



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 5 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Group continued in the trading of polyurethane materials. During the year ended 31 March 2005, the Group had acquired 100% equity interest of Liaoning Xinmin Petrochemical Company Limited (formerly known as Shenyang Xinmin Chemical Factory), a factory located in the PRC, and the Group commenced its petrochemical manufacturing business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (collectively referred to as the “new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The new HKFRSs may result in changes in the future as to how the Group’s financial performance and financial position are prepared and presented.

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 and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 measurement basis used in the preparation of the financial statements is historical cost convention and as modified for the revaluation of investments in securities as explained in the accounting policies set out below.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 31 March 2005. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

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

On disposal of a subsidiary, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

(d) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls over 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.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group.

Investment in subsidiaries in the Company's balance sheet is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company.

(e) Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the assets recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated income statement in the period in which it arises.



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of Assets (Continued)

In respect of assets other than goodwill, a previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the consolidated income statement in the period in which it arises.

(f) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated so as to write off the cost of each asset over its estimated useful life. The principal annual rates and methods used for this purpose are as follows:

Leasehold land	:	Over the unexpired terms of the leases
Leasehold buildings	:	Over the unexpired terms of the leases
Plant and machinery	:	20% – 30% on the reducing balance method
Furniture, fixtures and equipment	:	20% – 30% on the reducing balance method
Motor vehicles	:	30% on the reducing balance method

The gain or loss on disposal or retirement of a fixed asset recognised in the consolidated income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leased Assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads and/or, where appropriate, subcontracting charges. Net realisable value is based on estimated selling prices less any further estimated costs to be incurred to completion and disposal.

(i) Construction in Progress

Plant and machinery under construction is stated at specifically identified cost, aggregate cost of development, materials and supplies, wages and other direct expenses, less provision for diminution in value. No depreciation is provided until the completion of the development and when the plant and machinery can be put to effective use.



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments in Securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt 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 and losses included in net profit or loss for the year.

(k) Current Assets and Current Liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(l) Cash Equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(m) Borrowing Costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign Currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. All gains and losses on translation of foreign currencies are dealt with in the income statement.

On consolidation, the balance sheet items of overseas subsidiaries, and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the income and expense items are translated at the average rate for that period. The resulting translation differences are dealt with in the exchange reserve.

(o) Provisions

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

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

(p) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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 events not wholly within the control of the Group. Contingent assets are not recognised but are 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.



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related Parties

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. Related parties may be individuals or corporate entities.

(r) Related Party Transactions

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(s) 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) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (ii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(t) Retirement Benefits Schemes

- (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.
- (ii) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Retirement Benefits Schemes (Continued)

- (iii) The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the consolidated income statement or consolidated balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(u) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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 system, the Group has determined that business segments as the primary reporting format and geographical segment information as secondary reporting format.

Segment revenue, 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. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and 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. Intra-segment pricing is based on similar terms as those available to other external parties.

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

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

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the polyurethane ("PU") materials segment involves the trading of PU materials, such as isocyanate, polyols and various kinds of PU catalysts.
- (b) the petrochemical products segment involves the manufacture and sales of petrochemical fuel products, which was discontinued subsequent to the balance sheet date (Note 37).

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.



3. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	PU materials		Petrochemical products		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>652,717</u>	453,344	<u>231,630</u>	–	<u>884,347</u>	453,344
Total revenue	<u>652,717</u>	453,344	<u>231,630</u>	–	<u>884,347</u>	453,344
Segment results	<u>10,061</u>	17,772	<u>(240)</u>	–	<u>9,821</u>	17,772
Interest income					2	45
Unallocated expenses					<u>(829)</u>	<u>(2,335)</u>
Profit from operating activities					<u>8,994</u>	15,482
Profit from disposal of subsidiaries					<u>112</u>	–
Profit before finance costs and tax					<u>9,106</u>	15,482
Finance costs					<u>(5,683)</u>	<u>(92)</u>
Profit before tax					<u>3,423</u>	15,390
Tax					<u>(4,445)</u>	<u>(2,528)</u>
Net (loss)/profit from ordinary activities attributable to shareholders					<u>(1,022)</u>	<u>12,862</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group

