NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

During the year, the directors resolved to change the financial year end date of the Company from 30th June to 31st December. As a result, the condensed financial statements of the Company and its subsidiaries (the "Group") for the current period covered the 12 month period ended 30th June, 2005, for the Company's second interim report announcement are presented. The change is to align the financial year end date of the Company with those of its major operating subsidiaries incorporated in the People's Republic of China and with that of its single largest shareholder.

2. PRINCIPAL ACCOUNTING POLICIES/ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2004 except as described below.

On 1st July, 2004, the Group has early applied all of the new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

2. PRINCIPAL ACCOUNTING POLICIES/ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Business combinations

In the current year, the Group has elected to apply HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st July, 2004 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st July, 2004 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30th June, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment losses (if any). From 1st July, 2004 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. On 1st July, 2004, the Group reclassified the investments in securities in accordance with the requirement of HKAS 39 (see note 3 for the financial impact). The Group reclassified its "investment securities" as available-for-sale investments, which are unlisted equity securities whose fair value cannot be measured reliably and hence are stated at cost less impairment loss. Impairment loss for financial assets carried at cost cannot be reversed subsequently. The Group reclassified its "other investments" as investments held for trading that no adjustment to the carrying amount at 1st July, 2004 is required.

2. PRINCIPAL ACCOUNTING POLICIES/ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2004 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Adjustments to the previous carrying amounts of assets or liabilities at 1st July, 2004 have been made to the Group's accumulated losses (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective for accounting periods beginning on or after 1st January, 2005. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
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

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	Year ended 30.6.2005 HK$'000	Year ended 30.6.2004 HK$'000
Decrease in amortisation of goodwill	**4,982**	–
Decrease (increase) in share of losses of associates	**4,354**	(38)
Increase in impairment loss recognised in respect of interests in associates	**(2,870)**	–
Decrease in taxation	**74**	38
Increase in finance costs	**(2,826)**	–
Decrease in loss for the year	**3,714**	–

The cumulative effects of the application of the new HKFRSs as at 30th June, 2004 and 1st July, 2004 are summarised below:

	As at 30.6.2004 (Originally stated) HK$'000	**Effect of HKAS 1** HK$'000	**Effect of HKAS 17** HK$'000	**As at 30.6.2004 (Restated)** HK$'000	**Effect of HKAS 39** HK$'000	**As at 1.7.2004 (Restated)** HK$'000
Balance sheet items affected:						
Property, plant and equipment	26,371	–	(485)	25,886	–	25,886
Prepaid lease payments on land use rights	–	–	485	485	–	485
Investments in securities	152,202	–	–	152,202	(152,202)	–
Available-for-sale investments	–	–	–	–	140,934	140,934
Investments held for trading	–	–	–	–	11,268	11,268
Loan from an associate	(14,130)	–	–	(14,130)	1,190	(12,940)
Borrowings	(37,500)	–	–	(37,500)	3,657	(33,843)
Total effects on assets and liabilities	126,943	–	–	126,943	4,847	131,790
Accumulated losses	(1,099,734)	–	–	(1,099,734)	4,264	(1,095,470)
Minority interests	–	25,637	–	25,637	583	26,220
Total effects on equity	(1,099,734)	25,637	–	(1,074,097)	4,847	(1,069,250)
Minority interests	25,637	(25,637)	–	–	–	–

4. REVENUE AND SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments.

Revenue represents the gross proceeds from trading of gas related products, securities trading and investment holding and treasury activities.

