NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2005

1. Basis of Preparation

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

In preparing the condensed financial statements, the directors of Poly Investments Holdings Limited (the "Company") have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the Group's net current liabilities of approximately HK$123 million at 30th June, 2005. The directors of the Company have taken steps to improve the liquidity of the Group. During the period, the Group has successfully obtained certain new loan facilities with the aggregate amount of approximately HK$15 million and is pursuing the disposal of certain of the Group's non-core assets. Subsequent to the reporting date, the Group has successfully obtained consents from two banks to extend the maturities of their loans of approximately HK$83 million from August 2005 to a period after June 2006. The directors are satisfied that the Group will have sufficient resources to be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly the condensed financial statements have been prepared on a going concern basis.

As explained in note 19, the Group is the subject of a winding up petition brought by Asian Power Development Limited ("Asian Power"). Based on legal advice, if the Company discharges the alleged debts before the substantive hearing, Asian Power will have no right to proceed with the winding up proceedings and the petition will then be dismissed. Accordingly, the directors are satisfied that notwithstanding the winding up petition, this matter will not affect the going concern status of the Group.

2. Principal Accounting Policies

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

2. Principal Accounting Policies *(Continued)*

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

(i) Business combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" and the principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In the previous periods, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life.

The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet or included in interest in an associate, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisition after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1st January, 2005 (of which negative goodwill of approximately HK$18.1 million was previously presented as a deduction from assets), with a corresponding decrease to accumulated losses (see note 3 for the financial impact).

2. Principal Accounting Policies *(Continued)*

(ii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application. HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects on the Group as a result of implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible bonds

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible bonds issued by the Company that contain both liability and equity components. Previously, convertible bonds were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

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

2. Principal Accounting Policies *(Continued)*

(ii) Financial instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities (Continued)

Prior to 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively unless the financial assets are equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, in which case the financial assets are carried at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Accordingly, investment in a security previously classified under non-current assets with a carrying amount of approximately HK$9.6 million was reclassified as available-for-sale investment. This available-for-sale investment represents an unlisted equity investment, which fair value cannot be measured reliably and is therefore stated at cost less impairment loss. In addition, investments in securities held for trading purpose previously classified under current assets with market value of approximately HK$21.1 million were accounted for as investments at fair value through profit or loss (see note 3 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. On 1st January, 2005, an adjustment of HK$2,471,000 has been made to the Group's minority interests to restate amount due to a minority shareholder of a subsidiary at fair value (see note 3 for the financial impact).

2. Principal Accounting Policies *(Continued)*

(iii) Owner-occupied leasehold interest in land

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

(iv) Investment properties

In previous periods, the Group's investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. Applying HKAS 40 "Investment Property", the Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. The Group has also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment properties revaluation reserve at 1st January, 2005 has been transferred to the Group's accumulated losses. Comparative figures have not been restated (see note 3 for the financial impact).

(v) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. As a result, investment properties amounted to HK$63 million were presented separately as investment properties held for sale on the balance sheet at 30th June, 2005.

3. Summary of the Effects of the Changes in Accounting Policies

(i) The effects of the changes in the accounting policies described in note 2 above on the Group's results for the current and prior period are as follows:

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Increase in imputed finance costs on the liability component of convertible bonds matured in 2004	**–**	(1,822)
Increase in imputed finance costs on amount due to a minority shareholder of a subsidiary	**(1,498)**	–
Decrease in release of negative goodwill to income	**(1,050)**	–
Decrease in amortization of goodwill of an associate	**578**	–
Decrease in deferred tax charge	**262**	319
Increase in loss for the period	**(1,708)**	(1,503)