	PU materials		Petrochemical products		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	231,678	238,360	201,569	–	433,247	238,360
Unallocated assets	–	–	–	–	–	21,222
Total assets					433,247	259,582
Segment liabilities	89,797	83,546	182,248	–	272,045	83,546
Unallocated liabilities	–	–	–	–	–	13,812
Total liabilities					272,045	97,358
Other segment information:						
Depreciation	1,346	642	4,668	–	6,014	642
Other non-cash expenses	1,179	9	–	–	1,179	9
Capital expenditure	1,674	21	40,352	–	42,026	21



3. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

Group

	PRC		Hong Kong		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	842,098	357,238	42,249	96,106	884,347	453,344
Segment results*	9,710	15,584	111	2,188	9,821	17,772
Other segment information:						
Segment assets	231,527	101,508	201,720	158,074	433,247	259,582
Capital expenditure	40,352	–	1,674	21	42,026	21

* Disclosed pursuant to the requirements of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

4. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intercompany transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
<i>Continuing</i>		
Sale of goods	652,717	453,344
<i>Discontinuing</i>		
Sale of goods	231,630	–
	<u>884,347</u>	<u>453,344</u>
Other revenue		
Bank interest income	2	45
Others	2,423	1,839
	<u>2,425</u>	<u>1,884</u>
	<u>886,772</u>	<u>455,228</u>



5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Cost of inventories sold	828,488	419,879
Auditors' remuneration	710	400
Depreciation	6,014	642
Amortisation of goodwill	1,179	–
Provision for bad and doubtful debt	3,773	–
Minimum lease payments under operating leases in respect of land and buildings	1,691	1,802
Exchange losses, net	–	5
Loss on disposal of fixed assets	–	9
Staff costs (including Directors' remuneration – Note 6):		
Salaries and wages	10,270	4,234
Mandatory provident fund contributions	148	113
	<hr/>	<hr/>
and after crediting:		
Gain on disposal of fixed assets	62	–
Exchange gains, net	18	–
	<hr/>	<hr/>

The cost of inventories sold includes HK\$5,699,000 (2004: Nil) relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

6. DIRECTORS' REMUNERATION

Details of remuneration of the directors of the Company for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Fees	<u>68</u>	<u>180</u>
Other emoluments		
Basic salaries, housing benefits, other allowances and benefits in kind	1,036	900
Mandatory provident fund scheme contributions	<u>12</u>	<u>12</u>
	<u>1,048</u>	<u>912</u>
	<u>1,116</u>	<u>1,092</u>

Included in the directors' remuneration were fees of HK\$68,000 (2004: HK\$120,000) paid to independent non-executive directors. No (2004: HK\$60,000) fees were paid to executive directors during the year.

The remuneration of all the 10 directors (2004: 4) fell within the nil to HK\$1,000,000 band for the years ended 31 March 2005 and 2004.

During the year, bonuses of HK\$120,000 (2004: HK\$120,000) were paid or payable to the directors. No directors waived or agreed to waive any remuneration during the year (2004: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2004: Nil).

During the year, no (2004: 8,000,000) share options to subscribe for ordinary shares of the Company were granted to directors under the Company's share option scheme.



7. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one (2004: one) director, details of whose remuneration are set out in Note 6 above. The remuneration of the remaining four (2004: four) non-director, highest paid individuals, which each fell within the nil to HK\$1,000,000 band, is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing benefits, other allowances and benefits in kind	1,894	2,449
Mandatory provident fund contributions	95	52
	<u>1,989</u>	<u>2,501</u>

During the year, bonuses of HK\$120,000 (2004: HK\$120,000) were paid to one of the five highest paid individuals of the Group. No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2004: Nil).

During the year, no (2004: Nil) share options to subscribe for ordinary shares of the Company were granted to employees under the Company's share option scheme.

