Notes to the Financial Statements

For the year ended 31 March 2006

1. CORPORATE INFORMATION

The Company was previously incorporated in the Cayman Islands as an exempted company under the Cayman Islands Companies Law with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed by the equity holders in an extraordinary general meeting held on 9 June 2003 and approved by the Registrars of Companies in the Cayman Islands and Bermuda on 9 July 2003, the Company de-registered from the Cayman Islands under Section 226 of the Companies Law and re-domiciled in Bermuda under Section 132C of the Companies Act 1981 of Bermuda as an exempted company.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Company's principal place of business is Room 2606, 26th Floor, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements.

The financial statements on pages 22 to 89 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 April 2005, the Group has adopted the new or revised standards and interpretations of HKFRS which are relevant to its operations. This includes the following new, revised and renamed standards :

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments : Disclosure and Presentation

Notes to the Financial Statements

For the year ended 31 March 2006

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments : Recognition and Measurement
HKAS 41	Agriculture
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-15	Operating Leases – Incentives

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements of the Group for the year ended 31 March 2005.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes :

2.1 Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company are now presented as an allocation of the net result of the year. In addition, in previous years, the Group's share of tax attributable to an associate was included as a component of the Group's taxation charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of an associate is presented net of the Group's share of tax attributable to an associate.

2.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.3 Adoption of HKAS 36, HKAS 38 and HKFRS 3

Previously, goodwill arising on acquisition prior to 1 April 2001 was remained eliminated against reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

In respect of goodwill previously eliminated against or credited to reserves, HKFRS 3 does not require entities to recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserves.

2.4 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 April 2005, the Group did not recognise the financial effect of share options until they were exercised.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and its subsidiaries and other parties, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is a cash settled share-based payment.

According to the transitional provisions of HKFRS 2, the Group applies HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not vested on 1 April 2005.

The adoption of this standard did not result in any significant changes to the amounts or disclosures in the 2005 financial statements as the share options outstanding at 31 March 2005 were granted after 7 November 2002 and vested before 1 April 2005.

2.5 Adoption of HKAS 32 and HKAS 39

Previously, convertible note was recognised as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into liability and equity compounds on initial recognition and to account for these components separately. The liability component is subsequently measured at amortised cost using the effective interest method. HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively.

The comparative figures have not been restated as the interest rate of the convertible note of the Company in previous years approximated the market interest rate for a similar financial instrument without the conversion option.

Prior to the adoption of HKAS 39, the Group has recorded its short term investment at fair values with changes in value being recognised in the income statement as they arise and its long term investment at cost less any impairment losses, respectively.

Notes to the Financial Statements

For the year ended 31 March 2006

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.5 Adoption of HKAS 32 and HKAS 39 (Continued)

On the adoption of HKAS 39, the Group classified its short term investments and long term investments as available-for-sale financial assets and measured them at fair value, except for those that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Alternatively, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of retained earnings on 1 April 2005 and the comparative figures have not been restated.

2.6 Other standards adopted

The adoption of other new/revised HKFRS did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any significant changes to the amounts or disclosures in these financial statements and the 2005 financial statements.

2.7 The effect of changes in the accounting policies on consolidated income statement is summarised below:

	HKFRS 2#
	HK$'000
Year ended 31 March 2006	
Increase in equity-settled share options expenses	**30,532**
Total decrease in profit	**(30,532)**
	HK cents
Increase in loss per share	
– Basic	**(5)**

adjustment which take effect prospectively from 1 April 2005.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.8 The effect of changes in the accounting policies on consolidated balance sheet is summarised below:

	HKAS 17*	HKAS 39#	Total
	HK$'000	HK$'000	HK$'000
At 31 March 2006			
Increase/(decrease) in equity			
Share option reserve	**–**	**26,242**	**26,242**
Accumulated losses	**–**	**(30,532)**	**(30,532)**
Share premium	**–**	**4,290**	**4,290**
Increase/(decrease) in assets			
Property, plant and equipment	**(3,875)**	**–**	**(3,875)**
Prepaid land lease payments	**3,875**	**–**	**3,875**
At 31 March 2005			
Increase/(decrease) in assets			
Property, plant and equipment	(1,012)	–	(1,012)
Prepaid land lease payments	1,012	–	1,012
Long term investment	–	–	–
Short term investment	–	–	–
Available-for-sale financial assets	–	–	–

adjustments which take effect prospectively from 1 April 2005.

* adjustments which take effect retrospectively.