Income statement for the year ended 30th June, 2005

	Trading of gas related products (Unaudited) HK$'000	Securities trading and investment holding (Unaudited) HK$'000	Treasury activities (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
REVENUE				
External	79,282	14,007	516	93,805
Segment result	3,436	(151,699)	463	(147,800)
Unallocated other operating income				383
Unallocated corporate expenses				(2,300)
Loss from operations				(149,717)
Finance costs				(7,427)
Gain on disposal of subsidiaries				2,541
Impairment loss recognised in respect of interests in associates		(27,980)		(27,980)
Share of results of associates				(161)
Share of results of jointly controlled entities				(154)
Loss before taxation				(182,898)
Taxation				(375)
Loss for the year				(183,273)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Income statement for the year ended 30th June, 2004 (restated)

	Trading of gas related products (Audited) HK$'000	Securities trading and investment holding (Audited) HK$'000	Treasury activities (Audited) HK$'000	Consolidated (Audited) HK$'000
REVENUE				
External	18,205	137,836	1,186	157,227
Segment result	3,132	(6,279)	351	(2,796)
Unallocated other operating income				1,213
Unrealised gain on other investments		745		745
Amortisation of goodwill	(1,245)			(1,245)
Unallocated corporate expenses				(6)
Loss from operations				(2,089)
Finance costs				(597)
Gain on disposal of subsidiaries				553
Share of results of associates				(1,499)
Share of results of jointly controlled entities				(2,163)
Loss before taxation				(5,795)
Taxation				(111)
Loss for the year				(5,906)

5. LOSS FROM OPERATIONS

	Year ended 30.6.2005 (Unaudited) HK$'000	Year ended 30.6.2004 (Audited) HK$'000
Loss from operations has been arrived at after charging:		
Depreciation and amortisation:		
Owned assets	**1,861**	726
Assets held under finance leases	**568**	243

6. FINANCE COSTS

	Year ended	
	30.6.2005	30.6.2004
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**4,448**	562
Other borrowings wholly repayable within five years	**2,883**	–
Finance leases	**96**	35
	7,427	597

7. TAXATION

	Year ended	
	30.6.2005	30.6.2004
		(Restated
	(Unaudited)	and audited)
	HK$'000	HK$'000
The charge comprises:		
Current tax:		
Other jurisdictions	**375**	111

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the year.

Taxation arising in other jurisdictions was calculated at the rates prevailing in the respective jurisdictions.

At 30th June, 2005, the Group has unutilised tax losses of approximately HK$131 million (30.6.2004: HK$209 million) available to offset against future profits. No deferred tax asset has been recognised in the financial statements due to the unpredictability of future profit streams.

8. LOSS PER SHARE

The calculation of loss per share is based on the following data:

	Year ended 30.6.2005 (Unaudited)	30.6.2004 (Audited)
Loss for the year attributable to equity holders of the parent (HK$'000)	**182,656**	7,028
Weighted average number of shares for the purposes of basic and diluted loss per share	**3,305,133,193**	2,681,111,125

The computation of diluted loss per share for the year ended 30th June, 2005 did not assume the exercise of the Company's outstanding warrants as their exercise would result in a decrease in loss per share for the year. The Company did not have any potential ordinary shares during the year ended 30th June, 2004.

9. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$74 million on additions to construction in progress.

10. INTERESTS IN ASSOCIATES

	30.6.2005 (Unaudited) HK$'000	30.6.2004 (Audited) HK$'000
Share of net assets	**55,612**	55,773
Unamortised goodwill arising on acquisition of associates	**58,764**	58,764
Impairment loss recognised on goodwill	**(27,980)**	–
	86,396	114,537

The impairment loss represents a write-down of the carrying amount of goodwill of an associate to its recoverable amount based on the estimated future cash flow projections.

11. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

	30.6.2005	30.6.2004
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Unlisted overseas equity securities	**148,208**	146,796
Impairment loss recognised	**(144,889)**	(5,862)
	3,319	140,934
Classified as:		
Available-for-sale investments	**3,319**	–
Investment securities	**–**	140,934
	3,319	140,934

Available-for-sale investments include the cost of the Company's 35% interest in the issued shares of CMEP Limited ("CMEP") of HK$137,858,000 (30.6.2004: HK$137,858,000). CMEP is a company incorporated in the British Virgin Islands and is principally engaged in holding of a contractual right to receive fees from the business of trading of television commercial airtime in the PRC.

