

Notes:

1. Basis of preparation

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

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005, except as described below:

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

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtain services in exchange for shares or right over shares ("equity-settled transactions"), or in exchange for other assets equivalents in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. The Group had no share options granted after 7 November 2002 and had not yet vested on 1 April 2005, and accordingly, no retrospective restatement is required.

Owner-occupied leasehold interest in land

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

3. Segment information

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

The Group's operating businesses are classified as follows:

- (a) Electronic products segment engages in the subcontracting, manufacture and sale of electronic products;
- (b) City water supply segment engages in the provision of water supply service; and
- (c) Sewage treatment segment engages in the provision of water treatment service.

(a) Business segments

The following table presents revenue and result for the Group's business segments:

	Electronic products Six months ended 30 September		City water supply Six months ended 30 September		Sewage treatment Six months ended 30 September		Consolidated Six months ended 30 September	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Segment revenue:								
Sales to external customers	5,317	21,880	6,871	5,980	4,489	1,586	16,677	29,446
Other revenue	1,260	99	3,010	-	-	-	4,270	99
Total	6,577	21,979	9,881	5,980	4,489	1,586	20,947	29,545
Segment result:	537	(1,258)	3,249	1,161	4,967	382	8,753	285
Interest income							3	-
Unallocated incomes							1,287	-
Unallocated expenses							(7,736)	(3,255)
Profit/(Loss) from operations							2,307	(2,970)
Finance costs							(1,486)	(1,433)
Share of result of associates							-	(3,793)
Profit/(Loss) before taxation							821	(8,196)
Taxation							2,264	-
Profit/(Loss) for the period							3,085	(8,196)

(b) Geographical segments

The following table presents revenue and result for the Group's geographical segments:

	Asia Six months ended 30 September		Europe Six months ended 30 September		North and South America Six months ended 30 September		Consolidated Six months ended 30 September	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Segment revenue: Sales to external customers	<u>16,677</u>	14,434	<u>-</u>	6,805	<u>-</u>	8,207	<u>16,677</u>	<u>29,446</u>

4. Profit/(Loss) from operations

Profit/(Loss) from operations is arrived at after charging:

	Six months ended 30 September	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Cost of inventories sold	<u>11,160</u>	22,682
Depreciation and amortisation of property, plant and equipment	<u>2,231</u>	<u>5,189</u>

5. Finance costs

	Six months ended 30 September	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<u>863</u>	270
Interest on other loans	<u>435</u>	478
Interest in promissory notes and convertible note	<u>188</u>	<u>685</u>
	<u>1,486</u>	<u>1,433</u>

6. Taxation

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Group had no assessable profits for the period (30 September 2004: nil). Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. No provision for PRC Profits Tax has been made by the Group as those subsidiaries operating in the PRC were entitled to tax exemptions for the period (30 September 2004: nil).

7. Earning/(Loss) per ordinary share

The calculation of basic earnings per ordinary share for the six months ended 30 September 2005 is based on the profit attributable to equity holders of the Company of HK\$373,000 and on the weighted average of 512,074,303 ordinary shares in issue during the period. The calculation of loss per ordinary share for the six months ended 30 September 2004 is based on the loss attributable to equity holders of the Company of HK\$8,189,000 and on the weighted average of 320,430,504 ordinary shares in issue during the period.

No diluted earning/loss per ordinary share has been presented for both periods as the exercise prices of the Company's share options were higher than the average market price per share for the six months ended 30 September 2005 and no potential ordinary shares were outstanding during the six months ended 30 September 2004.

8. Trade receivables

An analysis of the aging of the Group's trade receivables, based on invoice date, is as follows:

	30 September 2005 (unaudited) HK\$'000	As at 31 March 2005 (audited) HK\$'000
Current to 90 days	3,337	2,272
91 to 180 days	1,835	1,552
Over 181 days	5,329	2,674
	10,501	6,498

The Group has a policy of allowing trade customers with credit period normally 30 days.

9. Trade payables

An analysis of the aging of the Group's trade payable, based on invoiced date, is as follows:

	30 September 2005 (unaudited) HK\$'000	As at 31 March 2005 (audited) HK\$'000
Current to 90 days	2,378	44
91 to 180 days	557	70
Over 181 days	2,426	1,317
	5,361	1,431

10. Share capital

	Number of shares '000	Value HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2004 and 30 September 2005	20,000,000	200,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 1 April 2004	292,028	2,920
Open offer	146,014	1,460
Ordinary shares of HK\$0.01 each at 30 September 2004	438,042	4,380
Share issued upon conversion of convertible note	13,260	133
Placing and subscription of shares	30,000	300
Ordinary shares of HK\$0.01 each at 31 March 2005	481,302	4,813
Placing and subscription of shares (i)	57,600	576
Ordinary shares of HK\$0.01 each at 30 September 2005	538,902	5,389

During the six months ended 30 September 2005, the movements in share capital are as follows:

- (i) On 4 April 2005, a substantial shareholder of the Company entered into a placing agreement with an independent placing agent for the placement of 57,600,000 ordinary shares of the Company owned by the substantial shareholder at a price of HK\$0.50 per share. Pursuant to a subscription agreement on the same date, the substantial shareholder has agreed to subscribe for 57,600,000 new ordinary shares of the Company at a price of HK\$0.50 per share. The placement of shares raised total consideration, before expenses of approximately HK\$28,800,000.

11. Pledge of assets

As at 30 September 2005, properties owned by Renhau County in the PRC and the water supply rights held by a subsidiary were pledged to a bank to secure banking facilities for the Group.

12. Litigation

During the period, neither the Company nor other members of the Group had any outstanding litigation or arbitration of material importance and the Directors had no knowledge of any pending or threatened litigation or claims of material importance against any member of the Group.

13. Capital Commitments

At the balance sheet date, the Group was committed to the payment of approximately HK\$41 million (2004: HK\$7 million) for the capital injections in companies engaged in city water supply business in the PRC.

14. Contingent liabilities

As at 30 September 2004 and 2005, the Group has no material contingent liabilities.

15. Post balance sheet events

The details of the significant post balance sheet events of the Group are set out below:

- (i) On 13 December 2005, the Company and a subsidiary of the Company entered into agreements with independent third parties to acquire the entire equity interest of Wannian County Da Gang Qiao Water Supply Company Limited ("Wannian Water Supply"), a company established in the PRC and principally engages in the water supply business in Wannian County, Jiangxi Province, the PRC, at a total cash consideration of approximately RMB3.9 million. Following the completion of the agreements, the Group will have an effective interest of approximately 90% in Wannian Water Supply. The acquisition of Wannian Water Supply constitutes a discloseable transaction of the Company under the Listing Rules. Details of the transaction are contained in a press announcement dated 14 December 2005.