8. FINANCE COSTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	5,472	–
Interest on trust receipt loans wholly repayable within five years	151	42
Finance charges on obligations under finance leases	60	50
	<u>5,683</u>	<u>92</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

9. TAXATION

(a) Taxation in the consolidated income statement represents:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current year provision:		
Hong Kong	–	129
Overseas	<u>4,445</u>	<u>2,399</u>
Tax charge for the year	<u>4,445</u>	<u>2,528</u>

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Group			
	2005 HK\$'000	%	2004 HK\$'000	%
(Loss)/profit before taxation	<u>(3,423)</u>		<u>15,390</u>	
Tax at the Hong Kong profits tax rate of 17.5% (2004: 17.5%)	(599)	(17.5)	2,693	17.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,854)	(54.2)	(228)	(1.5)
Tax effect of expenses that are not deductible in determining taxable profit	4,774	139.5	1,537	9.9
Tax effect of income that are not taxable in determining taxable profit	–	–	(1,474)	(9.5)
Tax losses not recognised	<u>2,124</u>	<u>62.1</u>	<u>–</u>	<u>–</u>
Tax charge for the year	<u>4,445</u>	<u>129.9</u>	<u>2,528</u>	<u>16.4</u>



10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2005 was HK\$3,483,000 (2004: HK\$1,552,000).

11. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2005 (2004: Nil).

12. (LOSS)/EARNINGS PER SHARE

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(Loss)/Profit attributable to shareholders	<u>(1,022)</u>	<u>12,862</u>
	No. of shares <i>in thousand</i>	No. of shares <i>in thousand</i>
Weighted average number of ordinary shares in issue	1,197,000	1,084,172
Incremental shares from assumed exercise of share options	<u>17,746</u>	<u>56,046</u>
Diluted weighted average number of shares	<u>1,214,746</u>	<u>1,140,218</u>
Basic (loss)/earnings per share	<u>(HK0.1 cent)</u>	<u>HK1.2 cent</u>
Diluted (loss)/earnings per share	<u>N/A</u>	<u>HK1.1 cent</u>

Diluted loss per share amount for the year ended 31 March 2005 has not been presented as the effect of the assumed conversion of the Company's outstanding share options would be anti-dilutive.

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

13. FIXED ASSETS

Group	Medium term leasehold	Construction	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	land and building	in progress				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:						
At 1 April 2004	–	–	–	1,432	1,034	2,466
Additions	8,621	23,803	4,548	1,295	3,759	42,026
Acquisition of a subsidiary	40,786	–	71,194	664	3,956	116,600
Disposals	–	–	–	–	(1,034)	(1,034)
Disposal of subsidiaries	–	–	–	(240)	–	(240)
At 31 March 2005	49,407	23,803	75,742	3,151	7,715	159,818
Accumulated depreciation:						
At 1 April 2004	–	–	–	667	636	1,303
Charges for the year	1,123	–	2,756	717	1,418	6,014
Written back on disposals	–	–	–	–	(656)	(656)
At 31 March 2005	1,123	–	2,756	1,384	1,398	6,661
Net book value:						
At 31 March 2005	48,284	23,803	72,986	1,767	6,317	153,157
At 31 March 2004	–	–	–	765	398	1,163

The net book values of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 March 2005, amounted to HK\$1,685,600 (2004: HK\$398,000).

The net book values of the Group's fixed assets pledged to secure banking facilities of the Group amounted to HK\$104,830,000 (2004: Nil).

Certain leasehold land and buildings of the Group situated in the PRC were valued at approximately HK\$83,990,000 by Messrs. Shenyang Xinhai Certified Public Accountants Co. Ltd., independent professional qualified valuers in the PRC, as at 31 March 2005. The valuation was performed using current market approach and replacement cost approach as there is no evidence of market value of the relevant leasehold land and buildings because of its specialised nature.



14. GOODWILL

Group

	<i>HK\$'000</i>
Cost:	
Arising from acquisition of a subsidiary during the year and at 31 March 2005	17,690
Amortisation:	
Amortised during the year and at 31 March 2005	1,179
Carrying value:	
At 31 March 2005	16,511

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	54,245	54,245
Due from subsidiaries	84,760	56,843
	139,005	111,088

The amounts due from subsidiaries are unsecured, interest-free and are not repayable in the next twelve months.

