Notes to the Financial Statements *(for the year ended 30 June 2005)*

1. CORPORATE INFORMATION

The principal place of business of the Company is located at Room 1818, 18th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

2. RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted the new HKFRSs in the financial statements for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of the new HKFRSs but is not yet in a position to state whether the new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets as further explained in the respective accounting policies below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2005. The results of 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

(a) 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;

(b) interest income, on a time proportion basis, taking into account the principal amount outstanding and the effective interest rates applicable;

(c) rental income, on a time proportion basis over the lease terms; and

(d) proceeds from the sale of trading securities when the relevant sale contract become unconditional.

Leased assets

Leases that transfer substantially all the risks and rewards 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 is 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 are 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 income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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 to the MPF Scheme.

The employees of the Company's subsidiaries operating in the People's Republic of China (the "PRC") participates in the retirement benefits scheme (the "PRC RB Scheme") operated by the local municipal government in Heilongjiang Province, the PRC. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the PRC RB Scheme to fund the benefits. The only obligation of the Group with respect to the PRC RB Scheme is to pay the ongoing required contributions under the PRC RB Scheme. Contributions under the PRC RB Scheme are charged to the income statement as they become payable in accordance with the rules of the PRC RB Scheme.

Share option schemes

The Company operates share option schemes 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 schemes is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the income statement or 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. Share options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding share options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Trade receivables

Trade receivables are recognised and carried at original invoiced amount. 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.

Other assets

Other assets represent land use rights and are stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line basis over the lease terms.

Intangible assets

Intangible assets represent technical know-how and are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost over its estimated useful life of ten years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are available as to use.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and 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 income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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 any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation 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 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.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

Leasehold land and buildings	The shorter of the lease terms and 30 to 50 years
Plant and machinery	10 to 30 years
Leasehold improvements	The shorter of the lease terms and 10 years
Furniture, office equipment and motor vehicles	5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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

Construction in progress represents leasehold buildings and plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of the investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the income statement.

Borrowing costs

All borrowing costs are charged to the income statement in the year in which they are incurred.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but is in a position to exercise significant influence, directly or indirectly, over the joint venture company; or

(d) a long term investment, if the Company has neither joint control of, nor is in a position to exercise significant influence, directly or indirectly, over the joint venture company.

Trading securities

Trading securities are carried at fair value. At each balance sheet date the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

SSAP 30 "Business combinations" was adopted by the Group for its accounting period beginning 1 July 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill on acquisitions, which occurred prior to 1 July 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated income statement and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

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, provide that a realiable 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 income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and term deposits, and 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.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-group transactions during the year.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) 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 they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The Group's business segments are as follows:

Manufacture and sale of:

(a) lubricants;

(b) anti-corrosive coatings;

(c) additives; and

(d) vinyl acetate.

There are no sales (or other transactions) between the business segments.

5. SEGMENT INFORMATION (continued)

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.

(a) Business segments

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

	Manufacture and sale of									
	Lubricants		Anti-corrosive coatings		Additives		Vinyl acetate		Consolidated	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Segment revenue:										
Sales to external customers	380,529	236,667	225,669	168,879	3,949	3,336	83,944	–	694,091	408,882
Segment results	62,651	47,116	51,501	43,026	848	865	13,898	–	128,898	91,007
Unallocated revenue									7,592	382
Unallocated expenses									(14,866)	(6,456)
Profit from operating activities									121,624	84,933
Finance costs									(520)	(310)
Profit before tax									121,104	84,623
Tax									(18,043)	(9,907)
Profit before minority interests									103,061	74,716
Minority interests									(17,311)	(7,916)
Net profit from ordinary activities attributable to shareholders									85,750	66,800

