	**100%**	N/A
Mr. Chan Kam Ching Paul	20th September 2007	HK$0.580	**700,000**	–	**100%**	N/A
Mr. Cheung Kwan Hung	20th September 2007	HK$0.580	**700,000**	–	**100%**	N/A
Mr. Chen Lizhong	2nd April 2008	HK$0.197	**6,000,000**	–	**100%**	N/A
Mr. Poon Sum	4th June 2009	HK$0.197	**18,000,000**	–	**100%**	N/A
Mr. Wong Kwok Leung	12th August 2014	HK$0.290	**–**	2,000,000	**N/A**	100%
Other employees						
Employees in aggregate	25th April 2007	HK$0.275	**2,000,000**	–	**100%**	N/A
Employees in aggregate	8th March 2008	HK$0.510	**10,000,000**	–	**100%**	N/A
Employees in aggregate	2nd April 2008	HK$0.197	**5,000,000**	–	**100%**	N/A
Employees in aggregate	17th April 2008	HK$0.232	**1,080,000**	–	**100%**	N/A
Employees in aggregate	24th November 2008	HK$0.301	**4,500,000**	9,500,000	**100%**	100%
Employees in aggregate	12th August 2014	HK$0.290	**3,000,000**	7,000,000	**100%**	100%

(iv) Details of share options exercised during the year ended 31st March 2007 are as follows:

Grant date	Exercise price	Weighted average closing price per share of the share options exercised	Proceeds received	Number of shares involved in the options
24th November 2003	HK$0.301	HK$0.669	HK$1,505,000	5,000,000
13th August 2004	HK$0.290	HK$0.627	HK$1,711,000	5,900,000
3rd April 2006	HK$0.197	HK$0.499	HK$3,841,500	5,000,000
18th April 2006	HK$0.232	HK$0.627	HK$1,605,440	6,920,000
26th April 2006	HK$0.275	HK$0.510	HK$275,000	1,000,000
5th June 2006	HK$0.197	HK$0.693	HK$3,349,000	17,000,000
27th July 2006	HK$0.315	HK$0.540	HK$7,623,000	24,200,000
2nd August 2006	HK$0.294	HK$0.631	HK$4,410,000	15,000,000
11th January 2007	HK$0.580	HK$0.629	HK$8,120,000	14,000,000

31 SHARE OPTIONS *(continued)*

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Trinomial Model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Trinomial model.

Fair value of share options and assumptions

Grant date	Fair value at grant date HK$	Share price HK$	Exercise price HK$	Expected volatility	Option life	Expected dividend yield	Risk-free interest rate (based on 2 Years Exchange Fund Bills)
3rd April 2006	844,800	0.200	0.197	64.43%	2 years	–	4.288%
3rd April 2006	754,650	0.200	0.197	64.43%	0.5 years	–	4.288%
18th April 2006	692,800	0.200	0.230	64.43%	2 years	–	4.309%
26th April 2006	231,000	0.280	0.275	64.43%	1 year	–	4.177%
5th June 2006	6,384,000	0.310	0.197	64.43%	3 years	–	4.273%
27th July 2006	1,173,700	0.280	0.315	64.43%	0.7 years	–	4.331%
2nd August 2006	823,500	0.280	0.294	64.43%	0.6 years	–	4.246%
21st September 2006	324,870	0.580	0.580	64.43%	1 year	–	3.793%
11th January 2007	988,400	0.580	0.580	64.43%	0.2 years	–	3.591%
9th March 2007	1,366,000	0.510	0.510	64.43%	1 year	–	3.956%

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option granted.

(c) 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 financial statements.

32 RESERVES

The amounts of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on page 39 of the financial statements.

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 holding company of the subsidiaries in exchange thereof.

33 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the taxation rate which is expected to apply at the time of reversal of the temporary differences.

	Group	
	2007	2006
Deferred tax liabilities	**HK$'000**	HK$'000
Balance at the beginning of the year	**1,170**	788
Charge to the income statement *(Note 10)*	**623**	399
Overprovision for deferred taxation in prior year	**–**	(17)
Balance at the end of the year	**1,793**	1,170

Analysis of deferred tax liabilities is as follows:

	Group					
	Accelerated tax depreciation		**Others**		**Total**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Balance at the beginning of the year	**421**	449	**749**	339	**1,170**	788
Charge to the income statement	**–**	(11)	**623**	410	**623**	399
Over-provision for deferred taxation in prior year	**–**	(17)	**–**	–	**–**	(17)
Balance at the end of the year	**421**	421	**1,372**	749	**1,793**	1,170

Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31st March 2007, the Group has unrecognised tax losses of approximately HK$1,169,000 (2006: HK$366,000) to carry forward against future taxable income.

