1. CORPORATE INFORMATION

The Company is a public company incorporated in Hong Kong with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company and provides corporate management services. The principal activities and other particulars of its principal subsidiaries are set out in note 15.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. These new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the marking to market of certain investments in securities as explained in the accounting policies set out below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

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

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

(b) Basis of consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill and exchange difference which was not previously charged or recognised in the consolidated income statement.

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

(c) Investments in subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Interests in associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates and the goodwill (net of accumulated amortisation) on acquisition, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

(e) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities of the acquired subsidiaries and associates at the dates of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its estimated useful life.

3. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS** *(Continued)*

(e) **Goodwill** *(Continued)*

Goodwill arising on the acquisition of associates is stated at cost less any accumulated amortisation and any impairment losses, and is included the carrying amount of the interests in associates. Goodwill arising on the acquisition of consolidated subsidiaries is stated at cost less any accumulated amortisation and any impairment losses, and is presented separately in the consolidated balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the calculation of the profit or loss on disposal.

(f) **Investments**

Guaranteed income investments are accounted for as investments where the return therefrom is fixed. Such investments are initially recorded at cost less amortisation and impairment losses recognised.

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains or losses included in net profit or loss for the year.

Profits or losses on disposal of investments are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(g) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of leasehold land is depreciated over the period of the lease using the straight-line method. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	20% — 33%
Motor vehicles	20%

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

(g) Property, plant and equipment *(Continued)*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement on the date of disposal or retirement.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Income tax

The charge for taxation in the income statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) 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. Sales of goods are recognised when goods are delivered and title has passed.

3. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS** *(Continued)*

(j) **Revenue recognition** *(Continued)*

ii. Service income is recognised when services are provided.

iii. Guaranteed return is accrued on a time basis and is recognised when the guaranteed return becomes due and recoverability is reasonably assured.

iv. Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

v. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(k) **Translation of foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchanges rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(l) **Assets held under leases**

i. ***Finance leases***

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets and 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 non-current liabilities. 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 and the lease periods.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

(l) Assets held under leases *(Continued)*

ii. Operating leases

Leases where substantially all the risks and rewards of ownership of asset remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

(m) 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.

(n) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(o) Employee benefits

i. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

(o) Employee benefits *(Continued)*

ii. The Group has participated in an approved Mandatory Provident Fund ("MPF") scheme effective from 1 December 2000 to provide MPF scheme to all eligible employees in Hong Kong. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution limited to 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation. Contributions to MPF scheme are recognised as an expense in the income statement as incurred. There were no forfeited contributions used to reduce future contributions as at 31 December 2004.

iii. Employees in the Group's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement scheme operated by relevant government authorities. The PRC subsidiaries are required to contribute a certain percentage of the employee payroll to the scheme in accordance with the relevant regulations in the PRC and such contributions are charged to the income statement as incurred. There were no forfeited contributions used to reduce future contributions as at 31 December 2004.

iv. When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

v. Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(q) 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.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

(r) Provisions

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

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only 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, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segment information be presented as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

(u) Segment reporting *(Continued)*

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.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenues, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. TURNOVER

Turnover represents the amount received and receivable for goods sold to outside customers, less returns and allowances, service income and guaranteed return for the year, and is analysed as follows:

	2004	2003
	HK$'000	*HK$'000*
Continuing operations		
Sale of computers hardware and maintenance support services	**336,864**	91,264
Software design and development	**1,276**	732
Return from a power plant in the PRC *(Note)*	**—**	—
Return from an investment in a motor spare parts business in the PRC *(Note)*	**—**	—
	338,140	91,996
Discontinuing operation		
Internet software services	**—**	—
	338,140	91,996

Note: No return has been recognised in the current and prior years as the recoverability of the guaranteed return is considered by the directors to be uncertain.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions: (i) computer hardware and provision of maintenance support services; (ii) provision of software design and development; (iii) power plant; and (iv) motor spare parts business. These divisions are the bases on which the Group reports its primary segment information.

The principal activities of the divisions are as follows:

Computer hardware and maintenance support services	—	Sale of computer hardware and provision of maintenance support services
Software design and development	—	E-commerce consultancy, software development, system integration, website design and sale of software
Power plant	—	Guaranteed income investment in a power plant in the PRC
Motor spare parts business	—	Guaranteed income investment in a motor spare parts business in the PRC

There were no sales or other transactions between the business segments.

The Group was also engaged in the provision of Internet software services. This operation was disposed of on 28 November 2003 *(notes 6 and 29(b))*.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2004

Income Statement

	Discontinuing operation	Continuing operations					
	Internet software services HK$'000	Computer hardware and maintenance support services HK$'000	Software design and development HK$'000	Power plant HK$'000	Motor spare parts business HK$'000	Unallocated corporate HK$'000	Consolidated HK$'000
TURNOVER							
External sales	—	336,864	1,276	—	—	—	338,140
RESULTS							
Segment loss	—	(266)	(11,656)	—	—	—	(11,922)
Unallocated corporate expenses	—	—	—	—	—	(29,561)	(29,561)
Loss from operations	—	(266)	(11,656)	—	—	(29,561)	(41,483)
Finance costs	—	—	(13)	—	—	(888)	(901)
Net investment gain	—	—	1	—	—	377	378
Loss on disposal of subsidiaries	—	—	—	—	—	(3,404)	(3,404)
Gain on disposal of an associate	—	—	—	—	—	38,826	38,826
Profit (loss) before taxation	—	(266)	(11,668)	—	—	5,350	(6,584)
Income tax	—	—	—	—	—	—	—
Profit (loss) after taxation	—	(266)	(11,668)	—	—	5,350	(6,584)
Minority interests	—	—	—	—	—	—	—
Net profit (loss) for the year	—	(266)	(11,668)	—	—	5,350	(6,584)
OTHER INFORMATION							
Capital additions	—	17	11	—	—	1,366	1,394
Depreciation and amortisation	—	8	10,704	—	—	806	11,518
Allowance for trade and other receivables	—	—	—	—	—	2,229	2,229

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2004

Balance Sheet

	Discontinuing operation	Continuing operations				
	Internet software services	Computer hardware and maintenance support services	Software design and development	Power plant	Motor spare parts business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	—	2,442	830	—	—	3,272
Unallocated corporate assets						168,179
Consolidated total assets						171,451
LIABILITIES						
Segment liabilities	—	451	292	—	—	743
Unallocated corporate liabilities						50,760
Consolidated total liabilities						51,503

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2003

Income Statement

	Discontinuing operation	Continuing operations					
	Internet software services	Computer hardware and maintenance support services	Software design and development	Power plant	Motor spare parts business	Unallocated corporate	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	—	91,264	732	—	—	—	91,996
RESULTS							
Segment loss	(21)	(1,338)	(13,621)	—	—	—	(14,980)
Unallocated corporate expenses	—	—	—	—	—	(20,263)	(20,263)
Loss from operations	(21)	(1,338)	(13,621)	—	—	(20,263)	(35,243)
Finance costs	—	—	(13)	—	—	(1,564)	(1,577)
Net investment loss	—	—	—	—	—	(6,917)	(6,917)
Share of result of associate	—	—	—	—	—	(15,051)	(15,051)
Loss on disposal of discontinuing operation	—	—	—	—	—	(71)	(71)
Loss before taxation	(21)	(1,338)	(13,634)	—	—	(43,866)	(58,859)
Income tax	—	—	—	—	—	—	—
Loss after taxation	(21)	(1,338)	(13,634)	—	—	(43,866)	(58,859)
Minority interests	—	—	—	—	—	—	—
Net loss for the year	(21)	(1,338)	(13,634)	—	—	(43,866)	(58,859)
OTHER INFORMATION							
Capital additions	—	33	76	—	—	1,521	1,630
Depreciation and amortisation	17	3	10,911	—	—	2,473	13,404
Allowance for trade and other receivables	—	—	368	—	—	—	368