Pursuant to the agreement in relation to the sale and purchase of 35% of the issued share capital in CMEP Limited (the "Sale and Purchase Agreement") dated 2nd January, 2003 entered into between China Media International Group Limited ("CMI") and the Company, the Company acquired 35% interest in CMEP at a consideration of HK$105,000,000 from CMI. The consideration was satisfied by cash of HK$82,000,000 and by the allotment and issue of 200,000,000 new ordinary shares in the Company of HK$0.02 each at an issue price of HK$0.115 each. The new ordinary shares were issued by reference to the closing market price of the shares of the Company at 10th February, 2003, the date of the allotment of shares, of HK$0.275 per share.

In accordance with the Sale and Purchase Agreement, CMI undertakes to the Company that CMI should procure that the net profit after tax of CMEP for the period from 27th May, 2002 (the date of incorporation of CMEP) to 30th June, 2003, as shown in the audited financial statements of CMEP for such period, should not be less than HK$100,000,000, and that for each of the year ended 30th June, 2004 and 30th June, 2005 should not be less than HK$150,000,000. If the amount of the net profit after tax fall short of the undertaking amount, CMI should pay to or cause CMEP to pay, out of CMI's entitlement in CMEP's net profit for that period, to the Company the amounts of downward adjustment to the consideration. Furthermore, CMI undertakes to procure at least 80% of the accounts receivables at 30th November, 2002 could be recovered in full within 9 months from the date of the Sale and Purchase Agreement. In other case, CMI undertakes to pay to the Company an amount equal to 35% of the corresponding amount after tax net profit on the difference between the actual amount recovered and 100% of the accounts receivables at 30th November, 2002.

11. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES (Continued)

In addition, pursuant to the shareholders agreement dated 10th February, 2003 entered into between CMI and the Company (the "Shareholders Agreement"), the board of directors of CMEP shall comprise not less than two and not more than three directors, in which the Company should be entitled to appoint one director and CMI should be entitled to appoint up to two directors. However, after continuous negotiations between the Company and CMI, the Company could not appoint any representative to the board of CMEP. Since the Company does not have the ability to exercise significant influence over CMEP, the investment in CMEP is classified as investments in securities.

As CMEP is undergoing a business portfolios restructuring and the restructuring exercise is still in progress, the audited financial statements of CMEP for the period from 27th May, 2002 (date of incorporation of CMEP) to 30th June, 2003 have not been available to the Company for the period of time subsequent to 30th June, 2003.

As such, the Company issued a writ of summons in the Court of First Instance in Hong Kong against CMI on 18th February, 2004 to claim for, among others, damages for breach of the Sale and Purchase Agreement and Shareholders Agreement. The writ served on CMI on 19th February, 2004 and a settlement was made between CMI and the Company in May 2004 and a consent order dated 6th May, 2004 was granted by the Court of First Instance wherein (i) CMI was obliged to deliver to the Company signed copies of the auditors' report of CMEP for the year 2003 together with a certificate of the amount of adjustment which is required to be made to the purchase consideration of the 35% of the issued share capital in CMEP for the year 2003 on or before 20th June, 2004; (ii) CMI should provide all necessary information, including but not limited to all necessary management accounts and/or consolidated accounts and/or other accounts and/or records, to ascertain the amount of the unrecovered profits on the accounts receivables of CMEP which the Company is entitled to receive under the Sale and Purchase Agreement; and (iii) CMI should pay the Company all sums due from CMI to the Company pursuant to the Sale and Purchase Agreement within 30 days of the date of delivery of the auditors report and information as referred to above.

However, CMI has failed and/or refused to comply with any of the terms of the said order and therefore an application for judgment against CMI was made by the Company on 9th July, 2004. The hearing of application of judgement in respect of the action was conducted on 14th July, 2005. An interlocutory judgment was granted in favour of the Company and the Company will be compensated for, amongst other things, the damages suffered and the sum entitled under the Sale and Purchase Agreement.