34 CONSOLIDATED CASH FLOW STATEMENT

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

	Notes	**2007** **HK$'000**	2006 HK$'000
Operating profit		**7,612**	16,970
Interest income		**(410)**	(27)
Depreciation		**9,925**	7,073
Amortisation		**724**	330
Impairment losses		**510**	471
Negative goodwill generated from business acquisition	*35(b)*	**(225)**	(5,065)
Loss/(gain) on disposals of property, plant and equipment		**450**	(276)
Gain on disposals of investment in securities		**–**	(206)
Recognition for employee share option benefits		**13,584**	279
Exchange differences, net		**(1,569)**	91
Operating profit before working capital changes		**30,601**	19,640
Decrease in inventories		**135**	6,897
(Increase)/decrease in trade receivables		**(46,015)**	14,474
Decrease in other receivables, deposits paid and prepayments		**2,158**	28,665
Increase in investments held for trading		**(4,642)**	–
Increase/(decrease) in derivative financial instruments		**(719)**	730
Decrease in trade payables and bills payable		**(5,862)**	(6,869)
Increase/(decrease) in other payables and accruals		**4,175**	(24,895)
Decrease in amount due to shareholders		**–**	(119)
Net cash (outflow)/inflow from operations		**(20,169)**	38,523

34 CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Group		
	Share capital including share premium and merger reserve	**Minority interests**	**Bank loans and obligations under finance leases**
	HK$'000	HK$'000	HK$'000
At 1st April 2005	29,949	736	94,927
Issuance of shares for non-cash consideration on acquisition of a subsidiary	10,837	–	–
Recognition of employee share option benefits	279	–	–
Minority interests' share on disposals of a subsidiary	–	186	–
Minority interests' share of profit	–	32	–
Dividend paid to minority shareholders	–	(400)	–
Loans to a subsidiary acquired	–	–	14,038
Exchange difference	–	–	91
Cash inflows/(outflows) from financing	21,327	–	(29,881)
At 31st March 2006	62,392	554	79,175
Recognition of employee share option benefits	9,672	–	–
Acquisition of additional interests of a subsidiary	–	(725)	–
Acquisition of a subsidiary	–	1	–
Minority interests' share of profits	–	170	–
Inception of the finance leases	–	–	483
Cash inflows/(outflows) from financing	89,786	–	(13,857)
At 31st March 2007	161,850	–	65,801

(c) Major non-cash transactions

During the year, the Group has recognised non-cash expense arising from the grant of share options to employees approximately HK$13,584,000.

35 BUSINESS COMBINATION

(a) Acquisition of a subsidiary

During the year, the Group acquired the 51% equity interest of NE Oil.

The fair values of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition approximated their corresponding carrying amounts immediately before the acquisition and were as follows:

	NE Oil
	HK$'000
Net liabilities acquired:	
Bank balances and cash	7
Other payables	(18)
	(11)
Share of net liabilities acquired (51%)	(6)
Goodwill	6
Total consideration, satisfied by cash	–
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Bank balance and cash acquired	7
	7

35 BUSINESS COMBINATION *(continued)*

(b) Acquisition of additional interest in a subsidiary

During the year, the Group increased its equity interest in Hai Yue from 75% to 100%.