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Manufacture and sale of									
	Lubricants		Anti-corrosive coatings		Additives		Vinyl acetate		Consolidated	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Segment assets	277,152	198,194	128,896	141,427	1,937	2,794	134,859	–	542,844	342,415
Unallocated assets									227,341	123,372
Total assets									770,185	465,787
Segment liabilities	7,833	4,744	4,646	3,385	81	68	5,941	–	18,501	8,197
Unallocated liabilities									66,140	61,064
Total liabilities									84,641	69,261
Other segment information:										
Depreciation	1,972	1,887	1,169	1,347	21	26	858	–	4,020	3,260
Unallocated depreciation									29	240
									4,049	3,500
Amortisation of other assets	216	200	128	143	2	3	–	–	346	346
Capital expenditure	–	6,762	–	4,825	–	95	90,979	–	90,979	11,682
Unallocated capital expenditure									–	759
									90,979	12,441

(b) Geographical segments

All of the Group's revenue, results, assets and liabilities are derived from customers in the PRC and accordingly, no further detailed analysis of the Group's geographical segments is presented.

6. OTHER REVENUE

	Group 2005 HK$'000	2004 HK$'000
Gain on disposal of trading securities	**115**	–
Government grants (note (a))	**1,869**	–
Interest income	**205**	–
Profit sharing income (note (b))	**4,673**	–
Net rental income	**20**	274
Other income	**710**	108
	7,592	382

Notes:

(a) During the year, the government grants have been received for subsidising interest incurred by the Group in relation to loans obtained for the refurbishment of certain factory premises. There are no unfulfilled conditions or contingences attached to the grants.

(b) During the year, the Group entered into a profit sharing agreement with a joint venture partner of a Sino-foreign equity joint venture in relation to the trading of certain vinyl acetatc.

7. PROFIT FROM OPERATING ACTIVITIES

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

	Note	Group 2005 HK$'000	2004 HK$'000
Cost of inventories sold*		**530,445**	297,783
Depreciation*	14	**4,049**	3,500
Amortisation of other assets	15	**346**	346
Minimum lease payments under operating leases for leasehold land and buildings		**1,410**	1,372
Staff costs (excluding directors' remuneration – note 8):			
Wages, salaries and benefits in kind*		**7,438**	3,884
Retirement benefits scheme contributions		**37**	5
Loss on disposal of an investment property		**70**	–
Auditors' remuneration		**600**	500
Provision for bad and doubtful debts		**4,554**	–
Research and development costs expensed for the year**		**789**	798

* Part of the depreciation and staff costs for the year is included in "Cost of sales" on the face of the consolidated income statement.

** The research and development costs expensed for the year are included in "Other operating expenses" on the face of the consolidated income statement.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Fees	**–**	–
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,816**	660
Retirement benefits scheme contributions	**6**	–
	1,822	660

The remuneration, excluding share option benefit, of individual director for the year is as follows:

	Basic salaries, housing benefits, other allowances and benefits in kind		Retirement benefits scheme contributions		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Ms. Chan Yuk Foebe	**1,200**	–	**6**	–	**1,206**	–
Mr. Chu Ki	**–**	–	**–**	–	**–**	–
Mr. Peng Zhanrong	**180**	62	**–**	–	**180**	62
Mr. Wang Hailou	**335**	312	**–**	–	**335**	312
Mr. Ma Wing Yun Bryan #	**25**	25	**–**	–	**25**	25
Mr. Meng Fanxi #	**13**	13	**–**	–	**13**	13
Mr. Yau Chung Hong #	**33**	–	**–**	–	**33**	–
Mr. Wong Kai Tat #	**30**	–	**–**	–	**30**	–
Mr. Wu Chieho Joseph	**–**	120	**–**	–	**–**	120
Mr. Wang Dan Hui	**–**	120	**–**	–	**–**	120
Mr. Feng Jianming #	**–**	8	**–**	–	**–**	8
	1,816	660	**6**	–	**1,822**	660

Independent non-executive directors

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The five highest paid employees during the year included three (2004: three) directors, details of whose remuneration are disclosed above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees, whose remuneration fell within the Nil to HK$1,000,000 band, are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**383**	197
Retirement benefits scheme contributions	**19**	5
	402	202

9. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank loan		
Wholly repayable within five years	**214**	–
Not wholly repayable within five years	**25**	152
Interest on other loans		
Wholly repayable within five years	**250**	50
Not wholly repayable within five years	**31**	81
Interest on finance leases	**–**	27
	520	310

10. TAX

	Group	
	2005	2004
	HK$'000	HK$'000
Current year provision:		
Hong Kong	**–**	–
Elsewhere in the PRC	**18,043**	9,907
Tax charge for the year	**18,043**	9,907

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong in respect of the year (2004: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

According to the Income Tax Law of the PRC, Daqing Black Bird Chemical Co., Ltd. (formerly known as Daqing Black Bird Co., Ltd.) ("Daqing Black Bird"), a subsidiary of the Company, is subject to an income tax rate of 15%, being the preferential tax rate applicable to Daqing Black Bird operating in one of the high and new technology industrial development zones of the PRC.