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Company as at 31 March 2005 were as follows:

Name of company	Place of incorporation/ establishment	Issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Market Reach Group Limited	British Virgin Island ("BVI")	Ordinary US\$10,000	100	–	Investment holding
Wah Tat Industrial Limited	BVI	Ordinary US\$10	–	100	Trading of polyurethane materials
Wah Tat Industrial (Hong Kong) Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred (Note 1) HK\$1,480,000	–	100	Trading of polyurethane materials
Wah Tat Industrial Trading Limited	BVI	Ordinary US\$10	–	100	Trading of polyurethane materials
Kurow Agents Limited	BVI	Ordinary US\$10	–	100	Provision of transportation services in the PRC
Revolving Maze Trading Limited	BVI	Ordinary US\$10	–	100	Provision of marketing and technical support services in the PRC
Harvest Star Investment Limited	BVI	Ordinary US\$1	100	–	Investment holding
Prime Rose Limited	BVI	Ordinary US\$10	–	100	Trading of polyurethane materials
Minglun Industrial Limited	Hong Kong	Ordinary HK\$2	–	100	Provision of administrative services to fellow subsidiaries in Hong Kong



15. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment	Issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Minglun Industrial (H.K.) Limited	Hong Kong	Ordinary HK\$2	–	100	Trading of polyurethane materials
Wah Tat PU Industrial (Hong Kong) Limited	Hong Kong	Ordinary HK\$10,000	–	100	Trading of polyurethane materials
Liaohe Energy Limited	BVI	Ordinary US\$1	–	100	Investment holding
Liaoning Xinmin Petrochemical Company Limited	PRC (Note 2)	US\$4,800,000	–	100	Manufacture and sale of petrochemical fuel products
Gorly Hill Holdings Limited	BVI	Ordinary US\$1	100	–	Investment holding

Notes:

- The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than one half of the balance of such assets after the sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the Company in such winding-up).
- Liaoning Xinmin Petrochemical Company Limited is a wholly owned foreign enterprise established in the PRC.

16. INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	15,247	–
Goods-in-transit	2,181	18,043
Finished goods	23,880	12,848
	<u>41,308</u>	<u>30,891</u>

No inventories were stated at net realisable value at 31 March 2005 (2004: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

17. OTHER INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Equity securities		
Unlisted outside Hong Kong, at fair value	<u>7,967</u>	<u>–</u>

18. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30 to 90 days, are recognised and carried at the original invoiced amount less an allowance for any doubtful debts. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

	Group	
	2005 HK\$'000	2004 HK\$'000
Trade receivables	<u>152,322</u>	<u>153,220</u>

An aged analysis of the trade receivables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current to 30 days	78,795	129,810
31 days to 90 days	48,028	19,423
91 days to 180 days	20,674	3,987
181 days to 360 days	4,825	–
	<u>152,322</u>	<u>153,220</u>

19. AMOUNT DUE BY/TO A SUBSIDIARY

The amount due is unsecured, interest-free and recoverable/repayable on demand.

20. PLEDGED BANK DEPOSITS

At 31 March 2005, no (2004: HK\$8,207,000) time deposits of the Group were pledged for general banking facilities granted from banks to the Group (Note 22).



21. TRADE AND BILLS PAYABLES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	31,496	39,613
Bills payable	1,203	27,295
	<u>32,699</u>	<u>66,908</u>

An aging analysis of the trade and bills payables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	1,732	12,453
31 days to 90 days	13,616	47,634
Over 90 days	17,351	6,821
	<u>32,699</u>	<u>66,908</u>

22. BANKING FACILITIES

At 31 March 2005, the Group's banking facilities were secured by:

- (i) unlimited corporate guarantees executed by the Company;
- (ii) unlimited corporate guarantees executed by certain subsidiaries of the Company;
- (iii) no time deposits were pledged by the Group (2004: HK\$5,206,952); and
- (iv) fixed assets with net book value of HK\$104,830,000 (2004: Nil).

There were no trade finance facilities at 31 March 2005. Of the trade finance facilities of HK\$41,500,000 at 31 March 2004, the undrawn facilities amounted to HK\$14,205,000.

