NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2003

1. BASIS OF PREPARATION

The unaudited 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 and the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost convention, as modified for revaluation of certain investments in securities.

The accounting policies adopted are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 30th June, 2003, except as described below.

Income Taxes

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

3. TURNOVER AND SEGMENT INFORMATION

Business segments

Turnover represents the gross proceeds from securities trading and investment holding, treasury activities and provision of telecommunication services.

In February 2003, the Group discontinued to provide telecommunication services after the disposal of certain subsidiaries.

An analysis of the Group's turnover and contribution to profit (loss) from operations by principal activity of operations is as follows:

	Turnover by principal activity Six months ended		**Contribution to profit (loss) from operations Six months ended**	
	31.12.2003 (unaudited) HK$'000	31.12.2002 (unaudited) HK$'000	**31.12.2003 (unaudited) HK$'000**	31.12.2002 (unaudited) HK$'000
Continuing operations				
Securities trading and investment holding	**73,926**	19,303	**(2,020)**	(6,200)
Treasury activities	**1,069**	715	**419**	(217)
Discontinuing operation				
Telecommunication service income	**–**	111,268	**–**	3,614
	74,995	131,286	**(1,601)**	(2,803)
Unallocated other operating income			**326**	819
Unrealised gain (loss) on other investments			**3,737**	(658)
Release of negative goodwill			**–**	1,265
Unallocated corporate expenses			**–**	(28)
Profit (loss) from operations			**2,462**	(1,405)

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are located in Hong Kong and Singapore. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market Six months ended		Contribution to profit (loss) from operations Six months ended	
	31.12.2003 (unaudited) HK$'000	31.12.2002 (unaudited) HK$'000	**31.12.2003 (unaudited) HK$'000**	31.12.2002 (unaudited) HK$'000
Hong Kong	**74,843**	131,072	**(1,753)**	(2,711)
Singapore	**152**	214	**152**	(92)
	74,995	131,286	**(1,601)**	(2,803)
Unallocated other operating income			**326**	819
Unrealised gain (loss) on other investments			**3,737**	(658)
Release of negative goodwill			**–**	1,265
Unallocated corporate expenses			**–**	(28)
Profit (loss) from operations			**2,462**	(1,405)

4. PROFIT (LOSS) FROM OPERATIONS

	Six months ended	
	31.12.2003	31.12.2002
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Profit (loss) from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	**–**	3,881
Depreciation:		
Owned assets	**194**	3,957
Assets held under finance leases	**57**	7
	251	3,964

5. FINANCE COSTS

	Six months ended	
	31.12.2003	31.12.2002
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest on:		
Finance leases	**10**	3
Other borrowings	**–**	14
	10	17

6. TAXATION

No tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax has not been provided for the prior period as the Group has not generated any assessable profits arising in Hong Kong for that period. The charge for the prior period represented underprovision for Hong Kong Profits Tax for prior years.

At 31st December, 2003, the Group has unused tax losses of approximately HK$202 million (30.6.2003: HK$203 million) available to offset against future profits. The deferred tax asset has not been recognised in the financial statements due to the unpredictability of future profits streams.

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	31.12.2003	31.12.2002
	(unaudited)	(unaudited)
Net profit (loss) for the period (HK$'000)	**2,218**	(6,472)
Weighted average number of shares for the purposes of basic and diluted earnings (loss) per share	**1,853,011,170**	1,564,967,692

There is no difference between the basic and diluted earnings per share for the six months ended 31st December, 2003 as the Company has no dilutive potential ordinary shares during the period.

The computation of diluted loss per share for the six months ended 31st December, 2002 did not assume the exercise of the Company's outstanding share options as their exercise would result in a decrease in net loss per share.

8. INVESTMENTS IN SECURITIES

	Other investments		Investment securities		Total	
	31.12.2003	30.6.2003	**31.12.2003**	30.6.2003	**31.12.2003**	30.6.2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Listed equity securities	**21,512**	1,734	**-**	–	**21,512**	1,734
Unlisted mutual funds	**35,956**	66,463	**-**	–	**35,956**	66,463
Unlisted equity securities in overseas	**-**	–	**147,227**	147,227	**147,227**	147,227
Impairment loss recognised	**-**	–	**(7,423)**	(7,423)	**(7,423)**	(7,423)
	57,468	68,197	**139,804**	139,804	**197,272**	208,001
Market value of listed securities	**57,468**	1,734	**-**	–	**57,468**	1,734
Carrying amount analysed for reporting purposes:						
Non-current	**-**	–	**139,804**	139,804	**139,804**	139,804
Current	**57,468**	68,197	**-**	–	**57,468**	68,197
	57,468	68,197	**139,804**	139,804	**197,272**	208,001

The impairment loss in respect of the investment securities recognised as at 31st December, 2003 is determined by the directors by reference to the consideration paid by the new investors to subscribe for the shares offered by the investee companies.