3. Summary of the Effects of the Changes in Accounting Policies *(Continued)*

(ii) The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31.12.2004 (originally stated)	Effect of HKAS 17 Adjustments	Effect of HKAS 32 Adjustments	As at 31.12.2004 (restated)	Effect of HKFRS 3 Adjustments	Effect of HKAS 39 Adjustments	Effect of HKAS 40 Adjustments	As at 1.1.2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items								
Property, plant and equipment	376,285	(10,784)	–	365,501	–	–	–	365,501
Prepaid lease payments – current portion	–	846	–	846	–	–	–	846
Prepaid lease payments – non-current portion	–	9,938	–	9,938	–	–	–	9,938
Negative goodwill	(18,076)	–	–	(18,076)	18,076	–	–	–
Investments in securities	30,673	–	–	30,673	–	(30,673)	–	–
Available-for-sale investments	–	–	–	–	–	9,562	–	9,562
Investments held for trading	–	–	–	–	–	21,111	–	21,111
Amount due to a minority shareholder of a subsidiary – non-current portion	(62,915)	–	–	(62,915)	–	2,996	–	(59,919)
Deferred tax liability	(1,953)	–	–	(1,953)	–	(525)	–	(2,478)
Accumulated losses	94,276	–	4,297	98,573	(18,076)	–	(9,366)	71,131
Investment properties revaluation reserve	(9,366)	–	–	(9,366)	–	–	9,366	–
Capital reserve	–	–	(4,297)	(4,297)	–	–	–	(4,297)
Minority interests	(21,432)	–	–	(21,432)	–	(2,471)	–	(23,903)
		–	–		–	–	–	

3. Summary of the Effects of the Changes in Accounting Policies *(Continued)*

(iii) The financial effects of the application of the new HKFRSs to the Group's equity at 1st January, 2004 are summarised below:

	As originally stated *HK$'000*	Effect of HKAS 32 *HK$'000*	As restated *HK$'000*
Accumulated losses	(87,105)	(651)	(87,756)
Capital reserve – equity component of convertible bonds	–	4,297	4,297
	(87,105)	3,646	(83,459)

4. HKFRSs that are Not Yet Effective

The HKICPA has issued the following standards and interpretations ("INT") that are not yet effective. The Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intergroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – INT 4	Determining whether an Arrangement contains a Lease
HKFRS – INT 5	Rights to Interests arising from Decomissioning, Restoration and Environmental Rehabilitation Funds

5. Change of Accounting Estimates – Intangible Assets with Indefinite Useful Lives

In previous periods, intangible assets were amortised over their estimated useful lives of 10 years. HKAS 38 requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful life of its intangible asset, the trading right on 1st January, 2005 and concluded that the accounting for the trading right under the predecessor standard was consistent with HKAS 38. As a result, there has been no change in accounting estimates in respect of the Group's intangible asset.

6. Segment Information

Business segments

The Group reports its primary segment information by business divisions. Segment information about these divisions is presented below:

	Power generation	Trading	Provision of finance	Property investment and management	Brokerage and securities investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June, 2005							
TURNOVER							
External sales	43,532	175,101	1,711	1,587	1,816	–	223,747
Inter-segment sales *	–	–	–	324	–	(324)	–
Total	43,532	175,101	1,711	1,911	1,816	(324)	223,747
Segment results	667	4,848	(434)	(3,967)	(6,355)	–	(5,241)
Unallocated corporate expenses							(6,284)
Loss from operations							(11,525)
Finance costs							(5,389)
Share of profit of an associate							1,337
Share of profit of a jointly controlled entity							2,392
Loss before taxation							(13,185)
Income tax expense							(263)
Loss for the period							(13,448)

6. Segment Information (Continued)

Business segments (Continued)

	Power generation HK$'000	Trading HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Brokerage and securities investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Six months ended 30th June, 2004							
TURNOVER							
External sales	37,068	46,760	1,262	1,196	1,663	–	87,949
Inter-segment sales *	–	–	–	322	34	(356)	–
Total	37,068	46,760	1,262	1,518	1,697	(356)	87,949
Segment results	5,357	558	(1,661)	496	1,962	–	6,712
Unallocated corporate expenses							(4,582)
Profit from operations							2,130
Finance costs							(4,646)
Share of profit of an associate							3,871
Share of profit of a jointly controlled entity							1,828
Amortisation of goodwill on acquisition of an associate							(578)
Profit before taxation							2,605
Income tax expense							(1,040)
Profit for the period							1,565

