

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

1. GENERAL

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

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entity are set out in notes 37, 14 and 15 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKICPA.

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes" ("SSAP 12 (Revised)"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision has to be made for deferred tax using the income statement liability method, i.e. a liability has to be recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June 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 inter-company transactions and balances within the Group have been eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, associate or jointly controlled entity at the date of acquisition.

Goodwill is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets. Negative goodwill arising on the acquisitions of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unreleased negative goodwill is included in the determination of the profit and loss on disposal.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Service income is recognised when services are provided.

Proceeds from sale of trading securities are recognised when the relevant sales contracts become unconditional.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised in a straight line basis over the term of the relevant lease.

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and accumulated impairment losses.

Construction in progress is stated at cost which includes all development expenditure and the direct costs including borrowing costs capitalised attributable to such projects less impairment losses. Construction in progress is not depreciated until the completion of construction. Cost of completed construction work is transferred to appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, 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:

Leasehold land	Over the term of the lease
Buildings	2%
Leasehold improvements	4% – 20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	15% – 25%
Plant and machinery	10% – 20%
Motor vehicles	10% – 25%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets held under finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risk and rewards of the ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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 less unamortised goodwill arising on acquisition and any identified impairment loss.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's share of post-acquisition results of its jointly controlled entities is included in the consolidated income statement. The Group's interest in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity less any identified impairment loss.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities (Continued)

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 period.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, but so 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the net profit or loss for the year.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Taxation 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 differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, 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 differences 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 in a business combination) of 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 investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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 profit 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 period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement.

Retirement benefit scheme

Payments to the retirement benefit schemes and mandatory provident fund schemes are charged as an expenses as they fall due.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Rentals payable under operating leases are charged to the income statement as expense on a straight-line basis over the relevant terms of leases.

4. TURNOVER AND SEGMENT INFORMATION

Turnover is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Sales of other investments	137,836	55,012
Sales of gas related products	18,205	–
Interest income	1,186	990
Telecommunication services income	–	150,191
	<u>157,227</u>	<u>206,193</u>

Business segments

For management purposes, the Group is organised into four operating divisions - securities trading and investment holding, trading of gas related products being business acquired during the year, treasury activities and provision of telecommunication services. These divisions are the basis on which the Group reports its primary segment information.

In February 2003, the Group discontinued to provide telecommunication services after the disposal of certain subsidiaries. The segment profit of HK\$8,824,000 noted in the year ended 30th June, 2003 represented the results of the subsidiaries for the period from 1st July, 2002 to 28th February, 2003. The carrying amounts of assets and liabilities of the subsidiaries at the date of disposal are disclosed in note 27.

Segment information about these businesses is presented below.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Income statement for the year ended 30th June, 2004

	Continuing operations			Consolidated HK\$'000
	Securities trading and investment holding HK\$'000	Trading of gas related products HK\$'000	Treasury activities HK\$'000	
TURNOVER				
External	137,836	18,205	1,186	157,227
Segment result	(6,279)	3,132	351	(2,796)
Unallocated other operating income				1,213
Unrealised gain on other investments	745			745
Amortisation of goodwill		(1,245)		(1,245)
Unallocated corporate expenses				(6)
Loss from operations				(2,089)
Finance costs				(597)
Gain on disposal of subsidiaries				553
Share of results of associates				(1,461)
Share of results of jointly controlled entities				(2,163)
Loss before taxation				(5,757)
Taxation				(149)
Loss before minority interests				(5,906)
Minority interests				(1,122)
Net loss for the year				(7,028)

	Continuing operations			Consolidated HK\$'000
	Securities trading and investment holding HK\$'000	Trading of gas related products HK\$'000	Treasury activities HK\$'000	
OTHER INFORMATION				
Capital expenditure	2,793	23,645	–	26,438
Depreciation and amortisation	477	1,623	114	2,214

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Balance sheet at 30th June, 2004