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2003

Balance Sheet

	Discontinuing operation	Continuing operations				
	Internet software services	Computer hardware and maintenance support services	Software design and development	Power plant	Motor spare parts business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	—	941	1,030	—	—	1,971
Interest in associate						9,004
Unallocated corporate assets						50,583
Consolidated total assets						61,558
LIABILITIES						
Segment liabilities	—	263	454	—	—	717
Unallocated corporate liabilities						26,544
Consolidated total liabilities						27,261

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

In presenting information on the basis of geographical segments, segment revenues are based on the geographical location of customers. There were no sales between the geographical segments. Carrying amounts of segment assets and additions to property, plant and equipment are based on the geographical location of the assets.

	Segment revenues		Carrying amount of segment assets		Additions to property, plant and equipment	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**273,386**	87,176	**171,012**	58,817	**1,383**	1,566
Other regions of PRC	**43,230**	3,010	**439**	383	**11**	64
Taiwan	**9,022**	1,366	**—**	—	**—**	—
Australia	**—**	381	**—**	—	**—**	—
Others	**12,502**	63	**—**	2,358	**—**	—
	338,140	91,996	**171,451**	61,558	**1,394**	1,630

6. DISCONTINUING OPERATION

On 28 November 2003, the Group disposed of its entire equity interest in Fortune Sino Investments Limited, which owned the entire equity interest in Originsoft (Zhengzhou) Co., Ltd., to Mr. Zhang Yun Zhi (張蘊志) at a consideration of RMB100,000 (equivalent to approximately HK$94,000). Fortune Sino Investments Limited was incorporated in Hong Kong and was an investment holding company, whereas Originsoft (Zhengzhou) Co., Ltd. was established in the PRC and was engaged in the provision of Internet software services. For the period from 1 January 2003 to 28 November 2003 (date of disposal), Fortune Sino Investments Limited and its subsidiary contributed an aggregate of turnover of HK$Nil and a loss after taxation of approximately HK$21,000 to the Group.

6. DISCONTINUING OPERATION *(Continued)*

The turnover, results, cash flows and net assets of the Internet software services segment were as follows:

	Internet software services From 1 January 2003 to 28 November 2003 *HK$'000*
Turnover	—
Operating costs	(21)
Loss from operations	(21)
Income tax	—
Loss after taxation	(21)
Net cash flows used in operating activities	40
Net cash flows used in investing activities	—
Net cash flows used in financing activities	—
Total net cash flows	40

6. DISCONTINUING OPERATION *(Continued)*

	As at 28 November 2003 *HK$'000*
Property, plant and equipment	97
Current assets	170
Total assets	267
Total liabilities	(3,630)
Net liabilities	(3,363)
Net liabilities disposed of	3,363
Loan assigned	(3,528)
Proceeds from disposal	94
Loss on disposal of discontinuing operation	(71)
Tax thereon	—
After-tax loss on disposal	(71)

The net cash inflow on disposal is determined as follows:

Proceeds from disposal	94
Less: Cash and cash equivalents in subsidiaries disposed	(22)
Disposal of subsidiaries, net of cash disposed	72

Further details of the above disposal are set out in note 29(b) to the financial statements.

7. LOSS FROM OPERATIONS

	2004 HK$'000	2003 HK$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	**765**	674
Depreciation and amortisation of		
— property, plant and equipment — owned assets	**943**	2,862
— leased assets	**155**	122
— goodwill arising on acquisition of subsidiary (included in other operating expenses)	**10,420**	10,420
	11,518	13,404
Loss (gain) on disposal of property, plant and equipment	**215**	(25)
Allowance for trade and other receivables	**2,229**	368
Reversal of allowance for trade and other receivables	**—**	(5,000)
Cost of inventories	**335,459**	90,785
Operating lease rentals in respect of land and buildings	**1,803**	2,727
Research and development costs	**—**	1,100
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	**10,618**	18,192
— Contributions to defined contribution retirement scheme	**170**	143
	10,788	18,335

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004	2003
	HK$'000	*HK$'000*
Directors' remuneration		
Fees:		
Executive directors	**—**	—
Independent non-executive directors	**17**	—
	17	—
Other emoluments (executive directors):		
Salaries and other benefits	**3,922**	2,141
Contributions to defined contribution retirement scheme	**42**	29
	3,964	2,170
	3,981	2,170

The emoluments of the directors were within the following bands:

	2004	2003
	Number of directors	Number of directors
Nil to HK$1,000,000	**12**	9
HK$1,000,001 to HK$1,500,000	**2**	—

There were no arrangements under which the directors have waived or agreed to waive any emoluments.

Employees' remuneration

During the year, the five highest paid individuals of the Group included four directors (2003: two directors) of the Company. The emoluments of the remaining one (2003: three) highest paid individual(s) were as follows:

	2004	2003
	HK$'000	*HK$'000*
Salaries and other benefits	**450**	1,812
Contributions to defined contribution retirement scheme	**12**	36
	462	1,848

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' remuneration *(Continued)*

The emoluments of the employee(s) were within the following bands:

	2004 Number of employees	2003 Number of employees
Nil to HK$1,000,000	**1**	3

No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FINANCE COSTS

	2004 *HK$'000*	2003 *HK$'000*
Interest on bank borrowings wholly repayable within five years	**270**	1,524
Interest on convertible notes	**605**	—
Interest element of finance leases	**26**	13
Other interests	**—**	40
Total borrowing costs	**901**	1,577

10. NET INVESTMENT GAIN (LOSS)

	2004 *HK$'000*	2003 *HK$'000*
Dividend income	**—**	17
Interest income	**100**	219
Loss on disposal of investment securities	**—**	(1,200)
Loss on disposal of other investments	**—**	(5,953)
Unrealised holding gain on other investments	**278**	—
	378	(6,917)

The unrealised holding gain on other investments has been calculated by reference to the market price of the listed equity securities as at the balance sheet date.

11. INCOME TAX

Current tax

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong had no assessable profit for the year ended 31 December 2004 (2003: Nil).

No provision for PRC income tax has been made in the financial statements as the companies operating in the PRC had no assessable profit for the year ended 31 December 2004 (2003: Nil).

Deferred tax

Details of the Group's deferred tax not provided for are set out in note 28 to the financial statements.

12. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2004 is based on net loss of the Group of approximately HK$6,584,000 (2003: HK$58,859,000) and on the weighted average of 628,052,674 ordinary shares (2003 (restated): 266,337,023 ordinary shares) in issue during the year.

The weight average number of ordinary shares for the previous year has been adjusted for the share consolidation and share subdivision effected on 10 February 2004 and 31 May 2004 respectively, further details of which are set out in notes 25(i) and 25(iii) to the financial statements.