23. AMOUNT DUE TO A HOLDING COMPANY

The amount due to a holding company is unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

24. BANK BORROWINGS

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank loans, secured		
– repayable within one year	<u>93,623</u>	<u>–</u>

As at 31 March 2005, bank loans which had been overdue amounted to HK\$70,886,000 (2004: Nil).

25. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles under finance leases with lease terms of four years.

At 31 March 2005, the total future minimum lease payments under the finance leases and their present values, were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amounts payable:				
Within one year	766	224	669	193
In the second year	585	141	538	136
In the third to fifth years, inclusive	671	12	649	13
Total minimum finance lease payments	<u>2,022</u>	377	<u>1,856</u>	<u>342</u>
Future finance charges	<u>(166)</u>	<u>(35)</u>		
Total net finance lease payables	1,856	342		
Portion classified as current liabilities	<u>(669)</u>	<u>(193)</u>		
Long term portion	<u>1,187</u>	<u>149</u>		



26. CONVERTIBLE BOND

	Group and Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal amount		
Issued during the year and at 31 March 2005	<u>26,813</u>	<u>–</u>

For further details, please refer to Note 36 to the financial statements.

27. DEFERRED TAX

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year and end of year	<u>83</u>	<u>83</u>

The provision for deferred tax of the Group is made principally in respect of accelerated depreciation allowances to the extent that a liability is expected to crystallise.

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 March 2005 (2004: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

28. SHARE CAPITAL

	2005		2004	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.02 (HK\$0.10) each				
At beginning of year	10,000,000	200,000	2,000,000	200,000
Ordinary shares of HK\$0.02 each				
Effect of decrease in nominal value of shares from HK\$0.10 each to HK\$0.02 each (Note a)	–	–	8,000,000	–
At end of year	<u>10,000,000</u>	<u>200,000</u>	<u>10,000,000</u>	<u>200,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.02 (HK\$0.10) each				
At beginning of year	1,197,000	23,940	200,000	20,000
Ordinary shares of HK\$0.02 each				
Effect of decrease in nominal value of shares from HK\$0.10 each to HK\$0.02 each (Note a)	–	–	800,000	–
Issue of new shares (Note b)	–	–	170,000	3,400
Share options exercised (Note 29)	–	–	27,000	540
At end of year	<u>1,197,000</u>	<u>23,940</u>	<u>1,197,000</u>	<u>23,940</u>

Notes:

- (a) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 16 June 2003, the par value of each issued share and unissued share was adjusted from HK\$0.10 to HK\$0.02 by subdividing each share into five subdivided shares with effect from 17 June 2003. Following the share subdivision becoming effective on 17 June 2003, the authorised share capital of the Company is HK\$200,000,000 divided into 10,000,000,000 shares of HK\$0.02 each, of which 1,000,000,000 shares were in issue and fully paid. The subdivided shares will rank pari passu in all respects with each other and the share subdivision did not result in any change in the relative rights of the shareholders.



28. SHARE CAPITAL (Continued)

(b) Details of issue of new shares:

	Number of shares <i>'000</i>	Issued price per share \$	Aggregate amount received \$'000
16 October 2003	<u>170,000</u>	<u>0.21</u>	<u>35,700</u>

The new ordinary shares rank pari passu in all respect with existing shares.

29. SHARE OPTION SCHEME

The Company operates the a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme was adopted on 1 November 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme. In addition, the maximum number of shares in respect of which share options may be granted to any eligible person within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK\$1 being payable by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof and to the minimum period for which the option has to be held before it can be exercised as the Directors may at their discretion determine.

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

29. SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options during the year ended 31 March 2005:

Name or category of participant	At 1 April 2004	Number of share options		At 31 March 2005	Date of grant of share options** (dd/mm/yyyy)	Exercise period of share options (dd/mm/yyyy)	Exercise price of share options HK\$	Price of Company's share at grant date of share options HK\$
		Lapsed during the year*	Granted during the year					
Directors								
Mr. Zhou Yiming	10,000,000	(10,000,000)	-	-	-	-	-	-
Mr. Cheung Wai Yin, Wilson	10,000,000	(10,000,000)	-	-	-	-	-	-
Mr. Lu Zhiming	10,000,000	(10,000,000)	-	-	-	-	-	-
Mr. Wong Hing Tat	1,000,000	(1,000,000)	-	-	-	-	-	-
Mr. Kwong Chi Ho	1,000,000	(1,000,000)	-	-	-	-	-	-
Mr. Qin Gang	8,000,000	(8,000,000)	-	-	-	-	-	-
Mr. Tsang Kwok Man	-	-	11,000,000	11,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.132	0.13
Employees other than Directors								
In aggregate	33,000,000	(33,000,000)	62,000,000	62,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.132	0.13
	<u>73,000,000</u>	<u>(73,000,000)</u>	<u>73,000,000</u>	<u>73,000,000</u>				