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

7. (Loss) Profit Before Taxation

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation (included in administrative expenses) of:		
– goodwill of a subsidiary	**–**	27
– trading right	**40**	54
Depreciation and amortisation of property, plant and equipment	**7,491**	7,483
Amortisation of prepaid lease payments	**423**	423
Loss on disposal of property, plant and equipment	**–**	729
Share of tax of a jointly controlled entity (included in share of profit of a jointly controlled entity)	**1,345**	901
Cost of inventories recognised as expenses	**132,241**	44,064
Release of negative goodwill included in other operating income	**–**	(1,050)
Interest income, other than from investments	**(305)**	(94)

8. Income Tax Expense

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Deferred tax charge	**263**	1,040

No Hong Kong Profits Tax or the People's Republic of China income tax is payable by the Company or its subsidiaries since they had no assessable profit for the period.

9. Dividends

No dividends were paid during the period (2004: Nil). The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (2004: Nil).

10. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share is based on the net loss attributable to the equity holders of the parent for the period of HK$13,384,000 (2004: net profit of HK$1,160,000) and on the 1,214,115,987 shares in issue during each of the two periods.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policies is as follows:

	HK cent
Reconciliation of 2004 earnings per share:	
Reported figures before adjustments	0.22
Adjustments arising from the changes in accounting policies *(see note 3(i))*	(0.12)
Restated	0.10

No diluted (loss) earnings per share has been presented for the six months ended 30th June, 2005 and 2004 because the assumed conversion of the Company's outstanding convertible bonds would result in a decrease/increase in (loss) earnings per share respectively.

11. Movements in Investment Properties and Property, Plant and Equipment

During the period, the Group incurred costs for construction in progress of approximately HK$17.5 million and other assets at a cost of approximately HK$0.6 million for the purpose of expanding the Group's operations.

The Group's investment properties were fair-valued by the directors at 30th June, 2005. The resulting decrease in fair value of investment properties of HK$5 million has been recognised directly in the income statements. The Group intends to dispose of the investment properties within twelve months from the reporting date. Accordingly, the investment properties have been classified as investment properties held for sale in accordance with HKFRS 5.

12. Other Assets

Other assets are statutory deposits paid to government regulators in relation to the Group's licensed activities in the securities market in Hong Kong.

13. Trade Receivables, Other Receivables and Prepayments

The Group allows an average credit period of 60 days to its customers.

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

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Trade receivables arising from brokerage and securities investment operations:		
Clearing houses	**1,629**	8,214
Cash clients	**5,433**	7,767
Margin clients	**6,472**	4,739
Trade and bills receivables arising from other operations:		
0 – 60 days	**9,124**	3,981
61 – 90 days	**4,116**	1,987
Over 90 days	**24**	31
	26,798	26,719
Other receivables and prepayments	**22,625**	24,494
	49,423	51,213

14. Bank Balances, Deposits and Cash

The Group maintains trust accounts with authorised institutions as a result of its normal business transactions. At 30th June, 2005, trust amounts not otherwise dealt with in these accounts amounted to HK$21,045,000 (31st December, 2004: HK$17,168,000).

15. Trade and Other Payables

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

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Trade payable arising from brokerage and securities investment operations:		
Cash clients	**7,004**	6,074
Margin clients	**239**	9,756
Trade and bills payables arising from other operations:		
0 – 60 days	**11,957**	5,903
61 – 90 days	**3,508**	2,272
Over 90 days	**12,022**	12,280
	34,730	36,285
Other payables	**73,977**	68,046
Value added tax payables	**900**	196
	109,607	104,527

16. Bank and Other Borrowings

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Bank loans	**161,554**	169,658
Other loan	**83,608**	73,594
	245,162	243,252
Analysed as:		
Secured	**221,275**	234,752
Unsecured	**23,887**	8,500
	245,162	243,252

During the period, the Group obtained new bank and other loans amounting to HK$14,841,000. The borrowings bear interest at prevailing market rates and were used to finance general operations of the Group. In addition, the Group repaid bank and other borrowings totalling HK$12,931,000 during the period.