Nevertheless, in the opinion of the directors, it is unable to assess the recoverability of the damages and the sum entitled, if any, due to the unavailable of the audited financial statements of CMEP for the period from 27th May, 2002 (date of incorporation of CMEP) to 30th June, 2003 and any subsequent periods. In addition, the directors of the Company could not contact the management of CMI to demand the damages and the sum entitled. Impairment loss of HK$137,858,000 (30.6.2004: nil) in respect of the investment in CMEP was recognised during the year since the directors considered that the investment is fully impaired as at 30th June, 2005.

The remaining impairment losses of HK$7,031,000 (30.6.2004: HK$5,862,000) as at 30th June, 2005 represent impairment losses recognised in respect of another available-for-sale investment which determined by the directors with reference to the net asset value and the present value of the estimated cash flow of that investment.

12. TRADE RECEIVABLES

The Group allowed an average credit period of 90 to 120 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.6.2005	30.6.2004
	(Unaudited)	(Audited)
	HK$'000	HK$'000
0 – 90 days	**4,888**	2,343
91 – 120 days	**27**	1,267
Over 120 days	**7,412**	5,883
	12,327	9,493

13. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.6.2005	30.6.2004
	(Unaudited)	(Audited)
	HK$'000	HK$'000
0 – 90 days	**955**	7,444
91 – 120 days	**16**	184
Over 120 days	**7,395**	265
	8,366	7,893

14. AMOUNTS DUE TO RELATED COMPANIES

The balances represent amounts due to a holding company and a subsidiary of a substantial shareholder. The amounts are unsecured, interest free and are repayable on demand.

15. BORROWINGS

	30.6.2005	30.6.2004
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Bank loans *(note a)*		
Secured	**–**	9,420
Unsecured	**40,506**	7,536
	40,506	16,956
Other loans *(note b)*	**38,037**	92,179
	78,543	109,135
The maturity of borrowings is as follows:		
Within one year	**78,543**	71,635
In the second year	**–**	37,500
	78,543	109,135
Less: Amounts due within one year shown under current liabilities	**(78,543)**	(71,635)
Amount due after one year	**–**	37,500

Notes:

(a) The Group obtained bank loans upon the acquisition of certain subsidiaries in March 2004. The loans bore interest at market rates and would be repayable within one year. At 30th June, 2004, bank loan amounting to HK$9,420,000 was secured by a gas station and the shares of certain subsidiaries of the Company. The amount has been repaid during the year.

(b) The amount at 30th June, 2005 included promissory note with a face value of HK$37,500,000 (30.6.2004: HK$37,500,000) issued upon the Group's acquisition of the 49% interest in Solution Technology Limited and its subsidiary in March 2004. The amount is unsecured, interest free and repayable in 2006. The remaining amount represented other loan of HK$2,150,000 (30.6.2004: nil) advanced from a third party. It is unsecured, interest free and repayable within one year.

At 30th June, 2004, the other loans also included promissory notes of HK$54,679,000 issued upon acquiring 51% in Global King Investments Limited and 30% of Tone Communication Limited. The amounts were repaid during the year.

16. SHARE CAPITAL

Shares

	Number of shares		Share capital	
	30.6.2005	30.6.2004	**30.6.2005**	30.6.2004
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.02 each				
Authorised:				
At beginning of the year and at end of the year	**100,000,000**	100,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning of the year	**3,149,517**	1,853,011	**62,990**	37,060
Issue of shares by placements	**200,000**	370,000	**4,000**	7,400
Issue of right shares	**-**	926,506	**-**	18,530
At end of the year	**3,349,517**	3,149,517	**66,990**	62,990

On 25th August, 2004, the Company entered into two Placing Agreements (the "Placing") with Asian Basin Limited and Helmsman Limited (the "Placees"). As a result, an aggregate of 200,000,000 shares at the price of HK$0.095 per share were placed to the Placees. The placements were completed on 20th September, 2004.