Diluted loss per share amounts for the years ended 31 December 2003 and 2004 have not been disclosed, as the potential ordinary shares outstanding during these years had an anti-dilutive effect on the basic loss per shares for these years.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP			
COST			
As at 1 January 2004	6,227	5,365	11,592
Additions	89	1,305	1,394
Disposals	(2,477)	—	(2,477)
Through disposal of subsidiaries	(799)	(4,471)	(5,270)
As at 31 December 2004	3,040	2,199	5,239
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
As at 1 January 2004	4,387	2,232	6,619
Provided for the year	1,051	47	1,098
Written back on disposal	(2,262)	—	(2,262)
Through disposal of subsidiaries	(799)	(1,338)	(2,137)
As at 31 December 2004	2,377	941	3,318
NET BOOK VALUE			
As at 31 December 2004	663	1,258	1,921
As at 31 December 2003	1,840	3,133	4,973

As at 31 December 2004, the net book value of furniture, fixtures and equipment, and motor vehicle held by the Group under finance leases amounted to approximately HK$1,191,000 (2003: HK$245,000).

The Group enters into finance lease arrangements for a motor vehicle and certain of its equipment. The finance leases expire from one to five years. At the end of the lease term, the Group has the option to purchase the assets at a price deemed to be a bargain purchase option. None of these leases includes includes contingent rentals.

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
As at 1 January 2004 and 31 December 2004	364	893	1,257
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
As at 1 January 2004	297	893	1,190
Provided for the year	33	—	33
As at 31 December 2004	330	893	1,223
NET BOOK VALUE			
As at 31 December 2004	34	—	34
As at 31 December 2003	67	—	67

14. GOODWILL

	HK$'000
COST	
As at 1 January 2004 and 31 December 2004	78,028
ACCUMULATED AMORTISATION AND IMPAIRMENT	
As at 1 January 2004	44,164
Amortisation charge for the year	10,420
As at 31 December 2004	54,584
CARRYING AMOUNT	
As at 31 December 2004	23,444
As at 31 December 2003	33,864

The goodwill represents the excess of the cost of acquisition of the entire interest of Sharpo Holdings Limited over the Group's share of the fair value of identifiable assets and liabilities of Sharpo Holdings Limited at the date of acquisition. Goodwill is amortised on a straight-line basis over five years. The amortisation of goodwill for the year is included in "Other operating expenses" in the consolidated income statement.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**334,396**	389,644
	334,397	389,645
Allowance for amounts due from subsidiaries	**(226,116)**	(270,895)
	108,281	118,750

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, no part of the balances will be repayable within twelve months from the balance sheet date and the balances are therefore shown as non-current.

Particulars of the Company's principal subsidiaries as at 31 December 2004 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Attributable equity interest held by the Company		Principal activities
			Directly	*Indirectly*	
Sharpo Limited	Hong Kong	10,000 ordinary shares of HK$1	—	100%	Management and corporate service
Chainstoreonline.net Limited	Hong Kong	30,000 ordinary shares of HK$1	—	100%	Website design, development, installation and maintenance of computer software, sale of related computer products in Hong Kong
Sharpo Solutions Limited	British Virgin Islands	1 ordinary share of US$1 each	—	100%	Trading of computer products and the provision of maintenance support services

15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Attributable equity interest held by the Company *Directly*	*Indirectly*	Principal activities
廣州宏中電腦科技有限公司 ("廣州宏中") *(Note (i))*	PRC	Registered capital of RMB760,000	—	95%	Website design, development, installation and maintenance of computer software, sale of related computer products in the PRC
China Sciences Green Energy Investments Limited *(note (ii))*	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding

Notes:

(i) Statutory financial statements of subsidiary not audited by HLB Hodgson Impey Cheng. 廣州宏中 is a wholly foreign-owned enterprise established in the PRC with an operational term of 10 years until 26 April 2011.

(ii) On 14 September 2004, China Sciences Green Energy Investments Limited ("China Sciences Green Energy") entered into a co-operation agreement (as amended by a supplemental agreement dated 14 September 2004) (the "Co-operation Agreements") with two PRC parties to establish 桂林中科環保電力有限公司, a sino-foreign equity joint venture, for carrying on the waste incineration and processing business in Guilin, the PRC. Pursuant to the Co-operation Agreements, the registered capital of 桂林中科環保電力有限公司 will be RMB44,000,000 (equivalent to approximately HK$41,500,000), of which RMB35,200,000 (equivalent to approximately HK$33,200,000) will be contributed by China Sciences Green Energy. The registered capital of 桂林中科環保電力有限公司 was subsequently increased by RMB32,000,000 (equivalent to approximately HK$30,200,000) to RMB76,000,000 (equivalent to approximately HK$71,700,000). China Sciences Green Energy is required to contribute additional registered capital of RMB36,400,000 (equivalent to approximately HK$34,300,000) to 桂林中科環保電力有限公司. China Sciences Green Energy will then be interested in 94.21% of the equity interest in 桂林中科環保電力有限公司. Up to the date of approval of these financial statements by the board of directors, China Sciences Green Energy has yet to contribute the required registered capital, amounting to RMB71,600,000 (equivalent to approximately HK$67,500,000), to 桂林中科環保電力有限公司.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTEREST IN ASSOCIATE

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Share of net assets	—	9,004

16. INTEREST IN ASSOCIATE *(Continued)*

On 1 January 2004, the Group entered into a conditional sale and purchase agreement (as amended by a supplemental agreement dated 2 January 2004) in relation to the disposal of the 49% equity interest in Henan Zhongzhou Radio & TV Information Network Co., Ltd. 河南中洲廣電信息網絡有限公司 at a consideration of RMB58,800,000 (equivalent to approximately HK$55,500,000). The aforesaid disposal was completed on 31 May 2004 and resulted in a net gain of approximately HK$38,826,000.

17. GUARANTEED INCOME INVESTMENTS

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments in the PRC, at cost	**124,299**	124,299	**121,495**	121,495
Accumulated amortisation	**(22,244)**	(22,244)	**(21,683)**	(21,683)
	102,055	102,055	**99,812**	99,812
Accumulated impairment loss recognised	**(102,055)**	(102,055)	**(99,812)**	(99,812)
	—	—	**—**	—

The unlisted investments in the PRC represent the Group's investments in Henan Taiwu Electric Power Co., Ltd. 河南太屋電力有限公司 ("Taiwu") and Kaifeng Hongya Machinery Co., Ltd. 開封宏亞機械有限公司 ("Kaifeng").

(a) Taiwu, a wholly-owned subsidiary of the Company, had obtained consents from relevant PRC authorities to construct and operate a 25,000KW power generating unit (the "Unit") in Henan Province, the PRC and to produce and distribute electricity to Jiyuan Shi, Henan Province, the PRC, for the period from 25 June 1996 to 24 June 2017. The development and construction of the Unit was subcontracted to Jiyuan Power Plant Company 河南省濟源電廠 ("Jiyuan") on a turnkey basis at a fixed cost of RMB130,000,000 (approximately HK$121,495,000). Commencing from 15 August 1997, the operation and management of the Unit has been subcontracted to Jiyuan pursuant to an operating agreement signed between Taiwu and Jiyuan (the "Operating Agreement"). The directors of the Company do not anticipate that any additional investment into the Unit will be required in the foreseeable future. Under the Operating Agreement, Jiyuan is responsible for the management and operation of the Unit, and all the profits and losses generated from the operation as well as taxes payable will be taken up by Jiyuan. Jiyuan will pay a guaranteed return to Taiwu, which is equivalent to 17% per annum on the total investment of Taiwu. Upon the expiry of the Operating Agreement, the Unit will revert to Jiyuan at no cost.