Notes to the Financial Statements

For the year ended 31 March 2006

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.9 New Standards or interpretations that have been issued but are not yet effective:

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1 & HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – Int 8	Scope of HKFRS 2[5]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007.

2 Effective for annual periods beginning on or after 1 January 2006.

3 Effective for annual periods beginning on or after 1 December 2005.

4 Effective for annual periods beginning on or after 1 March 2006.

5 Effective for annual periods beginning on or after 1 May 2006.

6 Effective for annual periods beginning on or after 1 June 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

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

Minority interest represent the interests of outside equity holders in the operating results and net assets of subsidiaries.

3.3 Subsidiaries

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. Investment in associates is initially recognised at cost and subsequently accounted for using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) or fair value adjustment attributable to the share in the associates identified on acquisition.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interests in the associate (including any other unsecured receivables), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

In the consolidated financial statements, all separate financial statements of subsidiaries and associates, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the balance sheet date. Income and expenses have been converted into HK$ at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange fluctuation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into HK$ at the closing rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Income and expense recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, provided that the Group maintains neither managerial involvement to the degree usually associated with the ownership, nor effective control over the goods sold;

(ii) Revenue from subcontracting services is recognised when the services are performed;

(iii) Revenue arising from water supply is recognised based on water supplied as recorded by meters read during the year;

(iv) Revenue from sewage treatment is recognised according to price and capacity as agreed with the environmental authority in the People's Republic of China (the "PRC");

(v) Water supply related installation and construction income is recognised when services are rendered and income can be measured reliably;

(vi) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3.7 Biological assets

Biological assets represent seedlings which are stated at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on market prices of seedlings of similar age, breed and genetic merit and with reference to the most recent market transaction prices. Gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs, or from a change in the fair value less estimated point-of-sale costs of the biological assets is included in the income statements for the period in which it arises.

3.8 Goodwill

Goodwill arising on acquisition prior to 1 April 2005

Goodwill arising on acquisition of subsidiaries or associates for which the agreement date is before 1 April 2005 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the relevant subsidiaries or associates at the date of acquisition. Previously, goodwill arising on acquisition prior to 1 April 2001 was eliminated against the consolidated reserve in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates become impaired.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Goodwill (Continued)

Goodwill arising on acquisition on or after 1 April 2005

Goodwill arising on acquisition of subsidiaries or associates for which the agreement date is on or after 1 April 2005 represents the excess of the cost of acquisition over the fair value of the Group's interest in fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries or associates at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

On subsequent disposal of subsidiaries or associates, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries is recognised immediately in the income statement.

3.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Changes in the value of property, plant and equipment are dealt with as movements in the property, plant and equipment revaluation reserve. If the total of the reserve is insufficient to cover a deficit, on an individual 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs or valuation less their residual values over their estimated useful lives, as follows:

Leasehold buildings	50 years or over the lease term, whichever is shorter
Leasehold improvements	5 years or over the lease term, whichever is shorter
Plant and machineries	6 to 15 years
Water pipelines	10 to 20 years
Moulds	4 to 6 years
Furniture, equipment and motor vehicles	5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment (Continued)

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents leasehold buildings, plant and machineries and water pipelines under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.10 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term.

3.11 Impairment of assets

Goodwill, property, plant and equipment, prepaid land lease payments and interests in subsidiaries and associates are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Operating leases

As the lessee

Leases where substantially all the rewards and risks of ownership of leased assets remain with the lessor are accounted for as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

3.13 Financial assets

Prior to 1 April 2005, the Group classified its investments in securities, other than subsidiaries, as long term investment and short term investment.

(i) Long term investment

Long term investments, which are non-trading investments in unlisted equity securities intended to be held on a long term basis, are stated at cost less any impairment losses, on an individual investment basis.

(ii) Short term investment

Short term investments are investments in securities held for trading/resale purposes and are stated at their fair values, as estimated by the directors, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

From 1 April 2005 onwards, the Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and loans and receivables. Management determines the classification of its financial assets at initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, reclassified this designation at every reporting date.

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

(iii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. Any changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Accounting for income taxes (Continued)

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. No deferred taxes are recognised on temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term bank deposits.

3.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits), to the extent they are incidental costs directly attributable to the equity transaction.