Mudanjiang Dongbei Chemical Engineering Company Limited ("Mudanjiang Dongbei Chemical"), a subsidiary of the Company, is exempted from the income tax of the PRC for two years starting from the first profitable year of its operations, i.e., from 1 January 2004 to 31 December 2005. Mudanjiang Dongbei Chemical is also entitled to a 50% relief from the income tax of the PRC for the following three years, i.e., from 1 January 2006 to 31 December 2008. Upon expiry of the tax relief period, Mudanjiang Dongbei Chemical will be subject to an income tax rate of 33%.

The provision for income tax of the other subsidiaries operating in the PRC have been calculated at the rate of 33%, based on existing legislation, interpretations and practices in respect thereof.

10. TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

Group

	Hong Kong		The PRC		Total	
	2005	2005	2005	2005	2005	2005
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(13,383)		134,487		121,104	
Tax at the statutory tax rate	(2,342)	17.5	44,382	33.0	42,040	34.7
Preferential statutory tax rate offered	–	–	(21,481)	(16.0)	(21,481)	(17.7)
Income tax exempted	–	–	(6,866)	(5.1)	(6,866)	(5.7)
Income not subject to tax	(50)	0.4	–	–	(50)	–
Expenses not deductible for tax	2,408	(18.0)	2,008	1.5	4,416	3.6
Unrecognised temporary difference	(18)	0.1	–	–	(18)	–
Deferred tax assets in respect of tax losses not recognised	2	–	–	–	2	–
Tax charge at the Group's effective tax rate	–	–	18,043	13.4	18,043	14.9

10. TAX (continued)

	Hong Kong		The PRC		Total	
	2004	2004	2004	2004	2004	2004
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(5,982)		90,605		84,623	
Tax at the statutory tax rate	(1,046)	17.5	29,900	33.0	28,854	34.1
Preferential statutory tax rate offered	–	–	(16,309)	(18.0)	(16,309)	(19.3)
Lower tax rate for tax relief granted	–	–	(3,684)	(4.1)	(3,684)	(4.3)
Income not subject to tax	(19)	0.3	–	–	(19)	(0.1)
Expenses not deductible for tax	937	(15.7)	–	–	937	1.1
Deferred tax assets in respect of tax losses not recognised	128	(2.1)	–	–	128	0.2
Tax charge at the Group's effective tax rate	–	–	9,907	10.9	9,907	11.7

Deferred tax has not been provided as the Group did not have any significant unprovided deferred tax liabilities in respect of the year (2004: Nil).

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 30 June 2005 is dealt with in the financial statements of the Company to the extent of a profit of approximately HK$153,000 (2004: HK$6,872,000).

12. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 30 June 2005 (2004: Nil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of approximately HK$85,750,000 (2004: HK$66,800,000) and the weighted average of 1,351,636,164 (2004: 945,678,689) ordinary shares in issue during the year.

No dilute earnings per share was presented for the year ended 30 June 2005 as there were no potential ordinary shares in existence during the year.

For the year ended 30 June 2004, the calculation of diluted earnings per share was based on the Group's net profit from ordinary activities attributable to shareholders for the year of approximately HK$66,800,000. The weighted average number of ordinary shares used in the calculation was 945,678,689 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 8,549,878 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

The rights issue in the proportion of one rights share for every two shares held by the shareholder on 25 August 2004 has no material effect to the basic and dilute earnings per share for the year ended 30 June 2004.