Unlisted warrants

In connection with the Placing mentioned above, the Company also placed (a) 200,000,000 2005-warrants, with an issue price of HK$0.003 per unit, at an initial subscription price of HK$0.096 (subject to adjustment) for a period of twelve months commencing from the date of allotment and issue of 2005-warrants; and (b) 200,000,000 2006-warrants, with an issue price of HK$0.005 per unit, at an initial subscription price of HK$0.098 (subject to adjustment) for a period of twenty four months commencing from the date of allotment and issue of 2006-warrants, to the Placees.

No warrant was exercised during the year ended 30th June, 2005.

17. PLEDGE OF ASSETS

At 30th June, 2004, the Group had pledged land and building with net book value of HK$7,968,000 and equity interests in certain subsidiaries as collateral for loan facilities of HK$9,420,000 granted to the Group by a bank. The pledge of assets was released during the year.

18. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant related party transactions:

(a) The Group has entered into an agreement with a bank in respect of loan facilities granted to the Group amounting to HK$28,260,000 (30.6.2004: HK$26,411,000). The bank loan is guaranteed by an associate of the Group.

(b) The Group entered into loan agreements with CATIC International Holdings Limited ("CATIC"), a holding company of a substantial shareholder of the Company, in which CATIC granted loans in aggregate of HK$4,500,000 (30.6.2004: nil) to the Group. The loans bore interest at 2.5% over the 3-month Hong Kong Interbank Offered Rate per annum and were repaid during the year. During the year, interests on these loans of HK$57,000 (30.6.2004: nil) were paid to CATIC.

19. POST BALANCE SHEET EVENTS

Subsequent to 30th June, 2005, the following significant events took place:

(a) On 30th May, 2005, the Company announced that the Company proposed to raise approximately HK$134 million, before expenses, by issuing 6,699,033,510 shares at a price of HK$0.02 per share by way of open offer on the basis of two shares for every share held on 27th May, 2005. The open offer was completed on 16th August, 2005.

(b) On 30th May, 2005, the Company announced that Global King Investments Limited ("Global King"), an indirect 51%-owned subsidiary of the Company, proposed to conduct rights issue of a maximum of 12,000 rights shares on the basis of six rights shares for every ten existing Global King shares on 12th May, 2005. On 23rd May, 2005, the Group subscribed in full for its entitlement under the rights issue and applied for excess rights shares (being 12,000 rights shares in aggregate) (collectively known as the "Subscription") at an aggregate consideration of HK$30 million, the completion of the Subscription is subject to the approval by the independent shareholders at the extraordinary general meeting. Best Rich International Limited, which had 49% interest in Global King before the rights issue did not subscribe for any of its entitlement under the rights issue of Global King. After the rights issue, the Group's interest in Global King increases from 51% to approximately 69%. Each rights share of Global King is attached with an option which entitles the holder to subscribe for a convertible note of Global King without any additional cost. If the Group exercises the options in full, 72,000 new shares of Global King shares will be issued and the Group's interest in Global King will further increase from 69% to approximately 91%. The ordinary resolution in relation to the Subscription was duly passed at the extraordinary general meeting held on 27th July, 2005.

20. GAIN ON DISPOSAL OF SUBSIDIARIES

	30.6.2005	30.6.2004
	(Unaudited)	(Audited)
	HK$'000	HK$'000
The net assets of subsidiaries disposal of were as follows:		
Net assets disposal of	**8,768**	–
Exchange reserve released	**(2,562)**	(253)
Capital reserve released	**(1,647)**	–
	4,559	(253)
Gain on disposal of subsidiaries	**2,541**	553
Total consideration satisfied by cash	**7,100**	300
Net cash inflow arising on disposal of:		
Cash consideration	**7,100**	300
Bank balances and cash disposed of	**(66)**	–
	7,034	300