3.18 Employee benefits

(i) Retirement benefit obligations

The Group contributes to a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance which are available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees' basic salaries. The retirement benefit scheme cost charged to income statement represents contributions payable by the Group to the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits (Continued)

(ii) Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in income statement with a corresponding credit to equity share option reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.19 Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Financial lease liabilities are measured at initial value less the capital element of lease repayments.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Group; or
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate or a jointly-controlled entity;

(iii) the party is a member of the key management personnel of the Group or its parent;

(iv) the party is a close member of the family or any individual referred to in (i) or (iii);

(v) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iii) or (iv); or

(vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement on a straight line basis over the expected lives of the related assets.

3.22 Convertible bond

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

3.24 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates the property, plant and equipment in accordance with the accounting policy stated in note 3.9. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. The management of the Group reassesses the impairment of receivables at the balance sheet date.

(iii) Impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below carrying value is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the management of the Group takes into account factors such as industry and sector performance and financial information regarding the investee.

(iv) Valuation for biological assets

The Group's management determines the fair values less estimated point-of-sale costs of biological assets on initial recognition and at each balance sheet date. These estimates are based on the current market condition, the knowledge and experience of the Group's management.

Notes to the Financial Statements

For the year ended 31 March 2006

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and services rendered. Revenue recognised during the year is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Revenue:		
Sales of goods	**18,777**	8,185
Subcontracting income	**–**	27,635
Water supply	**15,042**	3,360
Water supply related installation and construction revenue	**9,303**	3,327
Sewage treatment	**9,125**	5,960
Others	**654**	–
	52,901	48,467
Other income:		
Excess over cost of a business combination recognised in the income statement (note 30(a))	**1,154**	–
Interest income	**1,378**	8
Gain on disposal of property, plant and equipment	**–**	1,701
Fair value gain on financial assets at fair value through profit or loss	**410**	–
Miscellaneous income	**1,575**	666
	4,517	2,375

6. SEGMENT INFORMATION

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

(i) "Electronic" segment, which is presented as "electronic products" segment and "electronic component" segment, involves the manufacture and trading of electronics product and component;

(ii) "Water" segment, which is presented as "city water supply" and "sewage treatment" segment, involves the provision of water supply and sewage treatment;

6. SEGMENT INFORMATION (Continued)

(iii) "Sea buckthorn related business" segment involves cultivation, manufacture and sale of sea buckthorn seedling and sea buckthorn based products; and

(iv) "Concrete products and others" segment involves manufacture and sale of concrete products and others.

The Group has determined that business segment is presented as the primary reporting format and geographical as the secondary reporting format. In determining the Group's geographical segments, revenue and results are attributable to the segment based on the location of customers, and assets are attributed to the segments based on the location of the assets.

Business segments

For the financial year ended 31 March 2006

	Electronic products HK$'000	City water supply HK$'000	Sewage treatment HK$'000	Sea buckthorn related business HK$'000	Concrete products and others HK$'000	Consolidated HK$'000
Segment revenue						
External customers	5,970	15,042	9,125	6,088	7,373	43,598
Installation income	–	9,303	–	–	–	9,303
Revenue	5,970	24,345	9,125	6,088	7,373	52,901
Other revenue and gain	351	309	8	20,638	2	21,308
Total	6,321	24,654	9,133	26,726	7,375	74,209
Segment results	(4,858)	5,937	5,175	16,858	175	23,287
Interest income						1,378
Unallocated corporate income						2,282
Equity-settled share options expenses						(30,532)
Unallocated corporate expense						(20,305)
Gain on disposal of subsidiaries						3,017
Write-back of impairment loss on property, plant and equipment						2,740
Loss from operating activities						(18,133)
Finance costs						(2,120)
Loss before taxation						(20,253)
Taxation						(4,757)
Loss for the year						(25,010)

Notes to the Financial Statements

For the year ended 31 March 2006

6. SEGMENT INFORMATION (Continued)

Business segments (Continued)

As at 31 March 2006

	Electronic products HK$'000	City water supply HK$'000	Sewage treatment HK$'000	Sea buckthorn related business HK$'000	Concrete products and others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	2,808	252,569	21,101	70,456	23,207	370,141
Unallocated corporate assets						160,323
Consolidated total assets						530,464
LIABILITIES						
Segment liabilities	4,796	149,621	–	26,595	4,359	185,371
Unallocated corporate liabilities						5,904
Consolidated total liabilities						191,275
Other segment information						
Depreciation and amortisation	748	3,472	1,974	287	311	6,792
Capital expenditure	105	136,236	346	8,071	17,788	162,546
Impairment loss on property, plant and equipment	163	–	–	–	–	163
Loss on disposal of property, plant and equipment	1,137	7	174	–	–	1,318
Write-back of impairment loss on property, plant and equipment	–	(2,740)	–	–	–	(2,740)