The Group's guaranteed return in Taiwu was pledged to a bank to secure banking facilities granted to the Group, details of which are set out in note 23 to the financial statements.

17. GUARANTEED INCOME INVESTMENTS *(Continued)*

(b) In 1999, the Group acquired a 37.5% interest in Kaifeng, a company which is engaged in the manufacture and sales of spare parts for automobiles in Henan Province, the PRC. The Group entered into an operating agreement (the "Agreement") with an independent third party 開封宏達撥叉(集團)有限公司 ("宏達") for the operation and management of Kaifeng for a period of ten years. The directors of the Company do not anticipate that any additional investment in Kaifeng will be required in the foreseeable future. Under the Agreement, 宏達 is responsible for the management and operation of Kaifeng, and all the profits and losses generated from the operation as well as taxes payable will be taken up by 宏達. 宏達 will pay to the Group a guaranteed return of RMB750,000 per annum for the first four years and RMB700,000 per annum for the remaining six years.

(c) Since the Group has no control over the assets or management or operations of Taiwu and Kaifeng, and only receives passive income from Jiyuan and 宏達 respectively, the directors of the Company consider that it is more appropriate to classify the investments as guaranteed income investments and state at cost less impairment loss and amortisation on a straight-line basis over the operating tenure of twenty years and ten years, respectively. The Group does not have any further commitment to invest in Taiwu and Kaifeng.

(d) Since 2000, the Group experienced difficulties in collecting the guaranteed returns in respect of its investments in Taiwu, principally because of the restriction in operation imposed by the PRC government on smaller power generating units, and Kaifeng. An aggregate amount of RMB4,650,000 (equivalent to approximately HK$4,346,000) has been received by the Group up to 31 December 2004. The Group has issued demand letters through solicitors to Jiyuan and 宏達 and is considering to take further actions to collect the outstanding guaranteed income amounts. As the recoverability of the aggregate outstanding guaranteed income of RMB109,500,000 (equivalent to approximately HK$103,302,000) was considered by the directors to be uncertain, it has not been recognised by the Group as revenue in the financial statements.

(e) Taking into the account of the restriction in operation of Taiwu and the inability to collect on the guaranteed return arrangements, the directors consider that there had been a decline in the recoverable amount of these guaranteed income investments and accumulated impairment losses of HK$102,055,000 have been recognised in the financial statements for the previous financial years, thus reducing the carrying value of the guaranteed income investments to nil.

18. INVESTMENTS IN SECURITIES

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Other investments		
Listed equity securities in Hong Kong, at market value	**1,064**	—

19. INVENTORIES

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Merchandise, at cost	**420**	117

20. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The ageing analysis of trade receivables as at the balance sheet date is as follows:

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Up to 30 days	**586**	81	**—**	—
31 to 60 days	**—**	—	**—**	—
61 to 90 days	**—**	—	**—**	—
91 days or above	**299**	400	**—**	—
Total trade receivables	**885**	481	**—**	—
Other receivables *(Note)*	**106,690**	12,313	**15,079**	4,878
	107,575	12,794	**15,079**	4,878

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

Included in other receivables as at 31 December 2004 and the details are as follows:

	The Group	The Company
	HK$'000	*HK$'000*
Amount due from Buildnow Industries Limited *(Note (i))*	—	—
Deposit with Beijing China Sciences General Energy & Environment Co., Ltd. 北京中科通用能源環保有限責任公司 *(Note (ii))*	33,500	—
Deposit with a PRC construction company relating to the construction and building a waste incineration and processing for power generation plant *(Note (iii))*	28,500	—
Deposit with Beijing Yuk Chak Enterprises Limited 北京旭策置業有限公司 *(Note (iv))*	19,000	—
Refundable deposit relating to a terminated agreement *(Note (v))*	15,000	15,000
Earnest money paid relating to the waste incineration and processing business in Meizhou *(Note (vi))*	8,000	—
Others	2,690	79
	106,690	15,079

(i) The amount represented the outstanding balance of approximately HK$8,229,000 for the purchase consideration due from the purchaser in connection with the disposal of a subsidiary during the year ended 31 December 2001. This outstanding balance is unsecured, interest-free and has no fixed terms of repayment. As the recoverability of this outstanding balance was considered by the directors to be uncertain, accumulated allowance of HK$8,229,000 had been made, thus reducing the carrying value to nil. Buildnow Industries Limited is not related to the Group, or the Company's directors or substantial shareholders.

(ii) On 30 October 2004, China Sciences Green Energy entered into an agreement with Beijing China Sciences General Energy & Environment Co., Ltd. 北京中科通用能源環保有限責任公司, pursuant to which China Sciences Green Energy has agreed to acquire equipment and technology support from Beijing China Sciences General Energy & Environment Co., Ltd. 北京中科通用能源環保有限責任公司for carrying on the waste incineration and processing for power generation business in Guilin, the PRC. As at 31 December 2004, an aggregate amount of HK$33,500,000 had been deposited with Beijing China Sciences General Energy & Environment Co., Ltd. 北京中科通用能源環保有限責任公司.

(iii) On 18 November 2004, 桂林中科環保電力有限公司has entered into an agreement with an independent PRC construction company, pursuant to which the PRC construction company has agreed to construct and build a waste incineration and processing for power generation plant in Guilin, the PRC. As at 31 December 2004, an aggregate amount of HK$28,500,000 had been deposited with the PRC construction company.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(iv) Asset Palace International Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement dated 21 December 2004 and a supplemental acquisition agreement dated 4 March 2005 with Beijing Yuk Chak Enterprises Limited 北京旭策置業有限公司 ("Beijing Yuk Chak") for the acquisition of approximately 32.89% equity interest in Beijing China Sciences General Energy & Environment Co., Ltd. 北京中科通用能源環保有限責任公司 from Beijing Yuk Chak at a consideration of HK$20,000,000. As at 31 December 2004, HK$19,000,000, which comprises HK$10,000,000 earnest money and HK$9,000,000 payment in cash, had been deposited with Beijing Yuk Chak. Completion of the acquisition is conditional upon, inter alia, the approval of shareholders at a general meeting and the Stock Exchange. Further details of the aforesaid acquisition are set out in the announcement of the Company dated 4 March 2005.

(v) Pursuant to an agreement relating to the production of a film entered into between the Company and an independent third party on 3 May 2004, an amount of HK$15,000,000 was paid by the Company as part of the production costs of the film. As the Company no longer considers film production as its present core business, the Company subsequently entered into an agreement of terminating with the independent third party, of which the agreement dated 3 May 2004 was terminated and the amount of HK$15,000,000 contract sum paid was agreed to be fully refunded to the Company in 2005.

(vi) A memorandum of understanding was entered into between Abba China Holdings Limited ("Abba China"), a wholly owned subsidiary of the Company, and Mr. Pang Kwok Chung ("Mr. Pang"), whereby Abba China and Mr. Pang agreed to commence the negotiation of opportunities in conducting waste incineration and processing business in Meizhou, the PRC. An earnest money, amounting to HK$8,000,000, was paid by Abba China to Mr. Pang pursuant to the memorandum of understanding. Further details regarding the subsequent sale and purchase agreement entered into between Abba China and Mr. Pang are set out in note 33(viii) to the financial statements.

21. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables as at the balance sheet date is as follows:

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Up to 30 days	**437**	106	**—**	—
31 to 60 days	**—**	—	**—**	—
61 to 90 days	**4**	—	**—**	—
91 days or above	**2**	—	**—**	—
Total trade payables	**443**	106	**—**	—
Other payables *(Note)*	**30,050**	10,250	**29,673**	9,269
	30,493	10,356	**29,673**	9,269

Note: Included in other payables as at 31 December 2004 are amounts due to director, Mr. Chan Tat Chee and a former director, Mr. Chung Chi Shing amounting to approximately HK$279,000 and HK$611,000 respectively. The amounts due represented operating expenses paid by the directors on behalf of the Group, the terms of which are unsecured, interest-free and repayable within one year from the balance sheet date.

22. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2004, the Group had obligations under finance leases repayable as follows:

	The Group					
	2004			2003		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	**255**	**32**	**287**	148	13	161
After 1 year but within 2 years	**221**	**22**	**243**	34	10	44
After 2 years but within 5 years	**534**	**54**	**588**	—	—	—
	755	**76**	**831**	34	10	44
	1,010	**108**	**1,118**	182	23	205

23. BANK LOAN

	The Group and the Company	
	2004	2003
	HK$'000	*HK$'000*
Within one year and shown under current liabilities	**—**	16,723

As at 31 December 2003, the bank loan of approximately HK$16,723,000 was guaranteed by Henan Hongkong Finance Limited ("HHF"), a wholly owned subsidiary of Henan Hongkong Enterprises Limited ("HHE"), without charge. In addition, the Group's guaranteed return in Taiwu was also pledged to the bank to secure the bank loan. The bank loan was fully repaid during the year ended 31 December 2004.

24. CONVERTIBLE NOTES

Pursuant to a subscription agreement entered into between the Company and CITIC International Assets Management Limited ("CIAM") on 24 June 2004 (the "Convertible Notes Subscription Agreement"), the Company agreed to issue and CIAM agreed to subscribe HK$20,000,000 8.5 per cent. extendable convertible notes due 2006 (the "Convertible Notes"). By an ordinary resolution passed by the shareholders of the Company on 9 August 2004 and upon the fulfilment of the conditions as set out in the Convertible Notes Subscription Agreement, the Convertible Notes were successfully issued to CIAM on 24 August 2004.

The maturity date (the "Maturity Date") of the Convertible Notes is 24 August 2006 provided that the Company may at its option, on giving not less than 30 days' prior notice to the holders of the Convertible Notes, extend the maturity date so that, upon the giving of such notice, the maturity date shall be 24 August 2007. The Convertible Notes are convertible, at the option of the holders of the Convertible Notes, into ordinary shares of the Company at an initial conversion price of HK$0.30 per share, subject to adjustments, at any time on or after 25 August 2005 and up to the close of business on Maturity Date. The Convertible Notes bear interest at 8.5% per annum, payable quarterly in arrear. Unless previously redeemed, converted or purchased or cancelled, the Convertible Notes will be redeemed at 100% of their principal amount on Maturity Date. If the Convertible Notes are fully converted, the Company will be required to issue 66,666,666 ordinary shares. As at 31 December 2004, none of the Convertible Notes had been converted into ordinary shares of the Company.

25. SHARE CAPITAL

	Number of shares		Value	
	2004	2003	**2004**	2003
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each (2003: HK$0.20 each)	**120,000,000,000**	6,000,000,000	**1,200,000**	1,200,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each (2003: HK$0.20 each)	**812,897,100**	2,663,371,000	**8,129**	532,674

25. SHARE CAPITAL *(Continued)*

The following movements in the Company's authorised and issued share capital took place during the year ended 31 December 2004:

	Notes	**Number of shares**	**Par value** *HK$'000*
Authorised:			
As at 1 January 2004		6,000,000,000	1,200,000
Reduction of capital pursuant to the Special Resolution and the sanction of the Order	*(i)*	6,000,000,000	—
Increase in authorised shares pursuant to the Share Subdivision	*(iii)*	108,000,000,000	—
As at 31 December 2004		**120,000,000,000**	**1,200,000**
Issued and fully paid:			
As at 1 January 2004		2,663,371,000	532,674
Reduction of capital pursuant to the Special Resolution and the sanction of the Order	*(i)*	(2,636,737,290)	(530,011)
New issue and allotment of shares pursuant to the Subscription Agreement	*(ii)*	29,500,000	2,950
Increase in issued shares pursuant to the Share Subdivision	*(iii)*	505,203,390	—
New issue and placing of shares pursuant to the placing agreement dated 12 May 2004 (as amended by the supplemental agreement dated 28 May 2004)	*(iv)*	112,000,000	1,120
New issue and placing of shares pursuant to the placing agreement dated 27 August 2004 (as amended by the supplemental agreement dated 8 September 2004)	*(v)*	134,660,000	1,347
Exercise of share options	*(vi)*	4,900,000	49
As at 31 December 2004		812,897,100	8,129

25. SHARE CAPITAL *(Continued)*

Notes:

(i) The share capital of the Company was by virtue of a special resolution passed by the shareholders of the Company on 3 October 2003 (the "Special Resolution") and with the sanction of an Order of the High Court of The Hong Kong Special Administrative Region dated 3 February 2004 (the "Order") reduced from HK$532,674,200 divided into 2,663,371,000 shares of HK$0.20 each to HK$2,663,371 divided into 26,633,710 shares of HK$0.10 each, and that such reduction be effected by consolidating every 100 of the 2,663,371,000 shares of HK$0.20 each in issue into one consolidated share of HK$20, and cancelling paid up capital to the extent of HK$19.90 upon each such consolidated share, and by reducing the nominal amount of all such consolidated shares to HK$0.10 per new share, with effect from 10 February 2004.

The share premium account of the Company was by virtue of the Special Resolution and with the sanction of the Order reduced from HK$491,076,364 as at 31 December 2003 to HK$149,839,914, with effect from 10 February 2004.

By virtue of the reduction of capital sanctioned by the Order and the Special Resolution, the share capital of the Company was accordingly HK$1,200,000,000 consisting of 12,000,000,000 ordinary shares of HK$0.10 each, of which 26,633,710 ordinary shares have been issued and fully paid, with effect from 10 February 2004.

(ii) On 30 June 2003, the Company entered into a subscription agreement (the "Subscription Agreement") with Aimstar Holdings Limited ("Aimstar") and Mr. Chan Tat Chee, a director of the Company, as guarantor in relation to the subscription of an aggregate of 29,500,000 new shares of HK$0.10 each in the Company by Aimstar for a total consideration of HK$18,000,000 (the "Subscription"). The Subscription was completed on 10 February 2004. The net proceeds from the Subscription were applied to repay a substantial portion of the bank loan.

(iii) By an ordinary resolution passed by the shareholders of the Company on 28 May 2004, each of the issued and unissued shares of HK$0.10 each in the capital of the Company was subdivided into ten shares of HK$0.01 each (the "Subdivided Share") in the capital of the Company with effect from 31 May 2004 (the "Share Subdivision"). Upon completion of the Share Subdivision, the authorised share capital of the Company was HK$1,200,000,000 comprising 120,000,000,000 Subdivided Shares of HK$0.01 each, of which 561,337,100 Subdivided Shares have been issued and fully paid.