The fair values of the identifiable assets and liabilities of Hai Yue attributable to the additional interest acquired as at the date of acquisition approximated their corresponding carrying amounts immediately before the acquisition and were as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	4
Inventories	716
Trade receivables	909
Other receivables	1,306
Bank balances and cash	400
Trade payables	(110)
Bills payables	(329)
	2,896
Share of net assets acquired (25%)	725
Negative goodwill	(225)
Total consideration, satisfied by cash	500

(c) Net cash paid in business combination

	HK$'000
Cash inflows from acquisition of a subsidiary (Note 35(a))	7
Cash outflows from acquisition of additional interest of a subsidiary (Note 35(b))	(500)
	(493)

36 COMMITMENTS

(a) Capital commitments

As at 31st March 2007, the Group had capital expenditure commitments in respect of properties under development, property, plant and equipment and acquisition of subsidiaries as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted but not provided for		
– acquisition in subsidiaries	**6,500**	–
– properties under development	**5,870**	127
– property, plant and equipment	**1,790**	753
	14,160	880

(b) Commitments under operating leases

At 31st March 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**1,180**	900
Later than one year but not later than five years	**4,916**	3,091
Later than five years	**22,771**	4,409
	28,867	8,400

Operating lease payments represents rentals payable by the Group for its office properties. Leases are negotiated for an average term of 50 years.

36 COMMITMENTS *(continued)*

(c) Commitments under license arrangements

At 31st March 2007, the Group had outstanding commitments from lessees of rented properties under non-cancellable operating leases in respect of buildings as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**2,143**	–
Later than one year but not later than five years	**4,049**	–
Later than five years	**2,713**	–
	8,905	–

Operating lease income represents rental receivable by the Group for its properties. Leases are negotiated for an average term of 4 years.

37 BANKING FACILITIES

As at 31st March 2007, the Group's banking facilities totalling approximately HK$196,400,000 (2006: HK$171,066,000) were secured by the followings:

(i) first legal charges over leasehold land and buildings held by the Group with a total net book value of approximately HK$41,893,000 (2006: HK$41,608,000) *(Note (a))*; and

(ii) corporate guarantees given by the Company amounting to HK$186,793,000 (2006: HK$156,643,000).

As at 31st March 2007, the Group has breached a covenant in respect of financial ratio underlying the banking facilities by a bank. Subsequently, on 3rd April 2007, 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 2007.

Note:

(a) Such charges were related to the banking facilities amounting to HK$12,000,000 (2006: HK$14,423,000) which were granted to Ling Feng before being acquired in last year.

38 RELATED PARTY TRANSACTIONS

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

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Rental expenses for directors' quarters paid to Luen Yat Enterprises Company Limited, a related company of the Group	*(a)*	**(996)**	(864)
Rental expenses charged by Mr. Poon Sau Tin and Mr. Poon Sum	*(a)*	**(384)**	(384)
Purchases of finished goods from Xinyimei	*(b)*	**–**	(336)
Sales of materials to Xinyimei	*(b)*	**–**	53

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.

Notes:

(a) Rental expenses were charged at fixed monthly rate in accordance with the underlying tenancy agreement.

(b) These transactions were undertaken at terms mutually agreed by Xinyimei and the Group.

39 CONTINGENT LIABILITIES

	Company	
	2007	2006
	HK$'000	HK$'000
Guarantee for banking facilities of subsidiaries	**186,793**	156,643

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Company are insignificant at initial recognition and the Directors consider the possibility of default of the parties involved is remote, accordingly, no value has been recognised in the balance sheet.

40 POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31st March 2007 and up to the date of this report:

a) Acquisition of America Archi Colors Group Limited ("America Archi")

On 9th October 2006, WSGL entered into an acquisition agreement to acquire a 51% of the entire issued share capital of America Archi from a third party. America Archi, through its wholly owned subsidiary in PRC, is principally engaged in the sales and distribution of paints products.

Deposits amounting HK$1,500,000 in respect of the acquisition of America Archi were paid during the year. Subject to and in accordance with terms of the acquisition agreement, the acquisition of America Archi was completed on 2nd April 2007. The balance of consideration for the acquisition was satisfied by cash payment of HK$4,100,000 and by issuing of 4,301,332 new shares in the Company.

Details of acquisition of America Archi were disclosed in the Company's Announcement dated 10th October 2006.

According to the unaudited consolidated management accounts of America Archi as at 31st March 2007, America Archi had net asset value of approximately HK$7,006,000, comprising total assets of approximately HK$10,927,000 and total liabilities of approximately HK$3,921,000.

b) Acquisition of 51% equity interest in NE Oil and establishment of a sino-foreign co-operative joint venture enterprise (the "CJV") for the project development of exploitation business in North Eastern region of PRC

During the year, the Group entered into agreements with an independent third party, to acquire a 51% equity interest in NE Oil and the related oil exploitation development project rights at a consideration of HK$50 million. The consideration payable by the Group shall be satisfied by HK$10 million in cash and HK$40 million by the allotment and issue of new shares of the Company ("Consideration Shares") at an issue price of HK$0.66 per Consideration Share. The acquisition of NE Oil was completed before year end. Up to the balance sheet date, the Group paid HK$3 million as deposit for the development project.