Notes to the Financial Statements

For the year ended 31 March 2006

6. SEGMENT INFORMATION (Continued)

Business segments (Continued)

For the financial year ended 31 March 2005

	Electronic products HK$'000	City water supply HK$'000	Sewage treatment HK$'000	Consolidated HK$'000
Segment revenue				
External customers – revenue	35,820	6,687	5,960	48,467
Installation income	–	198	–	198
Other revenue and gain	2,068	4	22	2,094
Total	37,888	6,889	5,982	50,759
Segment results	(5,573)	(3,237)	3,500	(5,310)
Interest income				8
Impairment loss on short term investment				(3,517)
Unallocated corporate income				75
Unallocated corporate expense				(6,425)
Loss from operating activities				(15,169)
Finance costs				(2,998)
Share of losses of associates				(3,292)
Impairment loss on interests in associates				(5,650)
Loss on deemed partial disposal of interests in associates				(2,693)
Loss before taxation				(29,802)
Taxation				(1,185)
Loss for the year				(30,987)

Notes to the Financial Statements

For the year ended 31 March 2006

6. SEGMENT INFORMATION (Continued)

Business segments (Continued)

As at 31 March 2005

	Electronic products HK$'000	Electronic component HK$'000	City water supply HK$'000	Sewage treatment HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	15,267	–	34,538	39,854	89,659
Interests in associates	–	1,200	–	–	1,200
Unallocated corporate assets					20,786
Consolidated total assets					111,645
LIABILITIES					
Segment liabilities	1,372	–	6,108	15,933	23,413
Unallocated corporate liabilities					45,706
Consolidated total liabilities					69,119
Other segment information					
Depreciation and amortisation	5,525	–	2,074	1,298	8,897
Capital expenditure	494	–	8,578	171	9,243
Impairment loss on property, plant and equipment	–	–	2,740	–	2,740
Loss on disposal of property, plant and equipment	1,078	–	–	–	1,078
Impairment loss on prepayments	1,002	–	–	–	1,002

6. SEGMENT INFORMATION (Continued)

Geographical segments

	Asia		Europe		North and South Americas		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment revenue								
Sales to external customer	**43,598**	25,184	**–**	8,350	**–**	14,933	**43,598**	48,467
Installation income	**9,303**	–	**–**	–	**–**	–	**9,303**	–
Total	**52,901**	25,184	**–**	8,350	**–**	14,933	**52,901**	48,467
Segment results	**23,287**	(1,688)	**–**	(507)	**–**	(3,115)	**23,287**	(5,310)
Other segment information								
Segment assets	**530,464**	111,174	**–**	–	**–**	471	**530,464**	111,645
Capital expenditure	**162,546**	9,243	**–**	–	**–**	–	**162,546**	9,243

7. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging/(crediting):

	Group	
	2006 HK$'000	2005 HK$'000
Cost of inventories sold and services rendered	**31,178**	44,732
Depreciation	**6,710**	8,890
Amortisation of prepaid land lease payments	**82**	7
Operating leases in respect of leasehold land and buildings	**1,375**	2,536
Auditors' remuneration	**850**	650
Staff costs (excluding directors' remuneration - note 12) :		
Salaries and wages	**11,555**	14,909
Equity-settled share options expenses	**25,955**	-
Retirement scheme contribution	**248**	309
	37,758	15,218
Exchange losses, net	**188**	13
Impairment loss on property, plant and equipment	**163**	2,740
Loss on disposal of property, plant and equipment	**1,318**	1,078
Write-back of impairment loss on property, plant and equipment	**(2,740)**	–
Impairment loss on prepayments	**–**	1,002
Excess over the cost of a business combination recognised in the income statement	**(1,154)**	–

Notes to the Financial Statements

For the year ended 31 March 2006

8. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**1,559**	552
Interest on other borrowings	**353**	1,089
Interest on promissory notes and convertible note	**188**	1,357
Interest on finance leases	**20**	–
	2,120	2,998

9. TAXATION

(a) Taxation in the income statement represents:

	Group	
	2006	2005
	HK$'000	HK$'000
Current year		
– Hong Kong profits tax	**–**	53
– Overseas taxation	**4,757**	1,132
	4,757	1,185

Hong Kong profits tax is provided at 17.5% (2005: 17.5%) based on the assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. TAXATION (Continued)