14. FIXED ASSETS

Group

	Investment property HK$'000	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At 1 July 2004	4,280	44,196	50,777	17,981	3,218	3,584	124,036
Additions	–	44,365	–	34,878	–	1,642	80,885
Disposal	(4,280)	–	–	–	–	(70)	(4,350)
Revaluation	–	4,880	–	–	–	–	4,880
At 30 June 2005	–	93,441	50,777	52,859	3,218	5,156	205,451
Accumulated depreciation:							
At 1 July 2004	–	–	–	6,932	816	2,092	9,840
Provided during the year	–	1,510	–	1,670	315	554	4,049
Disposal	–	–	–	–	–	(70)	(70)
Written back upon revaluation	–	(1,510)	–	–	–	–	(1,510)
At 30 June 2005	–	–	–	8,602	1,131	2,576	12,309
Net book value:							
At 30 June 2005	–	93,441	50,777	44,257	2,087	2,580	193,142
At 30 June 2004	4,280	44,196	50,777	11,049	2,402	1,492	114,196
Analysis of cost or valuation at 30 June 2005:							
At cost	–	–	50,777	52,859	3,218	5,156	112,010
At valuation	–	93,441	–	–	–	–	93,441
	–	93,441	50,777	52,859	3,218	5,156	205,451

The Group's leasehold land and buildings included above are held under medium term leases in the PRC.

14. FIXED ASSETS (continued)

At 30 June 2005, the Group's leasehold land and buildings in the PRC were revalued on an open market, depreciated replacement cost basis by Castores Magi Surveyors Limited ("Castores Magi"), independent professionally qualified valuers, at HK$93,441,000 (2004: HK$44,196,000). The resulting revaluation surplus of approximately HK$6,390,000 (2004: HK$95,000) has been credited to the fixed asset revaluation reserve as set out in the consolidated statement of changes in equity.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$80,322,000 (2004: HK$37,450,000).

15. OTHER ASSETS

Group

	Land use rights HK$'000
Cost:	
At 1 July 2004 and 30 June 2005	**13,832**
Accumulated amortisation:	
At 1 July 2004	**425**
Amortisation provided during the year	**346**
At 30 June 2005	**771**
Net book value:	
At 30 June 2005	**13,061**
At 30 June 2004	**13,407**

The Group is in the process of obtaining land use rights certificates together with the related building ownership certificates for certain of its leasehold land and buildings situated in Daqing, Heilongjiang Province, the PRC. The parcel of land was acquired by the Group with a cash consideration of RMB14,800,000 (equivalent to approximately HK$13,832,000) during the year ended 30 June 2003 and such consideration paid has been classified as other assets while the construction costs incurred by the Group of HK$25,093,000 (2004: HK$25,093,000) for the related buildings have been classified as construction in progress under fixed assets (note 14).

In the opinion of the directors, the Group has obtained the right to use the land and the related improvements legally. Once the Group obtains all of the relevant certificates, the Group will have the right to assign, lease or mortgage the land and its improvements.

16. INTANGIBLE ASSETS

	Technical know-how HK$'000
Cost:	
Additions and at 30 June 2005	10,094
Net book value:	
At 30 June 2005	10,094

During the year, the Group acquired certain technical know-how in relation to the improvement in the production of vinyl acetate at a total consideration of RMB10,800,000 (equivalent to approximately HK$10,094,000) in which the Group acquired a technical know-how from a joint venture partner of a Sino-foreign equity joint venture at a consideration of RMB8,000,000 (equivalent to approximately HK$7,477,000).

No amortisation is provided during the year as the Group has not yet commenced to apply the technical know-how in the production during the year.

17. DEFERRED DEVELOPMENT COSTS

In the opinion of the directors, no amortisation was provided for the year as the products are still at the development stage and are not yet available for use to the Group.