	Continuing operations			Consolidated HK\$'000
	Securities trading and investment holding HK\$'000	Trading of gas related products HK\$'000	Treasury activities HK\$'000	
ASSETS				
Segment assets	159,604	187,667	31,698	378,969
Interests in associates				114,537
Interests in a jointly controlled entity				8,928
Consolidated total assets				<u>502,434</u>
LIABILITIES				
Segment liabilities	5,295	47,916	–	53,211
Borrowings				111,762
Loan from an associate				14,130
Unallocated corporate liabilities				222
				<u>179,325</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Income statement for the year ended 30th June, 2003

	Continuing operations	Discontinued operations	Consolidated	
	Securities trading and investment holding HK\$'000	Treasury activities HK\$'000	Provision of telecommunication services HK\$'000	HK\$'000
TURNOVER				
External	55,012	990	150,191	206,193
Segment result	(13,732)	126	8,824	(4,782)
Unallocated other operating income				1,636
Unrealised gain on other investments	124			124
Release of negative goodwill			1,687	1,687
Unallocated corporate expenses				(30)
Loss from operations				(1,365)
Finance costs				(58)
Gain on disposal of subsidiaries				8,388
Loss on disposal of jointly controlled entities				(4,223)
Share of results of associates				(28,326)
Share of results of jointly controlled entities				815
Loss before taxation				(24,769)
Taxation				(2,143)
Loss before minority interests				(26,912)
Minority interests				6,586
Net loss for the year				(20,326)

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Continuing operations		Discontinued operations	
	HK\$'000	Treasury activities HK\$'000	Provision of telecommunication services HK\$'000	Consolidated HK\$'000
OTHER INFORMATION				
Capital expenditure	21	455	3,662	4,138
Depreciation and amortisation	439	28	3,309	3,776

Balance sheet at 30th June, 2003

	Continuing operations		Discontinued operations	
	HK\$'000	Treasury activities HK\$'000	Provision of telecommunication services HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	210,148	33,281	–	243,429
Interests in jointly controlled entities				11,105
Consolidated total assets				<u>254,534</u>
LIABILITIES				
Segment liabilities	828	–	–	828
Borrowings				379
				<u>1,207</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Singapore.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	138,841	205,857
The PRC	18,205	–
Singapore	181	336
	<u>157,227</u>	<u>206,193</u>

Turnover from the Group's discontinued operations was derived principally from Hong Kong for the prior year.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	188,694	105,571	2,793	4,138
The PRC	190,275	137,858	23,645	–
	<u>378,969</u>	<u>243,429</u>	<u>26,438</u>	<u>4,138</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

5. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration:		
Current year	1,140	890
Underprovision in prior year	230	–
	<u>1,370</u>	<u>890</u>
Depreciation and amortisation:		
Owned assets	726	5,394
Assets held under finance leases	243	69
Operating lease rentals in respect of rented premises	574	1,817
Gain on disposal of property, plant and equipment	–	(17)
Staff costs including directors' remuneration	8,102	27,940
(Write back of) allowance for bad and doubtful debts	(200)	4,531
Cost of inventories recognised as expenses	12,606	–
Cost of other investments recognised as expenses	<u>130,998</u>	<u>53,873</u>

Contributions to retirement benefit scheme amounting to HK\$278,000 (2003: HK\$1,399,000) are included in staff costs.

Operating lease rentals amounting to HK\$442,000 (2003: HK\$886,000) in respect of rent-free accommodation are included in staff costs.

6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank borrowings	562	14
Finance leases	35	44
	<u>597</u>	<u>58</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

7. DIRECTORS' REMUNERATION

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	–	23
Independent non-executive directors	<u>288</u>	<u>300</u>
	<u>288</u>	<u>323</u>
Other emoluments:		
Basic salaries and allowances		
Executive directors	<u>5,053</u>	<u>4,043</u>
Retirement benefit scheme contributions		
Executive directors	<u>167</u>	<u>143</u>
	<u>5,508</u>	<u>4,509</u>

The directors' remunerations were within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	10	8
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	<u>1</u>	<u>–</u>
	<u>12</u>	<u>9</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

8. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included four (2003: three) executive directors of the Company, whose emoluments are included in note 7 above. The emoluments of the remaining one (2003: two) individual are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries and allowances	621	1,314
Retirement benefit scheme contribution	62	16
	<u>683</u>	<u>1,330</u>
	Number of individuals	
	2004	2003
Nil – HK\$1,000,000	<u>1</u>	<u>2</u>

9. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Profit for the year		
Other jurisdictions	<u>111</u>	–
Underprovision in respect of prior year		
Hong Kong	<u>–</u>	<u>1,435</u>
Deferred taxation (<i>note 29</i>)		
Current year	–	(802)
Underprovision in prior year	<u>–</u>	<u>1,510</u>
	<u>–</u>	<u>708</u>
Share of taxation attributable to associates	<u>38</u>	–
	<u>149</u>	<u>2,143</u>

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

9. TAXATION (Continued)

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2004	2003
	HK\$'000	HK\$'000
Loss before taxation	<u>(5,757)</u>	<u>(24,769)</u>
Tax at the Hong Kong Profits Tax rate of 17.5%	(1,007)	(4,335)
Tax effect of share of results of associates and jointly controlled entities	597	4,814
Tax effect of expenses not deductible for tax purpose	279	1,227
Tax effect of income not taxable for tax purpose	(364)	(2,792)
Tax effect of tax losses not recognised	1,319	750
Tax effect of utilisation of tax losses previously not recognised	(283)	(587)
Underprovision for prior year	–	2,945
Effect of different tax rates of subsidiaries operating in other jurisdictions	186	–
Others	<u>(578)</u>	<u>121</u>
Tax charge for the year	<u>149</u>	<u>2,143</u>

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year ended 30th June, 2004 of HK\$7,028,000 (2003: HK\$20,326,000), and on the weighted average number of 2,681,111,125 shares (2003: 2,243,214,719 shares) in issue during the year.

The weighted average number of ordinary shares for the calculation of basic loss per share for the year ended 30th June, 2003 has been adjusted for the rights issue of the Company which was completed on 16th February, 2004.

The Company did not have any potential ordinary shares during the year. The computation of diluted loss per share for prior year did not assume the exercise of the Company's outstanding share options as their exercise would result in a decrease in net loss per share for prior year.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

11. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings situated in the PRC under medium term lease HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1st July, 2003	–	826	2,601	–	455	–	3,882
Acquisition of subsidiaries	12,785	–	863	3,727	2,017	3,861	23,253
Additions	–	–	176	120	2,889	–	3,185
At 30th June, 2004	12,785	826	3,640	3,847	5,361	3,861	30,320
DEPRECIATION AND AMORTISATION							
At 1st July, 2003	–	545	2,408	–	27	–	2,980
Provided for the year	158	165	210	127	309	–	969
At 30th June, 2004	158	710	2,618	127	336	–	3,949
NET BOOK VALUES							
At 30th June, 2004	12,627	116	1,022	3,720	5,025	3,861	26,371
At 30th June, 2003	–	281	193	–	428	–	902

The net book value of motor vehicles included an amount of HK\$2,861,000 (2003: HK\$403,000) in respect of assets held under finance leases.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

THE COMPANY

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1st July, 2003	826	2,578	–	3,404
Additions	–	93	2,700	2,793
At 30th June, 2004	<u>826</u>	<u>2,671</u>	<u>2,700</u>	<u>6,197</u>
DEPRECIATION AND AMORTISATION				
At 1st July, 2003	545	2,389	–	2,934
Provided for the year	165	172	135	472
At 30th June, 2004	<u>710</u>	<u>2,561</u>	<u>135</u>	<u>3,406</u>
NET BOOK VALUES				
At 30th June, 2004	<u>116</u>	<u>110</u>	<u>2,565</u>	<u>2,791</u>
At 30th June, 2003	<u>281</u>	<u>189</u>	<u>–</u>	<u>470</u>

Motor vehicles of the Company are held under finance leases.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

12. GOODWILL

THE GROUP

	HK\$'000
GROSS AMOUNT	
At 1st July, 2003	1,338
Arising on acquisition of subsidiaries during the year	<u>99,652</u>
At 30th June, 2004	<u>100,990</u>
AMORTISATION AND IMPAIRMENT	
At 1st July, 2003	1,338
Charge for the year	<u>1,245</u>
At 30th June, 2004	<u>2,583</u>
CARRYING AMOUNT	
At 30th June, 2004	<u>98,407</u>
At 30th June, 2003	<u>–</u>

Goodwill is amortised using the straight-line method over its estimated useful life of 5 to 20 years.