(b) The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Loss before taxation	**(20,253)**	(29,802)
Tax at applicable rate of 17.5%	**(3,544)**	(5,215)
Tax effect of non-taxable items	**(2,313)**	(5,145)
Tax effect of non-deductible items	**9,843**	9,730
Utilisation of tax losses not previously recognised	**(20)**	(69)
Tax effect of unused tax losses	**2,408**	229
Tax concession	**(5,318)**	(133)
Tax effect of temporary differences unrecognised	**–**	1,255
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,701**	533
Tax expense for the year	**4,757**	1,185

(c) At the balance sheet date, the Group has unused tax losses of HK$11,970,000 (2005: HK$4,132,000) available for offsetting against future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders includes a loss of HK$45,838,000 (2005: HK$35,538,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$38,590,000 (2005: HK$29,269,000), and the weighted average number of 572,500,795 (2005: 394,258,257) ordinary shares in issue during the year.

The diluted loss per share for the year ended 31 March 2005 and 2006 was not presented as there were no potential dilutive ordinary shares.

Notes to the Financial Statements

For the year ended 31 March 2006

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors emoluments

	Fee	Salaries, allowances and other benefits	Bonuses	Employee share option benefits	Retirement scheme contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006						
Executive directors						
Mr. Duan Chuan Liang	–	1,066	–	11,428	12	12,506
Mr. Chen Guo Ru#	–	94	–	376	–	470
Mr. Tsui Chi Kin*	–	650	–	–	10	660
Non-executive directors						
Mr. Zhao Hai Hu	–	216	–	235	–	451
Mr. Chiu Shun Pui, Andrew	–	–	–	235	–	235
Mr. Zhou Wen Zhi	–	174	–	94	–	268
Mr. Wu Jiesi#	–	10	–	3,504	–	3,514
Independent non-executive directors						
Mr. Chen Lizhong	72	–	–	–	–	72
Ms. Huang Shao Yun	24	–	–	–	–	24
Mr. Chan Chi Shing	96	–	–	–	–	96
	192	**2,210**	**–**	**15,872**	**22**	**18,296**
2005						
Executive directors						
Mr. Duan Chuan Liang	–	973	–	–	13	986
Mr. Tsui Chi Kin	–	840	–	–	12	852
Non-executive directors						
Mr. Zhao Hai Hu	–	222	–	–	–	222
Mr. Chiu Shun Pui, Andrew	–	–	–	–	–	–
Mr. Zhou Wen Zhi	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chen Lizhong	72	–	–	–	–	72
Ms. Huang Shao Yun	24	–	–	–	–	24
Mr. Chan Chi Shing	48	–	–	–	–	48
	144	2,035	–	–	25	2,204

Appointed during the year

* Resigned during the year

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

(a) Directors emoluments (Continued)

There is no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 March 2006 and 2005.

Details of the share options granted to directors of the Company during the year are set out in the note 28 to the financial statements.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2005: three directors), details of whose emoluments have been disclosed in note (a) above. The emoluments paid to the remaining non-directors, highest paid individuals for the year are as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries, allowances and other benefits	**982**	1,010
Employee share-based compensation expenses	**3,612**	–
Retirement scheme contribution	**12**	24
	4,606	1,034

The number of the remaining highest paid individuals whose enrolments fell within the following band is as follows:

	2006	2005
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	–

During the years ended 31 March 2006 and 2005, no emoluments were paid by the Group to the directors and the highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