18. DEPOSIT PAID FOR THE ESTABLISHMENT OF PROPOSED JOINT VENTURE

	Group	
	2005 HK$'000	2004 HK$'000
Huludao BoHai Shipping Black Bird Painting Co., Ltd. ("Huludao Subsidiary")	**5,140**	5,140
Mudanjiang Dongbei Chemical	**–**	25,000
	5,140	30,140

18. DEPOSIT PAID FOR THE ESTABLISHMENT OF PROPOSED JOINT VENTURE (continued)

On 20 January 2003, the Group entered into an agreement with an independent third party to establish the Huludao Subsidiary, a Sino-foreign equity joint venture in the PRC (the "Huludao Agreement"). Pursuant to the Huludao Agreement, the Group would have a 65% equity interest in the Huludao Subsidiary. The principal activities of the Huludao Subsidiary are the manufacture and sale of anti-corrosive coatings. The proposed total investment in the Huludao Subsidiary is RMB20,000,000 (equivalent to approximately HK$18,692,000), of which RMB8,000,000 (equivalent to approximately HK$7,477,000) is the proposed registered capital. As at 30 June 2005, the Group had paid HK$5,140,000 as a partial contribution for its commitment, totalling approximately HK$12,149,000, of the proposed total investment of the Huludao Subsidiary. The remaining contribution required from the Group to fulfil the proposed total investment in the Huludao Subsidiary of approximately HK$7,009,000 is disclosed as a capital commitment in note 31(b) to the financial statements.

19. AMOUNT PAID FOR THE ACQUISITION OF FIXED ASSETS AND LAND USE RIGHTS

	Group	
	2005	2004
	HK$'000	HK$'000
Acquisition cost	**73,551**	–

During the year, the Group paid a consideration of RMB78,700,000 (equivalent to approximately HK$73,551,000) to an auctioneer for the acquisition of fixed assets and land use rights of a polyvinyl chloride factory ("PVC Factory"). As at 30 June 2005, the Group are in the process to obtain the legal ownership of the fixed assets and land use rights.

As at 30 June 2005, the Group had a commitment, which was authorised by the directors of the Company but not contracted for, to make a payment of RMB20,000,000 (equivalent to approximately HK$18,692,000) as development funds to an account designated by the 牡丹江市經濟委員會(Mudanjiang City Economic Committee) for use in technological improvements and environmental protection in respect of the operation of the PVC Factory.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**78,234**	78,234
Due from subsidiaries	**233,538**	109,558
	311,772	187,792

The amounts due from subsidiaries are unsecured, interest-free and are not repayable before 30 June 2006.

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries as at the balance sheet date are as follows:

Name	Place of incorporation/ establishment and operations*	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Directly held					
Earlsmead Enterprises Limited ("Earlsmead")	British Virgin Islands ("BVI")	Ordinary US$100	**100**	100	Investment holding
Gold Capture Investments Inc.	BVI	Ordinary US$1	**100**	100	Investment holding
Indirectly held					
Daqing Black Bird	PRC#	RMB5,000,000	**90**	90	Manufacture and sale of petroleum refined products
Mudanjiang Dongbei Chemical	PRC##	RMB110,910,000	**63.11**	–	Manufacture and sale of vinyl acetate
Mudanjiang Dongbei Gaoxin Chemical Co., Ltd. ("Mudanjiang Dongbei Gaoxin")	PRC###	HK$94,000,000	**100**	–	Manufacture and Polyvinyl chloride
Ombudsman Developments Limited	BVI	Ordinary US$1	**100**	100	Inactive
STB Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Inactive

20. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and operations*	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Indirectly held (continued)					
Success Eagle Investment Limited	Hong Kong	Ordinary HK$1	**100**	100	Provision of administrative services
Tsai Hong Properties Limited	BVI	Ordinary US$1	**100**	100	Inactive

* Where different

Daqing Black Bird is a Sino-foreign equity joint venture established in the PRC for an operating period of 15 years commencing from the approval date of 20 August 1997 as stated on its certificate of approval.

Mudanjiang Dongbei Chemical is a Sino-foreign equity joint venture established in the PRC for an operating period of 50 years commencing from the approval date of 27 May 2004 as stated on its certificate of approval.

Mudanjiang Dongbei Gaoxin is a wholly foreign-owned enterprise registered in the PRC for an operating period of 50 years commencing from the approval date of 20 April 2005 as stated on its certificate of approval.

21. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	**84,625**	42,012
Work in progress	**6,494**	–
Finished goods	**34,782**	22,671
	125,901	64,683

None of the inventories was stated at net realisable value as at 30 June 2005 (2004: Nil).

22. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 150 days.

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 30 days	**80,811**	43,787
31 – 60 days	**61,930**	40,957
61 – 90 days	**21,846**	17,102
91 – 120 days	**12,247**	10,311
121 – 365 days	**2**	15,275
Over 365 days	**–**	1,801
	176,836	129,233

Included in the Group's trade receivables as at 30 June 2005 is an amount due from a joint venture partner of the proposed Sino-foreign equity joint venture of approximately HK$10,764,000 (2004: HK$10,167,000), which is repayable on credit terms similar to those offered to other customers of the Group.

23. CASH AND CASH EQUIVALENTS

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$142,867,000 (2004: HK$80,439,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS, SECURED

	Group	
	2005	2004
	HK$'000	HK$'000
Bank loan, secured and repayable:		
Within one year	–	113
In the second year	–	119
In the third to fifth years, inclusive	–	392
Beyond five years	–	2,342
	–	2,966
Other borrowing, secured and repayable:		
Within one year	–	33
In the second year	–	36
In the third to fifth years, inclusive	–	126
Beyond five years	–	941
	–	1,136
	–	4,102
Portion classified as current liabilities	–	(146)
Non-current portion	–	3,956

25. SHORT TERM BORROWING

At 30 June 2005, the loan of the Group was unsecured, interest free and wholly repayable on or before 27 July 2005. The loan was granted by a company which was controlled by a substantial shareholder of the Company. The loan was fully repaid in July 2005.

At 30 June 2004, the loan of the Company and the Group was unsecured, borne monthly interest of HK$50,000 and repaid on 14 September 2004.

26. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers.

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 30 days	**8,173**	3,887
31 – 60 days	**–**	1,336
61 – 90 days	**–**	222
Over 90 days	**25**	257
	8,198	5,702

27. SHARE CAPITAL

Shares

	2005	2004
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
1,449,600,000 (2004: 966,400,000) ordinary shares of HK$0.01 each	**14,496**	9,664

27. SHARE CAPITAL (continued)

Shares (continued)

A summary of the movements in the issued share capital of the Company during the two years ended 30 June 2004 and 2005 is as follows:

	Number of ordinary shares issued	Par value
	'000	HK$'000
At 1 July 2003	873,000	8,730
Bonus issue	44,400	444
Share options exercised	49,000	490
At 30 June 2004 and 1 July 2004	966,400	9,664
Rights issue	483,200	4,832
At 30 June 2005	1,449,600	14,496

On 14 September 2004, the Company issued 483,200,000 ordinary shares of HK$0.01 each at HK$0.3 per share by way of a rights issue in the proportion of one rights share for every two shares held by the shareholders. The net proceed from the rights issue of approximately HK$140,898,000 were used to finance business acquisition and as general working capital of the Group. The rights share rank pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment.

Shares options

Details of the Company's share option schemes and the share options issued thereunder are included in note 28 to the financial statements.

28. SHARE OPTION SCHEMES

Under the Scheme became effective on 18 November 2002 for a period of 10 years the directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of the offer of grant, which must be a business day; and (iii) the nominal value of the shares. The offer for a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and in any event not later than 10 years from the date of grant of share options, subject to the provisions for early termination thereof.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the extraordinary general meeting held on 18 November 2002.

At 30 June 2005, there were 13,000,000 share options granted which remained outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 13,000,000 additional ordinary shares of the Company and additional share capital of HK$130,000 and share premium of HK$5,980,000 (before share issue expenses).