* Upon the completion of the Offers as mentioned under the heading "Changes in Directors and Management" in the Report of the Directors, all the Company's share options were lapsed

** The vesting period of the share options is from the date of grant until the commencement of the exercise period.

At 31 March 2005, the Company had 73,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 31 March 2005, result in the issue of 73,000,000 additional ordinary shares of HK\$0.02 each of the Company and additional share capital of HK\$1,460,000 and share premium of HK\$8,176,000.



30. RESERVES

Group	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	17,647	3,156	69,139	89,942
Issue of shares	32,300	–	–	32,300
Share issue expenses	(1,140)	–	–	(1,140)
Share options exercised	4,320	–	–	4,320
Net profit for the year	–	–	12,862	12,862
At 31 March 2004 and 1 April 2004	53,127	3,156	82,001	138,284
Net loss for the year	–	–	(1,022)	(1,022)
At 31 March 2005	53,127	3,156	80,979	137,262

Company	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	17,647	54,045	(742)	70,950
Issue of shares	32,300	–	–	32,300
Share issue expenses	(1,140)	–	–	(1,140)
Share options exercised	4,320	–	–	4,320
Net loss for the year	–	–	(1,552)	(1,552)
At 31 March 2004 and 1 April 2004	53,127	54,045	(2,294)	104,878
Net loss for the year	–	–	(3,483)	(3,483)
At 31 March 2005	53,127	54,045	(5,777)	101,395



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

30. RESERVES (Continued)

Notes:

- (a) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited set out in the Company's prospectus dated 30 March 2001, over the nominal value of the shares of the Company issued in exchange therefore.

The contributed surplus of the Company represents the difference between the then combined net assets value of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the shares of the Company issued in exchange therefore.

- (b) The Company had distributable reserves of HK\$101,395,000 (2004: HK\$104,878,000) at 31 March 2005, which included the Company's contributed surplus in the amount of HK\$54,045,000 (2004: HK\$54,045,000). Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders of the Company in certain circumstances. In addition, the Company's share premium account, in the amount of HK\$53,127,000 (2004: HK\$53,127,000) at 31 March 2005, may be distributed in the form of fully paid bonus shares.



31. ACQUISITION OF A SUBSIDIARY

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	116,600	–
Inventories	24,520	–
Other investments	7,967	–
Trade receivables	715	–
Other receivables	13,513	–
Cash and bank balances	7,517	–
Trade payables	(7,918)	–
Other payables	(27,541)	–
Tax payable	(16,044)	–
Bank borrowings	(94,566)	–
	<hr/>	<hr/>
Net assets	24,763	–
Goodwill arising on acquisition	17,690	–
	<hr/>	<hr/>
Total purchase price	42,453	–
	<hr/>	<hr/>
Satisfied by:		
Cash consideration paid	42,453	–
	<hr/>	<hr/>
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of the subsidiary:		
Cash consideration paid	(42,453)	–
Cash and bank balances acquired	7,517	–
	<hr/>	<hr/>
	(34,936)	–
	<hr/>	<hr/>

The subsidiary acquired during the year contributed approximately HK\$231,630,000 to the Group's turnover and loss after tax of approximately HK\$5,711,000 to the Group for the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

32. DISPOSALS OF SUBSIDIARIES

	2005 HK\$'000	2004 HK\$'000
Net assets disposed of:		
Fixed assets	240	–
Trade receivables	753	–
Cash and bank balances	28	–
Other payables	(1,133)	–
	<hr/>	<hr/>
Net liabilities	(112)	–
Gain on disposal of subsidiaries	112	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
Satisfied by:		
Cash consideration received	–	–
	<hr/>	<hr/>
Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	–	–
Cash and bank balances disposed of	(28)	–
	<hr/>	<hr/>
	(28)	–
	<hr/>	<hr/>

The subsidiaries disposed of during the year contributed approximately HK\$4,820,000 to the Group's turnover and loss after tax of approximately HK\$113,000 to the Group for the year.



33. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between 1 and 2 years.

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	1,560	1,560
In the second to fifth years, inclusive	390	1,950
	<hr/>	<hr/>
	1,950	3,510
	<hr/>	<hr/>

34. COMMITMENTS

Apart from the operating lease commitments detailed in Note 25 to financial statements above, at the balance sheet date, the Group had capital expenditure contracted for but not provided in the financial statements of approximately HK\$8 million in respect of a subsidiary's improvement project for certain plant and machineries.

35. CONTINGENT LIABILITIES

The Company had executed several guarantees, with unlimited amount, in favour of banks in respect of general banking facilities granted to certain subsidiaries. As at 31 March 2005, the subsidiaries had utilised approximately HK\$1 million (2004: HK\$27 million) of the facilities.



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

36. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, during the year, the Group had entered into the following material transaction with related parties:

Pursuant to the ordinary resolutions passed in a special general meeting of the Company on 24 December 2004, the Company issued a convertible bond in the principal of HK\$26,812,800 (the "Convertible Bond") to Wisdom On Holdings Limited (the "Bondholder"), the controlling shareholder of the Company. The Bondholder may at any time after the expiry of the period of six months from the date of issue of the Convertible Bond up to the second anniversary of the issue of the Convertible Bond convert the whole or part of the principal amount of the Convertible Bond into shares of HK\$0.02 each in the share capital of the Company, at the conversion price of HK\$0.112 per share. The Bondholder may at any time after the period of six months from the date of issue of the Convertible Bond and while the Convertible Bond is still outstanding require the Company to redeem the principal amount outstanding under the Convertible Bond. The Convertible Bond may be assigned or transferred to any third party and interest of 1% per annum will be accrued from the date of issue on a day to day basis on the principal amount of the Convertible Bond outstanding, payable semi-annually in arrears.



37. SUBSEQUENT EVENTS

On 13 July 2005, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Liaohe Energy Limited to individual third party together with its 100% equity interest in Liaoning Xinmin Petrochemical Company Limited, for a cash consideration of HK\$51,000,000 with the Group's acquisition cost amounted to HK\$42,453,000. The operation of Liaohe Energy Limited and Liaoning Xinmin Petrochemical Company Limited is reported in the financial statements as a discontinuing operation. For details, please refer to the Company's announcement dated 26 July 2005. The turnover, results, cash flows for the year ended 31 March 2005 and net assets as at 31 March 2005 of the petrochemical products segment were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	231,630	–
Cost of sales	(220,808)	–
Administrative expenses	(11,309)	–
Other operating expenses	(103)	–
	<hr/>	<hr/>
Gross loss	(590)	–
Other revenues	351	–
	<hr/>	<hr/>
Operating loss	(239)	–
Finance costs	(5,472)	–
	<hr/>	<hr/>
Loss before taxation	(5,711)	–
Taxation	–	–
	<hr/>	<hr/>
Loss after taxation	(5,711)	–
	<hr/>	<hr/>
Net operating cash inflow	24,945	–
Net investing cash outflow	(32,575)	–
Net financing cash inflow	(14,065)	–
	<hr/>	<hr/>
Total net cash outflow	(21,695)	–
	<hr/>	<hr/>
Non-current assets	150,482	–
Current assets	51,087	–
	<hr/>	<hr/>
Total assets	201,569	–
Total liabilities	(182,248)	–
	<hr/>	<hr/>
Net assets	19,321	–
	<hr/>	<hr/>



NOTES TO FINANCIAL STATEMENTS

31 March 2005 (in HK Dollars)

38. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Wisdom On Holdings Limited, a company incorporated in the British Virgin Islands.

39. COMPARATIVE FIGURES

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

40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2005.