40 POST BALANCE SHEET EVENTS *(continued)*

b) Acquisition of 51% equity interest in NE Oil and establishment of a sino-foreign co-operative joint venture enterprise (the "CJV") for the project development of exploitation business in North Eastern region of PRC *(continued)*

Details of the acquisition of NE Oil and the project development of exploitation business are disclosed in the Company's circular and the Announcement dated 16th February 2007 and 17th April 2007 respectively. NE Oil, and 齊齊哈爾油田開發建設總公司("Qiqihar Oil"), as the holder of the subject exploitation license, entered into joint venture agreement for the development of the oil exploitation business in the Heilongjiang Province, the PRC. According to the joint venture agreement, the total investment in the registered capital of the mentioned CJV, 齊齊哈爾市東北石油開發有限責任公司("Qiqihar Northeast"), will be US$6.45 million in which NE Oil will contribute US$6.13 million, equivalent to 95% of the registered capital of the Qiqihar Northeast, in cash while Qiqihar Oil will contribute an amount in RMB equivalent to US$0.32 million, representing 5% of the registered capital of Qiqihar Northeast, in cash. On its establishment, Qiqihar Northeast will be accounted as indirect subsidiary of the Company. Details of the Qiqihar Northeast were disclosed in Company's Announcement dated 17th April 2007. The certificate of approval and business license of Qiqihar Northeast were issued by the relevant PRC authority on 22nd May 2007 and 25th May 2007 respectively.

c) Convertible bonds

On 4th July 2007, the Group issued convertible bonds ("the Bonds") in aggregate principal amount of HKD200,000,000. The Bonds bear interest at 0.5% per annum payable semi-annually and will mature on 3rd July 2012. Subject to and in accordance with the terms and conditions of the Bonds, the holders of the Bonds can convert the Bonds into new shares of the Company on or after 18th July 2007 up to the close of business on 18th June 2012 at the initial conversion price of HKD0.7873 per new share. The Company will be required to redeem any outstanding bonds on the maturity date at 128.33% of the principal amount thereof.

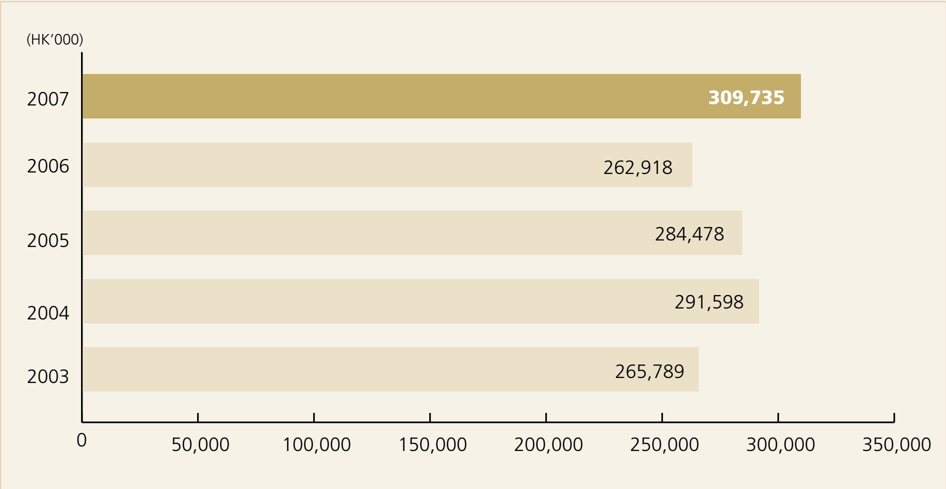
41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20th July 2007.