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

28. SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the share option schemes during the year:

	Number of share options							Price of Company's shares	
Grantee	At 1 July 2004	Exercised during the year	Lapsed during the year	At 30 June 2005	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options (note b)	At grant date of options (note c)	At exercise date of options
							HK$	HK$	HK$
Other employee	13,000,000	–	–	13,000,000	1 April 2004	7 April 2004 to 6 April 2007	0.47	0.475	N/A

Notes:

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

b. The exercise price of the share options is subject to adjustment in the case of a rights or bonus issue, or other similar changes in the Company's share capital.

c. The price of the Company's shares disclosed as at the date of the grant of the share options is the average Stock Exchange closing price for the five business days immediately preceding the date of the grant of the share options.

d. The number of shares and the exercise price of the outstanding share options were stated in accordance with the terms of the Company's share option scheme, and the requirements of paragraph 17.03(13) of the Rules Governing the Listing of Securities on the Stock Exchange and clarifications under the supplementary guidance issued by the Stock Exchange on 5 September 2005.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The share premium account of the Group includes (i) the premium arising from the issue of shares; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation for the purpose of the listing of the Company's shares on the Stock Exchange in the prior years, over the nominal value of the shares of the Company issued in exchange therefor.

As further detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill in respect of acquisitions which occurred prior to the Group's accounting period beginning 1 July 2001 to remain credited to the Group's capital reserve. The amount of the negative goodwill remaining credited to the Group's capital reserve arising from the acquisition of a subsidiary in the prior years was HK$106,000 (2004: HK$106,000) as at 30 June 2005.

(b) Company

	Reserves		
	Share premium account	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 July 2003	113,174	28,988	142,162
Net profit for the year	–	6,872	6,872
Bonus issue	(444)	–	(444)
Exercise of share options	12,645	–	12,645
At 30 June 2004 and 1 July 2004	125,375	35,860	161,235
Rights issue	140,128	–	140,128
Rights issue expenses	(4,062)	–	(4,062)
Net profit for the year	–	153	153
At 30 June 2005	261,441	36,013	297,454

29. RESERVES (continued)

(b) Company (continued)

Note:

The share premium account of the Company includes (i) the premium arising from the issue of shares; and (ii) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the group reorganisation referred to in note (a) above, over the nominal value of the shares of the Company issued in exchange therefor.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

During the year, a joint venture partner of a Sino-foreign equity joint venture injected fixed assets totalling HK$38,233,000 as its capital contribution to the Sino-foreign equity joint venture.

(b) Disposal of a subsidiary

	2005	2004
	HK$'000	HK$'000
Net assets disposed		
Fixed assets	–	1,077
Investment in a club membership	–	650
Prepayments, deposits and other receivables	–	380
Cash and bank balances	–	112
Finance lease payables	–	(771)
	–	1,448
Loss on disposal of a subsidiary	–	(1,438)
Cash consideration	–	10
Cash and bank balances disposed	–	(112)
Net cash outflow on disposal	–	(102)

The subsidiary did not have a significant contribution to the Group's results or cash flows for the year ended 30 June 2004.

31. COMMITMENTS

(a) Commitments under operating leases

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings ranging from one to ten years.

At 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases for leasehold land and buildings falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**1,358**	1,410
In the second to fifth years, inclusive	**4,486**	5,844
Beyond five years	**2,617**	2,617
	8,461	9,871

The Company did not have any operating lease arrangements as at 30 June 2005 (2004: Nil).

(b) Capital commitments

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted, but not provided for:		
(i) Leasehold buildings and plant under construction	**79,159**	3,738
(ii) Contributions to the PRC joint ventures	**7,009**	29,628
(iii) Development costs	**1,963**	1,963
	88,131	35,329

The Company did not have any capital commitments as at 30 June 2005 (2004: Nil).

31. COMMITMENTS (continued)

(c) Other commitments

Save as disclosed in note 19 to the financial statements, the Group and the Company did not have any other commitements as at 30 June 2005 (2004: Nil).

32. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 6, 16 and 25 in the financial statements, the Group has no other significant related party transactions during the year.

33. POST BALANCE SHEET EVENTS

In addition to those disclosed elsewhere in the financial statements, the Group has the following significant post balance sheet events:

On 22 June 2005, Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange, being the ultimate holding company of Master Oriental Limited ("Master Oriental"), a substantial shareholder of the Company, and the Company jointly announced that, pursuant to a subscription agreement, Master Oriental would subscribe for 214,810,000 new shares of the Company of HK$0.01 each at a subscription price of HK$0.455 each (the "Subscription"). The Subscription was completed on 4 July 2005.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 October 2005.