16. Bank and Other Borrowings *(Continued)*

At the reporting date, the following assets of the Group were pledged to secure credit facilities granted to the Group:

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Investment properties	**63,000**	68,000
Property, plant and equipment	**110,217**	82,025
Investments held for trading	**4,811**	–
Investments in securities	**–**	9,200
	178,028	159,225

In addition, at 30th June, 2005, the Group's equity interest in Equal Link Investments Limited, a wholly-owned subsidiary of the Company which in turn holds the Group's interest in a jointly controlled entity, was pledged to an entity for credit facility granted to the Group. As at 30th June, 2005, HK$25,000,000 of such facility has been utilised.

17. Capital Commitments

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment	**11,355**	10,432
– acquisition of additional equity interest in subsidiaries	**18,350**	18,350

18. Other Restriction of Assets

During the year ended 31st December, 2004, the Group entered into a long-term bank loan agreement. Pursuant to the terms of this agreement, a subsidiary of the Group engaged in the power generation business has pledged its right of collection of tariff to a bank to secure credit facilities granted to the Group.

In addition, as at 30th June, 2005, disposition of the Company's assets would require an appropriate validation order by the court since the Petition detailed in note 19 has yet to be heard and decided by the court.

19. Litigations

In October 2003, the Group acquired two power plants from Asian Power. The consideration of the acquisition was in part settled by the issue by the Company of convertible bonds with an aggregate principal amount of HK$80 million, of which HK$40 million matured in October 2004 with the balance due to mature in April 2006. In view of breaches of representations and warranties given by Asian Power under the sale and purchase agreement, the Company did not repay the HK$40 million repayable in October 2004 with the result that Asian Power alleged the whole of the HK$80 million became immediately repayable on demand.

On 17th November, 2004, the Company was served with a writ of summons by Asian Power for a claim in the sum of HK$81,628,000 together with interest and costs (the "Claim") in respect of the alleged default in payments by the Company as mentioned above (the "Writ Action"). On 13th December, 2004, a notice of discontinuance was filed by Asian Power and the Writ Action was discontinued. On the same day, a winding up petition (the "Petition") was issued against the Company by Asian Power in relation to the Claim. The Company filed a Notice of Intention to Appear on Petition indicating its intention to oppose the Petition on 16th December, 2004. The proceedings are now ongoing and the Petition will be heard on 17-19th January, 2006.

Although the Company has classified the two convertible bonds as current liabilities and has accrued the corresponding interest up to the reporting date, the Company considers that Asian Power has acted in breach of its representations and warranties given under the sale and purchase agreement pursuant to which the convertible bonds were issued. The breaches of representations and warranties relate to the non-compliance with contractual obligations. Arbitration proceedings have been commenced in relation to breaches of the sale and purchase agreement. While the final outcome of the Petition and the arbitration cannot be determined at this stage, the Company is vigorously opposing the Petition and pursuing its legal rights under the sale and purchase agreement including withholding payment or cancelling the convertible bonds and/or the right to set-off. Based on legal advice, if the Company discharges the alleged debts before the substantive hearing, Asian Power will have no right to proceed with the winding up proceedings. In the opinion of the directors, any eventual settlement will not have a material adverse impact on the financial position of the Company or the Group.

20. Post Balance Sheet Events

(a) Subsequent to the balance sheet date, the Group has obtained consents from two banks to extend their loans to the Group in the aggregate amount of approximately HK$83 million when they fall due in August 2005 to a period after June 2006.

(b) Subsequent to the balance sheet date, a subsidiary of the Company was named a respondent in a shipping dispute for an amount of approximately HK$4.5 million. The amount has not been accrued in the financial statements of the Group because the dispute is still at an early stage, and the parties have yet to exchange documents and evidence and therefore, it is not possible to predict the outcome of the matter at this stage.