(iv) On 12 May 2004, the Company entered into a placing agreement (as amended by the supplemental agreement dated 28 May 2004) with Sanfull Securities Limited in relation to the placing on new shares of the Company. Sanfull Securities Limited has successfully placed a total of 112,000,000 shares at HK$0.14 per placing share to not less than six independent investors and completion of the placing took place on 14 June 2004.

(v) On 27 August 2004, the Company entered into a placing agreement (as amended by the supplemental agreement dated 8 September 2004) with Kingston Securities Limited in relation to the placing of 134,660,000 new shares of the Company to independent investors at a price of HK$0.45 per placing share. Completion of the placing took place on 23 September 2004.

(vi) During the year ended 31 December 2004, a total of 4,900,000 share options were exercised to subscribe for 4,900,000 ordinary shares in the Company at a total consideration of HK$1,343,000, of which HK$49,000 was credited to share capital and the balance of HK$1,294,000 was credited to the share premium account, further details of which are set out in note 27 to the financial statements.

26. SHARE OPTIONS

1992 Share Option Scheme

In accordance with the Company's share option scheme, which was adopted pursuant to a resolution passed on 24 July 1992 and subsequently terminated on 27 May 2002 (the "1992 Share Option Scheme"), the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company in order to recognise the significant contributions of the eligible employees to the Group.

As at 31 December 2003, the number of shares in respect of which options have been granted under the 1992 Share Option Scheme was 41,500,000, representing 1.56% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 1992 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The maximum number of shares in respect of which options may be granted under the 1992 Share Option Scheme in any one financial year shall not exceed 3% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares in respect of which options may be granted to any eligible employee is not permitted to exceed 25% of the total number of shares in respect of which options may be granted under the 1992 Share Option Scheme, without prior approval from the Company's shareholders.

No consideration was payable on the grant of the options. Options may generally be exercised at any time during the period commencing on the first anniversary of the date of grant of such option and expiring at the close of business on the tenth anniversary thereof. The exercise price is the higher of the nominal value of the shares and an amount which is based on 80% of the average of the closing prices of the shares of the Company on the five business days immediately preceding the date of grant.

The movements in the Company's share options under the 1992 Share Option Scheme during the year ended 31 December 2004 were as follows:

			Number of share options		
Date of grant of share options	**Exercise period of share options**	**Exercise price of share options**	**As at 1.1.2004**	**Lapsed during the year**	**As at 31.12.2004**
26.1.2000	26.1.2001 to 25.1.2010	0.3300	19,500,000	19,500,000	—
3.2.2000	3.2.2001 to 2.2.2010	0.3648	10,000,000	10,000,000	—
19.6.2000	19.6.2001 to 18.6.2010	0.3152	3,000,000	3,000,000	—
28.7.2000	28.7.2001 to 27.7.2010	0.2784	9,000,000	9,000,000	—
			41,500,000	(41,500,000)	—

No share option under the 1992 Share Option Scheme was granted, cancelled or exercised during the year.

26. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

On 27 May 2002, a new share option scheme (the "2002 Share Option Scheme") was adopted and the 1992 Share Option Scheme was simultaneously terminated by the shareholders of the Company. Accordingly, no further share options can be granted under the 1992 Share Option Scheme.

The purpose of the 2002 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. The participants include (i) any eligible employee; (ii) any supplier of goods or services to any member of the Group or any entity in which any member of the Group holds any interest ("Invested Entity"); (iii) any customer of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (v) any shareholder or any member of the Group or any Invested Entity; and (vi) any company wholly owned by any participant. The 2002 Share Option Scheme will remain in force for a period commencing on 27 May 2002 and expiring at the close of business on the business day preceding the tenth anniversary.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2002 Share Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the shares in issue.

The subscription price will be determined by the directors, which shall not be less than the higher of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of option or the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of option. Options may generally be exercised in whole or in part at any time during the period commencing on the first business day from the date of grant of the option and expiring on the close of business on the last day of such period as determined by the directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the option).

26. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

The movements in the Company's share options under the 2002 Share Option Scheme during the year ended 31 December 2004 were as follows:

			Number of share options			
Date of grant of share options	**Exercise period of share options**	**Exercise price of share options**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31.12.2004**
23.02.2004	23.02.2004 to 22.02.2014	0.2744	11,000,000	(4,900,000) *(Notes (i) & (ii))*	(3,000,000) *(Note (iii))*	3,100,000
12.08.2004	12.08.2004 to 11.08.2014	0.3850	32,930,000	—	—	32,930,000
27.10.2004	27.10.2004 to 26.10.2014	0.4700	18,400,000	—	—	18,400,000
01.12.2004	01.12.2004 to 30.11.2014	0.6700	8,000,000	—	—	8,000,000
			70,330,000	(4,900,000)	(3,000,000)	62,430,000

Notes:

(i) On 12 November 2004, 3,200,000 ordinary shares were issued by the Company to the grantee upon their exercising of share options granted under the 2002 Share Option Scheme. The total cash proceeds received by the Company was approximately HK$878,000. The market value per share at exercise date was HK$0.69.

(ii) On 15 November 2004, 1,700,000 ordinary shares were issued by the Company to the grantee upon their exercising of share options granted under the 2002 Share Option Scheme. The total cash proceeds received by the Company was approximately HK$466,000. The market value per share at exercise date was HK$0.65.

(iii) 3,000,000 share options were lapsed on 21 July 2004 due to the resignation of an employee during the year.

No share option under the 2002 Share Option Scheme was cancelled during the year.

The 4,900,000 share options exercised during the year resulted in the issue of 4,900,000 ordinary shares of the Company and new share capital of HK$49,000 and share premium of approximately HK$1,294,000 (after issue expenses), as detailed in notes 25 and 27 to the financial statements.

26. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

As at 31 December 2004, the Company had 62,430,000 share options under the 2002 Share Option Scheme, which represented approximately 7.68% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 62,430,000 additional ordinary shares of the Company and additional share capital of HK$624,300 and share premium of HK$26,912,390 (before issue expenses).

Subsequent to the balance sheet date, on 31 January 2005, 7,000,000 share options were granted to an employee of the Group. These share options have an exercise price of HK$0.58 per share and an exercise period ranging from 31 January 2005 to 30 January 2015. The price of the Company's shares at the date of grant was HK$0.59 per share. In addition, on 24 March 2005, a total of 6,000,000 share options were granted to certain employees of the Group. These share options have an exercise price of HK$0.84 per share and an exercise period ranging from 24 March 2005 to 23 March 2015. The price of the Company's shares at the date of grant was HK$0.84 per share.

27. RESERVES

	Share premium *HK$'000*	Translation reserve *HK$'000*	Deficit *HK$'000*	Total *HK$'000*
THE GROUP				
As at 1 January 2003	491,076	(16)	(930,585)	(439,525)
Net loss for the year	—	—	(58,859)	(58,859)
As at 31 December 2003 and 1 January 2004	491,076	(16)	(989,444)	(498,384)
Movement in translation reserve in relation to the disposal of an overseas associate *(Note 16)*	—	16	—	16
Reduction of capital pursuant to the Special Resolution and the sanction of the Order *(Note 25(i))*	(341,236)	—	871,247	530,011
New issue and allotment of shares pursuant to the Subscription Agreement *(Note 25(ii))*	14,071	—	—	14,071
New issue and placing of 112,000,000 shares on 14 June 2004 *(Note 25(iv))*	14,023	—	—	14,023
New issue and placing of 134,660,000 shares on 23 September 2004 *(Note 25(v))*	57,365	—	—	57,365
Exercise of share options *(Note 25(vi))*	1,294	—	—	1,294
Net loss for the year	—	—	(6,584)	(6,584)
As at 31 December 2004	236,593	—	(124,781)	111,812

The deficit of the Group as at 31 December 2004 includes accumulated losses of approximately HK$Nil (2003: approximately HK$69,000,000) attributable to an associate of the Group.