Investment securities included the Company's investment in 35% interest in the issued shares of CMEP Limited ("CMEP") at cost of HK$137,858,000 (30.6.2003: 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 People's Republic of China (the "PRC").

8. INVESTMENTS IN SECURITIES (Continued)

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. 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. The new ordinary shares issued was 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 ending 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.

In addition, pursuant to the shareholders agreement dated 10th February, 2003 ("the Shareholders Agreement") entered into between CMI and the Company, 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) to 30th June, 2003 and management accounts for the six months ended 31st December, 2003 were not yet available up to the date of approval of the interim financial report. As the directors of the Company were unable to obtain the audited financial statements of CMEP for the period from 27th May, 2002 (date of incorporation of CMEP) to 30th June, 2003, management accounts of CEMP for the six months ended 31st December, 2003 or other reliable financial information of CMEP, the directors were unable to assess whether an impairment loss in respect of the investment in CMEP should be recognised in the interim financial report.

8. INVESTMENTS IN SECURITIES (Continued)

On 27th January, 2004, the Company, through its lawyers, issued a letter to CMI to demand the provision of the audited financial statements of CMEP for the period from 27th May, 2002 (the date of incorporation of CMEP) to 30th June, 2003, the certificate of the amount of adjustment which is required to be made to the consideration and the latest status of the accounts receivables referred to in CMEP's management accounts made up to 30th November, 2002 ("Accounts Receivables") annexed to the Sale and Purchase Agreement to the Company within 7 days from the date of the Letter and payment to the Company within 3 days thereafter (i) such amount equivalent to 35% of the shortfall from the profit guarantee for the period from 27th May, 2002 (the date of incorporation of CMEP) to 30th June, 2003 and (ii) such amount equivalent to 35% of the corresponding amount after tax net profit on the difference between the actual amount of Accounts Receivables recovered and 100% of the Accounts Receivables.

In addition, 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 Sale and Purchase Agreement and the Shareholders Agreement mentioned above. The writ has been served on CMI on 19th February, 2004 and the litigation is currently in progress.

9. DISPOSAL OF JOINTLY CONTROLLED ENTITY

During the last period, the Group disposed of 35% interest in Jilian (Jilin) Petrochemicals Limited ("Jilian (Jilin)"), a jointly-controlled entity of the Group, for an aggregate cash consideration of RMB135,000,000 (approximately HK$127,170,000). The cash consideration was recorded in other receivables, deposits and prepayments under current assets in the condensed consolidated balance sheet as at 31st December, 2002. The Group recognised a loss on disposal of Jilian (Jilin) of approximately HK$4,223,000.

10. POST BALANCE SHEET EVENTS

Subsequent to 31st December, 2003, the following significant events took place:

(a) On 12th January, 2004, the Company proposed to raise fund of approximately HK$17,400,000 through the rights issue of 926,505,585 rights shares of HK$0.02 per rights share ("Rights Issue") on the basis of one rights share for every two shares held on 2nd February, 2004. Details of the rights issue as set out in the Company's circular dated 2nd February, 2004. The Rights Issue became unconditional on 23rd February, 2004 and 926,505,585 rights shares of HK$0.02 were issued and allotted on 24th February, 2004.

(b) On 26th February, 2004, the Group has entered into a sale and purchases agreement to acquire 51% of the total issued share capital of Global King Investments Limited ("Global King") from Best Rich International Limited, for an aggregate consideration of HK$125,000,000, of which HK$80,000,000 shall be satisfied by cash and the remaining HK$45,000,000 shall be satisfied by non-interest bearing promissory note. Global King held entire interest in Beijing Sinogas Company Limited 北京中油潔能環保科技有限責任公司 ("Beijing Sinogas"). Beijing Sinogas and its subsidiaries are principally engaged in the investment, construction and operation of liquefied petroleum gas ("LPG") and compressed natural gas ("CNG") stations in the PRC, marketing and sale of plant and equipment for gas stations and provision of related system integration technology, the research, manufacturing and distribution of conversion kits for motor vehicles to switch to alternative fuel of LPG/CNG and LPG/CNG storage and distribution. The acquisition of Global King was completed on 13th March, 2004. Details of the acquisition are set out in the Group's circular dated 19th March, 2004.

(c) On 3rd March, 2004, the Company has entered into the Placing Agreement with Kingston Securities Limited (the "Placing Agent") in which the Company has conditionally agreed to place, through the Placing Agent, on a fully underwritten basis, 370,000,000 shares (the "Placing") to not fewer than six independent investors at a price of HK$0.095 per share. The net proceeds after related expenses would be approximately HK$34,000,000. The Placing was completed on 24th March, 2004.