For the year ended 31 March 2006

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Water pipelines HK$'000	Moulds HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Restated Total HK$'000
At 1 April 2004								
Cost or valuation	2,318	5,912	15,670	18,364	15,957	318	3,279	61,818
Accumulated depreciation	(348)	(888)	(1,587)	(460)	(1,639)	(68)	–	(4,990)
Net book amount	1,970	5,024	14,083	17,904	14,318	250	3,279	56,828
Year ended 31 March 2005								
Opening net book amount	1,970	5,024	14,083	17,904	14,318	250	3,279	56,828
Additions	229	–	2,136	79	233	261	5,286	8,224
Acquisition of a subsidiary	4,506	–	24,184	–	–	189	–	28,879
Disposals	–	–	(7,661)	–	(1,562)	(304)	(348)	(9,875)
Transfers	–	–	–	3,638	–	–	(3,638)	–
Distribution (note (a))	(1,507)	(3,830)	–	–	–	(139)	–	(5,476)
Impairment	–	–	(2,204)	(536)	(8,035)	–	–	(10,775)
Depreciation	(619)	(1,184)	(3,891)	(1,078)	(1,974)	(144)	–	(8,890)
Closing net book amount	4,579	10	26,647	20,007	2,980	113	4,579	58,915
At 31 March 2005								
Cost or valuation	4,888	20	32,449	22,081	14,628	225	4,579	78,870
Accumulated depreciation	(309)	(10)	(3,598)	(1,538)	(3,613)	(112)	–	(9,180)
Accumulated impairment	–	–	(2,204)	(536)	(8,035)	–	–	(10,775)
Net book amount	4,579	10	26,647	20,007	2,980	113	4,579	58,915
Year ended 31 March 2006								
Opening net book amount	4,579	10	26,647	20,007	2,980	113	4,579	58,915
Additions	21,258	6,902	75,967	34,946	87	8,807	14,579	162,546
Acquisition of subsidiaries	3,274	1,030	1,525	11,511	–	1,444	14,644	33,428
Disposals	–	–	(6)	–	(1,093)	(48)	(174)	(1,321)
Transfers	1,061	–	3,863	13,433	–	–	(18,357)	–
Disposal of subsidiaries	(4,196)	(33)	(21,917)	–	–	(161)	–	(26,307)
Impairment eliminated against revaluation reserve	–	–	–	–	(1,298)	–	–	(1,298)
(Impairment)/Write-back of impairment	–	–	2,204	536	–	(163)	–	2,577
Depreciation	(523)	(6)	(3,812)	(1,215)	(687)	(467)	–	(6,710)
Exchange realignment	88	–	568	396	11	8	87	1,158
Closing net book amount	**25,541**	**7,903**	**85,039**	**79,614**	**–**	**9,533**	**15,358**	**222,988**
At 31 March 2006								
Cost	27,691	8,106	89,099	87,546	579	10,420	15,358	238,799
Accumulated depreciation	(2,150)	(203)	(4,060)	(7,932)	(579)	(724)	–	(15,648)
Accumulated impairment	–	–	–	–	–	(163)	–	(163)
Net book amount	**25,541**	**7,903**	**85,039**	**79,614**	**–**	**9,533**	**15,358**	**222,988**

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of the cost or valuation at 31 March 2005 of the above assets is as follows:

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Water pipelines HK$'000	Moulds HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 March 2005								
At cost	4,888	20	32,449	22,081	2,646	154	4,579	66,817
At valuation	–	–	–	–	11,982	71	–	12,053
	4,888	20	32,449	22,081	14,628	225	4,579	78,870

Company

	Furniture, equipment and motor vehicles HK$'000
Year ended 31 March 2006	
Additions	1,117
Depreciation	(37)
Closing net book amount	**1,080**
At 31 March 2006	
Cost	1,117
Accumulated depreciation	(37)
Net book amount	**1,080**

Notes to the Financial Statements

For the year ended 31 March 2006

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Property, plant and equipment of a 55% owned subsidiary incorporated in the British Virgins Islands ("BVI") were distributed to its equity holders on 31 March 2005 in proportionate ratio of respective shareholdings.

(b) The Group's leasehold buildings included above are held under medium term leases in the PRC.

(c) The net book amount of the Group's property, plant and equipment held under finance lease included in the total amount of furniture, equipment and motor vehicles at 31 March 2006 amounted to HK$1,049,000.

(d) Certain of the Group's moulds were revalued at 31 March 2004 by Grant Sherman Appraisal Limited, based on their fair market value of continued use, at RMB14,107,000 (equivalent to HK$13,310,000). During the year ended 31 March 2005, an impairment loss on revalued moulds of approximately HK$8,035,000 was recognised and eliminated against property, plant and equipment revaluation reserve. During the year ended 31 March 2006, further impairment loss of approximately HK$1,298,000 was recognised and eliminated against property, plant and equipment revaluation reserve.

14. PREPAID LAND LEASE PAYMENTS – GROUP

	2006 **HK$'000**	2005 HK$'000 (Restated)
At beginning of the year		
Cost	**1,019**	–
Accumulated amortisation	**(7)**	–
Net book amount	**1,012**	–
For the year ended		
Opening net book value	**1,012**	–
Acquisition of subsidiaries	**2,927**	–
Additions	**–**	1,019
Amortisation	**(82)**	(7)
Exchange realignment	**18**	–
Net book amount	**3,875**	1,012
At end of the year		
Cost	**3,964**	1,019
Accumulated amortisation	**(89)**	(7)
Net book amount	**3,875**	1,012

The Group's prepaid land lease payments represent up-front payments to acquire long term interest in the usage of land situated in the PRC, which are held under medium term leases.