27. RESERVES *(Continued)*

	Share premium	Deficit	Total
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
As at 1 January 2003	491,076	(863,432)	(372,356)
Net loss for the year	—	(62,346)	(62,346)
As at 31 December 2003 and 1 January 2004	491,076	(925,778)	(434,702)
Reduction of capital pursuant to the Special Resolution and the sanction of the Order *(Note 25(i))*	(341,236)	871,247	530,011
New issue and allotment of shares pursuant to the Subscription Agreement *(Note 25(ii))*	14,071	—	14,071
New issue and placing of 112,000,000 shares on 14 June 2004 *(Note 25(iv))*	14,023	—	14,023
New issue and placing of 134,660,000 shares on 23 September 2004 *(Note 25(v))*	57,365	—	57,365
Exercise of share options *(Note 25(vi))*	1,294	—	1,294
Net loss for the year	—	(81,150)	(81,150)
As at 31 December 2004	236,593	(135,681)	100,912

The Company did not have any reserves available for distribution to shareholders as at 31 December 2003 and 2004. The Company's share premium account may be distributed in the form of fully paid bonus shares.

The Undertaking

Pursuant to the Order in connection with the reduction of share capital and reduction of share premium account as set out in notes 25(i) above, an undertaking was given by the Company that after the reduction of share capital and reduction of share premium account took effect, in the event of its making any future recoveries in respect of the assets (as identified in the First Schedule of the Order), in respect of which provision for diminution in value or depreciation was made in the accounts of the Company between 1 January 1998 and 30 June 2003, beyond their written down value in the Company's accounts as at 30 June 2003, all such recoveries beyond that written down value up to an amount of HK$254,306,257.39 (the "Limit"), will be credited to a special capital reserve in the accounting records of the Company ("Special Capital Reserve").

27. RESERVES *(Continued)*

The Undertaking *(Continued)*

While any debt of or claim against the Company, at the date on which the reduction of share capital and reduction of share premium account became effective (the "Effective Date"), remains outstanding and the persons entitled to the benefit of such debts or claims have not agreed otherwise, the Special Capital Reserve shall not be treated as realised profits for the purposes of section 79B of the Hong Kong Companies Ordinance and (for so long as the Company remains a listed company within the definition of section 2 of the Hong Kong Companies Ordinance) shall be treated as an undistributable reserve of the Company for the purposes of section 79C of the Hong Kong Companies Ordinance or any statutory re-enactments or modifications thereof.

The undertaking, however, is subject to the following provisos:

(1) the Company shall be at liberty to apply Special Capital Reserve for the same purposes as a share premium account may be applied;

(2) the Limit in respect of Special Capital Reserve may be reduced by the amount of any increase, after the Effective Date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as the result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits;

(3) the Limit in respect of Share Capital Reserve may be reduced upon the disposal or other realisation, after the Effective Date, of any of the assets (as identified in the First Schedule of the Order) by the amount of the provision made in relation to such asset as at 30 June 2003 (which amount is set out in the First Schedule of the Order) less such amount (if any) as is credited to Special Capital Reserve as a result of such disposal or realisation; and

(4) in the event that the amount standing to the credit of Special Capital Reserve exceeds the Limit thereof after any reduction of such Limit pursuant to provisos (2) and/or (3) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution.

28. DEFERRED TAX

No deferred tax liabilities are recognised in the financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2003 and 2004.

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilised. As at 31 December 2004, the unprovided deferred tax asset of the Group and of the Company are as follows:

	The Group		**The Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect of timing difference attributable to estimated tax losses	**27,739**	23,805	**23,095**	20,057

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash used in operating activities

	2004	2003
	HK$'000	*HK$'000*
Loss before taxation	**(6,584)**	(58,859)
Adjustments for:		
Impairment losses	**—**	—
Share of results of associates	**—**	15,051
Unrealised holding gain of other investments	**(278)**	—
Gain on disposal of investment securities	**—**	1,200
Loss on disposal of subsidiaries	**3,404**	—
Gain on disposal of an associate	**(38,826)**	—
Loss on disposal of discontinuing operation	**—**	71
Dividend income from investments	**—**	(17)
Interest income	**(100)**	(219)
Interest expenses	**901**	1,577
Amortisation of goodwill arising on acquisition of subsidiary	**10,420**	10,420
Depreciation and amortisation of property, plant and equipment	**1,098**	2,984
Loss (gain) on disposal of property, plant and equipment	**215**	(25)
Loss on disposal of other investments	**—**	5,953
Operating loss before changes in working capital	**(29,750)**	(21,864)
Increase in inventories	**(303)**	(96)
(Decrease) increase in trade and other receivables	**(97,011)**	7,489
Increase in trade and other payables	**20,137**	7,052
Cash generated from operations	**(106,927)**	(7,419)
Interest paid	**(901)**	(1,577)
Interest received	**100**	219
Net cash used in operating activities	**(107,728)**	(8,777)

(b) Disposal of subsidiaries

On 30 January 2004, the Group disposed of its entire equity interest in Rex World Limited and Milrose Limited and its subsidiaries at a consideration of HK$2,000,000.

For the year ended 31 December 2003, the Group disposed of its entire equity interest in Fortune Sino Investments Limited and its subsidiary at a consideration of RMB100,000 (equivalent to approximately HK$94,000).

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

Summary of the effects of the disposal of subsidiaries are as follows:

	2004	2003
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Property, plant and equipment	**3,133**	97
Trade and other receivables	**2,230**	148
Bank balances and cash	**41**	22
Trade and other payables	**—**	(102)
Amount due to ultimate holding company	**(106,995)**	(3,528)
	(101,591)	(3,363)
Loss on disposal of subsidiaries	**(3,404)**	(71)
	(104,995)	(3,434)
Satisfied by:		
Cash consideration received	**2,000**	94
Amount due to ultimate holding company	**(106,995)**	(3,528)
	(104,995)	(3,434)
Net cash inflow arising from disposal:		
Bank balances and cash disposed of	**(41)**	(22)
Cash consideration received	**2,000**	94
	1,959	72

(c) Major non-cash transaction

During the year ended 31 December 2004, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of approximately HK$1,105,000.

30. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2004 not provided for in the financial statements are as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Authorised and contracted for in respect of acquisition of property, plant and equipment	**90,941**	—

(b) Operating lease commitments

As at 31 December 2004, the total future minimum lease payments under non-cancellable operating leases in respect of rented office premises and staff quarters are payable as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**140**	3,558
In the second to fifth year inclusive	**30**	—
	170	3,558

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. The leases typically run for lease term of one to three years, with an option to renew the lease at which time all terms are renegotiated. None of the lease includes contingent rentals.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions, which were carried out on normal commercial terms and in the ordinary course of the Group's business:

(a) As at 31 December 2003, bank loan of approximately HK$16,723,000 was guaranteed without charge by HHF, a wholly owned subsidiary of HHE.

(b) The Group did not recognise any guaranteed profit receivable from HHF for the year ended 31 December 2000. Details of the guaranteed profit arrangement with HHF are set out in note 32 to the financial statements.