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	11,088	11,088
Amounts due from subsidiaries	559,568	<u>494,978</u>
Impairment loss and allowance recognised	570,656 (456,886)	506,066 <u>(491,946)</u>
	113,770	<u>14,120</u>

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. The Company has agreed not to demand repayment in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

The investment costs of and amounts due from certain subsidiaries have been impaired as these subsidiaries were loss-making or inactive as at 30th June, 2004.

Particulars of the Company's principal subsidiaries as at 30th June, 2004 are set out in note 37.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

14. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	55,773	–
Unamortised goodwill arising on acquisition of associates	58,764	–
	<u>114,537</u>	<u>–</u>

The goodwill is arising on the acquisition of 30% equity interest in Tone Communication Limited and 49% equity interest in Solution Technology Limited. At the date of acquisition, HK\$59,871,000 of goodwill was identified. The goodwill is amortised on a straight-line basis over 10 to 20 years. Amortisation for the year of HK\$1,107,000 was included in the shares of results of associates.

Particulars of the Group's principal associates as at 30th June, 2004 are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operation	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group %	Principal activities
Tone Communication Limited	Incorporated	British Virgin Islands	30	Investment holding
Trend Technology Limited	Incorporated	British Virgin Islands	21.6	Investment holding
趨勢(鄂州)科技有限公司 Trend (Ezhou) Technology Limited (“鄂州”)	Incorporated	The PRC	21.6	Development and manufacture of bio-agricultural pesticide products
上海中油企業集團有限公司 (“上海中油”)	Incorporated	The PRC	38.5	Investment holding and gas related services
上海中油投資擔保有限公司	Incorporated	The PRC	22.9	Investment guarantee services
上海企發石油化工有限公司	Incorporated	The PRC	36.5	Gas related services

NOTES TO FINANCIAL STATEMENTS

For the year ended 30th June, 2004

14. INTERESTS IN ASSOCIATES (Continued)

Name of company	Form of business structure	Place of incorporation/ establishment and operation	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group %	Principal activities
Solution Technology Limited	Incorporated	British Virgin Islands	49	Investment holding
銀川潔能科技有限公司 Yinchuan Sinogas Company Limited (“銀川潔能”)	Incorporated	The PRC	34.3	Gas related services

The above table lists the associates of the Group as at 30th June, 2004 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets of the Group. To give details of the other associates would, in the opinion of the directors, result in particulars of excessive length.

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For the year ended 30th June, 2004

14. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the unaudited financial statements of the Group's significant associates:

Post-acquisition results for the year ended 30th June

	鄂州		上海中油 and its subsidiaries		銀川潔能	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	<u>1,095</u>	–	<u>33,463</u>	–	<u>927</u>	–
Loss before taxation	<u>(352)</u>	–	<u>(468)</u>	–	<u>(285)</u>	–
Loss before taxation attributable to the Group	<u>(76)</u>	–	<u>(180)</u>	–	<u>(98)</u>	–

Financial position as at 30th June

	鄂州		上海中油 and its subsidiaries		銀川潔能	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Non-current assets	<u>40,686</u>	–	<u>46,951</u>	–	<u>559</u>	–
Current assets	<u>9,377</u>	–	<u>289,536</u>	–	<u>12,383</u>	–
Current liabilities	<u>(8,652)</u>	–	<u>(181,370)</u>	–	<u>(125)</u>	–
Non-current liabilities	–	–	<u>(49,552)</u>	–	–	–
Net assets	<u>41,411</u>	–	<u>105,565</u>	–	<u>12,817</u>	–
Net assets attributable to the Group	<u>8,945</u>	–	<u>40,600</u>	–	<u>4,396</u>	–