Notes to the Financial Statements

For the year ended 31 March 2006

15. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**135,237**	95,229
Less: Provision for impairment	**(77,800)**	(77,800)
	57,437	17,429
Non-current portion included under non-current assets (Note)	**–**	9,770
	57,437	27,199

Note:

Due from subsidiaries	**480,632**	444,370
Less: Provision for impairment	**(434,600)**	(434,600)
	46,032	9,770
Less: Portion due within one year included under current assets	**(46,032)**	–
Non-current portion included under non-current assets	**–**	9,770

Notes to the Financial Statements
For the year ended 31 March 2006

15. INTERESTS IN SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries at 31 March 2006 are as follows:

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Held directly:				
Cedar Base (BVI) Limited	BVI	200 shares of US$1 each	100%	Investment holding
Superwise Business Limited	BVI/Hong Kong	100 shares of US$1 each	100%	Investment holding
China Water Investment Limited (ii)	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
China Water Group Limited (ii)	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Limbrick Investment Limited ("Limbrick")	BVI/Hong Kong	1 share of US$1 each	100%	Inactive
萬年縣大港橋供水有限公司(「大港橋」)* (i)	PRC	Registered capital of RMB20,000,000	95% (directly held) 3% (indirectly held)	Water supply
江西省銀龍大酒店有限公司* (ii)	PRC	Registered capital of RMB1,000,000	65%	Hotel operation
撫州市東鄉銀龍水務有限公司# (ii)	PRC	Registered capital of RMB5,000,000	100%	Water supply
新余水務集團有限公司* (ii)	PRC	Registered capital of RMB100,000,000	60%	Water supply
江西省銀龍水務有限公司* (ii)	PRC	Registered capital of RMB45,000,000	65%	Water supply
新余市建和混凝土有限責任公司* (ii)	PRC	Registered capital of RMB10,000,000	26% (directly held) 29% (indirectly held)	Manufacture and sale of concrete products

15. INTERESTS IN SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries at 31 March 2006 are as follows (Continued):

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
China Water Supply Group Limited	Hong Kong	2 shares of HK$1 each	100%	Investment holding
China Environmental Water Holdings Limited	Hong Kong	7 shares of HK$1 each	70%	Investment holding
廣東仁化銀龍供水有限公司*	PRC	Registered capital of RMB17,260,000	73%	Water supply
東莞銀龍供水電子器械有限公司 (previously known as 東莞銀龍電子有限公司) #	PRC	Registered capital of HK$2,100,000	100%	Manufacture and trading of electronic products
河南鹿邑銀龍供水有限公司#	PRC	Registered capital of RMB14,000,000	100%	Water supply
高原聖果沙棘制品有限公司 (「高原聖果」) * (i)	PRC	Registered capital of RMB30,500,000	35%	Cultivation, manufacture and sale of sea buckthorn's seedlings and products
鄂爾多斯市高原聖果生態建設開發有限公司^ (i)	PRC	Registered capital of RMB20,000,000	35%	Cultivation and sale of sea buckthorn's seedlings
准格爾旗高原聖果沙棘有限責任公司^ (i)	PRC	Registered capital of RMB500,000	32%	Cultivation and sale of sea buckthorn's seedlings
達拉特旗高原聖果沙棘有限公司^ (i)	PRC	Registered capital of RMB500,000	32%	Cultivation and sale of sea buckthorn's seedlings

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15. INTERESTS IN SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries at 31 March 2006 are as follows (Continued):

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
陝西果聖水土保持建設有限公司^ (i)	PRC	Registered capital of RMB500,000	32%	Cultivation and sale of sea buckthorn's seedlings
新余市渝泉水業有限責任公司^ (ii)	PRC	Registered capital of RMB20,000,000	60%	Water supply infrastructure
新余白云源水有限責任公司^ (ii)	PRC	Registered capital of RMB1,000,000	60%	Water supply
Cedar Base International Limited	Hong Kong	10 shares of HK$1 each	70%	Inactive
Cedar Promotions Company Limited	Hong Kong	10,000 shares of HK$1 each	100%	Inactive

* registered as Sino-foreign joint ventures under the PRC law.

\# registered as wholly-foreign owned enterprises under the PRC law.