32. CONTINGENCIES

In 1999, the Group acquired the entire equity interest in Henan Hong Kong (Jiyuan) Coking Company Limited 豫港(濟源)焦化有限公司 ("HH Coking") from HHF. HHF was a wholly owned subsidiary of HHE, a former substantial shareholder of the Company.

HHF guaranteed the profit available for distribution of HH Coking, calculated in accordance with accounting principles generally accepted in Hong Kong, to be not less than an equivalent of HK$36,000,000 for the year ended 31 December 2000. For the year ended 31 December 2000, HH Coking incurred an operating loss of HK$9,872,000.

The Group experienced difficulties in collecting the aforesaid guaranteed profit amount under the HH Coking guaranteed profit arrangement. The Group has issued demand letters through solicitors to the guarantor and is taking further legal actions in order to collect the guaranteed profit amount. As the recoverability of the guaranteed profit was considered by the directors to be uncertain, the guaranteed profit had not been recognised in the financial statements.

In 2001, the Group disposed of its entire shareholding in Grace Melody Enterprises Limited, which held the entire interest in HH Coking to Buildnow Industrials Limited at a consideration of RMB23,588,000 (equivalent to approximately HK$22,045,000).

33. POST BALANCE SHEET EVENTS

Save as disclosed in notes 15 and 26 to these financial statements, the following events occurred subsequent to 31 December 2004 and up to the date of approval of these financial statements by the board of directors:

(i) On 23 November 2004, the Company entered into a conditional subscription agreement with Quadrant Investment Holdings Ltd. ("Quadrant") whereby the Company conditionally agreed to issue and allot to Quadrant and Quadrant conditionally agreed to subscribe for a total of 50,000,000 ordinary shares of the Company at HK$0.54 per share. Completion of the subscription took place on 18 January 2005.

(ii) On 25 November 2004, China Green Power Holdings Limited ("China Green Power"), an indirect wholly owned subsidiary of the Company, entered into a conditional agreement with Sky Bright International Development Limited ("Sky Bright"), a company beneficially and wholly owned by an executive director of the Company, Ms. Wong King King, pursuant to which China Green Power has conditionally agreed to acquire from Sky Bright 39% equity interest in Dongguan China Sciences Conservational Power Co., Ltd. 東莞中科環保電力有限公司, a sino-foreign equity joint venture established in the PRC, at a consideration of RMB42,900,000 (equivalent to approximately HK$40,327,000). The consideration will be satisfied in full on completion as to RMB40,211,640 (equivalent to approximately HK$37,800,000) by allotment of 70,000,000 ordinary shares of the Company at HK$0.54 per consideration share to Sky Bright; and as to the balance of RMB2,688,360 (equivalent to approximately HK$2,527,000) by payment in cash. The aforesaid acquisition was subsequently approved pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 14 January 2005.

33. POST BALANCE SHEET EVENTS *(Continued)*

(iii) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 14 January 2005, the authorised share capital of the Company was increased from HK$1,200,000,000, divided into 120,000,000,000 ordinary shares of HK$0.01 each, to HK$1,300,000,000 by the creation of 10,000,000,000 non-voting cumulative redeemable convertible preference shares of HK$0.01 each. As a result, the authorised share capital comprises (i) HK$1,200,000,000 divided into 120,000,000,000 ordinary shares of HK$0.01 each and (ii) HK$100,000,000 divided into 10,000,000,000 non-voting cumulative redeemable convertible preference shares of HK$0.01 each.

(iv) Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 14 January 2005, the name of the Company was changed from Central China Enterprises Limited to China Sciences Conservational Power Limited and the Chinese name of the Company was changed from 中洲控股有限公司 to 中科環保電力有限公司.

(v) On 23 March 2005, the Company entered into a placing and underwriting agreement with Kim Eng Securities (Hong Kong) Limited ("Kim Eng"), pursuant to which the Company agreed to place, through Kim Eng, an aggregate of 90,000,000 shares, on a fully underwritten basis, at a placing price of HK$0.78 per share. Completion of the placing took place on 8 April 2005.

(vi) On 23 March 2005, the Company also entered into a conditional subscription letter with Sky Bright, Mr. Hon Ming Kong, the chairman of the Company, CIAM and CITIC Capital Investment Holdings Limited (the "Subscribers"), pursuant to which the Company agreed to issue and allot and the Subscribers agreed to subscribe for an aggregate of 30,000,000 shares of the Company at a subscription price of HK$0.78 per share. Completion of the subscription is conditional upon, inter alia, the approval of shareholders at a general meeting and the Stock Exchange.

33. POST BALANCE SHEET EVENTS *(Continued)*

(vii) The Company and China Conservational Power Holdings Limited ("CCPH") have, on 28 March 2005, entered into a term sheet containing the principal terms of the proposed acquisition of (i) the 2 shares in the capital of Hong Kong Hai Investments Limited ("HTH"), a directly wholly owned subsidiary of CCPH (the "Sale Shares"); and (ii) the amount owed by HTH to CCPH as at the date of completion of the acquisition (the "Sale Loan"). On 7 April 2005 and 8 April 2005, they further signed a sale and purchase agreement (the "S&P Agreement") and a supplemental agreement respectively under which the Company as the purchaser and CCPH as the vendor agreed to the sale and purchase of the Sale Shares and the Sale Loan for an aggregate consideration of HK$76,000,000. The Sale Shares represent 100% of the issued share capital of HTH whose principal asset is 51% equity interest in Dongguan China Sciences Conservational Power Co., Ltd. 東莞中科環保電力有限公司, a sino-foreign equity joint venture established in the PRC. The consideration for the acquisition is to be satisfied at completion by issue and allotment of 100,000,000 non-voting cumulative redeemable convertible preference shares, credited as fully-paid, in the share capital of the Company to CCPH or its wholly owned subsidiary or nominee as it may direct. Pursuant to the S&P Agreement, in consideration of the amount of HK$1.00 payable by CCPH to the Company on completion of the acquisition, the Company has agreed to grant and CCPH has agreed to accept, the right to subscribe at the price of HK$0.76 per share for 50,000,000 new option shares. In addition, the Group has agreed to provide an unsecured and interest-free short-term loan of HK$4,000,000 of a duration of one year to Dongguan China Sciences Conservational Power Co., Ltd. 東莞中科環保電力有限公司 as its working capital. Further details of the aforesaid transactions are set out in the announcement of the Company dated 12 April 2005.

(viii) On 19 April 2005, Abba China Holdings Limited ("Abba China"), a wholly owned subsidiary of the Company, Mr. Pang Kwok Chung ("Mr. Pang") and Sino Profit International Limited ("Sino Profit") entered into a sale and purchase agreement whereby Abba China agreed to acquire from Mr. Pang the one share in Sino Profit (representing the entire issued share capital of Sino Profit) for the consideration of HK$8,000,000. The consideration has been paid and set off against the earnest money amounting to HK$8,000,000 paid by Abba China to Mr. Pang pursuant to the memorandum of understanding dated 6 December 2004, further details of which are set out in note 20(vi) to the financial statements. Abba China also agreed to provide a loan of HK$5,000,000 to Sino Profit as its working capital for a term of one year which shall be unsecured, interest-free and guaranteed by Mr. Pang for a period up to the completion of the sale and purchase agreement. Further details of the aforesaid transactions and the information of Sino Profit are set out in the announcement of the Company dated 21 April 2005.