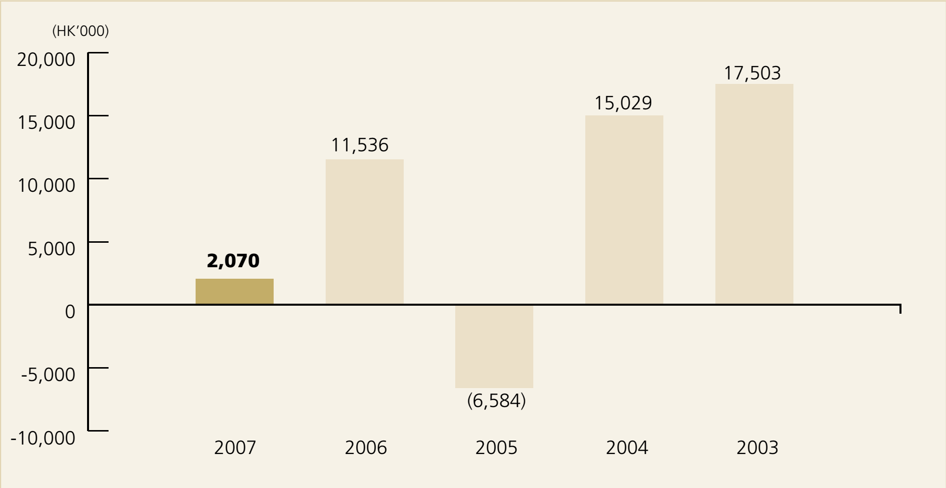
FIVE YEARS FINANCIAL SUMMARY

	2007	2006	(Restated) 2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**309,735**	262,918	284,478	291,598	265,789
Profit before taxation	**2,973**	12,102	(6,293)	15,723	18,851
Taxation	**(733)**	(534)	(646)	(584)	(730)
Profit/(loss) after tax	**2,240**	11,568	(6,939)	15,139	18,121
Minority Interest	**(170)**	(32)	355	(110)	(618)
Profit/(loss) attributable to shareholders	**2,070**	11,536	(6,584)	15,029	17,503

TURNOVER

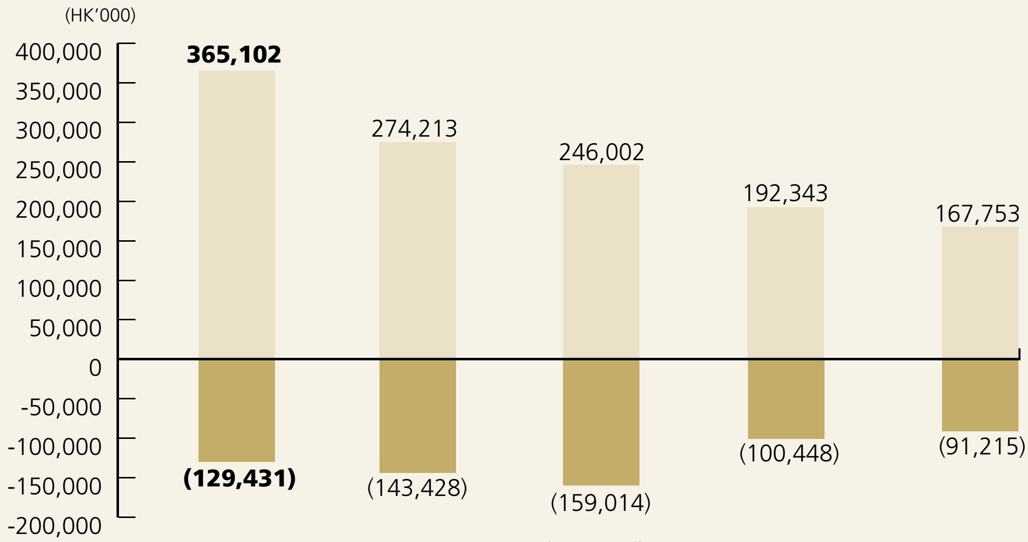


PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS



FIVE YEARS FINANCIAL SUMMARY

SHAREHOLDERS' FUNDS



	2007 HK$'000	2006 HK$'000	(Restated) 2005 HK$'000	2004 HK$'000	2003 HK$'000
Total Assets	**365,102**	274,213	246,002	192,343	167,753
Total liabilities	**(129,431)**	(143,428)	(159,014)	(100,448)	(91,215)
Shareholders' Funds	**235,671**	130,785	86,988	91,895	76,538