^ registered as a limited liability company under the PRC law.

(i) acquired during the year ended 31 March 2006.

(ii) incorporated/established/injected during the year ended 31 March 2006.

The financial statements of the above subsidiaries are audited by Grant Thornton for statutory purpose or Group consolidation purpose.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 March 2006, the amounts due from subsidiaries are unsecured, interest-free and repayable on demand. Accordingly, the amounts are classified as current assets.

As at 31 March 2005, the amounts due from subsidiaries were unsecured, interest-free and had no fixed terms of repayment. In the opinions of directors, no repayment would be demanded within 12 months from the balance sheet date. Accordingly, the amounts were classified as non-current assets.

16. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost		
Share of net assets other than goodwill	–	6,850
Less: Provision for impairment	–	(5,650)
	–	1,200

Goodwill arising from acquisition of associates remained eliminated against consolidated reserves in prior year:

	Group
	HK$'000
Cost	
At 1 April 2004 and 31 March 2005	28,550
Accumulated impairment	
At 1 April 2004 and 31 March 2005	(28,550)
Net book amount	
At 1 April 2004 and 31 March 2005	–

During the year ended 31 March 2006, on 7 April 2005, Limbrick, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Hillcrest Profits Corp. ("Hillcrest"), for disposal of its entire 25.7% equity interest in Electronic Tomorrow Manufactory Inc. ("ETMI"), the Group's associates, to Hillcrest for a cash consideration of HK$1,200,000. No gain or loss was recognised by the Group in connection with the disposal of associates accordingly.

During the year ended 31 March 2005, the Group's interest in ETMI and Dongguan Yifu Circuit Board Factory, the associates of the Group, decreased from 35% to 25.7% and 29.4% to 21.6% respectively due to the issuance and allotment of new shares to the other equity holders of ETMI. A loss on deemed partial disposal of interest in ETMI of HK$2,693,000 was recognised in the income statement accordingly.

The Group's associates are not audited by Grant Thornton.

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17. AVAILABLE-FOR-SALE FINANCIAL ASSETS/LONG TERM INVESTMENT OR SHORT TERM INVESTMENT

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted equity investments outside Hong Kong, at cost		
Classified as non-current		
Hodgkins Enterprises Limited (Note a)	**9,000**	9,000
Less: Reduction due to a warranty claim (Note a)	**(6,000)**	(6,000)
Less: Provision for impairment	**(3,000)**	(3,000)
	–	–
Shanghai Jianhua Satellite Communication Co., Ltd. (Note b)	**23,148**	23,148
Less: Provision for impairment	**(23,148)**	(23,148)
	–	–

Notes:

(a) In prior years, the Group had issued nine promissory notes with an aggregate principal amount of HK$9,000,000 in consideration for the acquisition of 30% equity interest in Hodgkins Enterprises Limited ("Hodgkins"). A warranty claim of HK$6,000,000 was raised by the Group against the vendor which resulted in an offset against the HK$9,000,000 outstanding promissory notes and investment cost respectively. Due to continued losses of Hodgkins, full provision for impairment was made in prior years.

(b) The Group has 10% investment in Shanghai Jianhua Satellite Communication Co., Ltd. ("Shanghai Jianhua") incorporated in the PRC. Shanghai Jianhua is engaged in operation of satellite communication business. Due to prolonged disappointing performance of Shanghai Jianhua, full provision for impairment was made in prior years.

(c) Particulars of Hodgkins at 31 March 2006 are as follows:

Name	Place of incorporation	Class of shares held	Percentage of equity interest attributable to the Group	Principal activities
Hodgkins	BVI	Ordinary shares	30%	System integration and training

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS/LONG TERM INVESTMENT OR SHORT TERM INVESTMENT (Continued)

Notes (Continued):

(d) The above unlisted available-for-sale financial assets are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair values cannot be reliably measured.

(e) The Group's available-for-sale financial assets/long term investment or short term investment are not audited by Grant Thornton.

18. BIOLOGICAL ASSETS

(a) A reconciliation of the carrying amounts of biological assets is as follows:

	2006
	HK$'000
Gains arising on initial recognition of biological assets at fair value less estimated point-of-sale costs	20,451
Decrease due to sales	(20,451)
Carrying amount at end of year	–

The Group's biological assets during the year ended 31 March 2006 represents seedling of sea buckthorn which are primarily cultivated and held for sale.

(b) Financial risk management strategies relating to biological assets:

The Group is exposed to financial risks arising from changes in prices of biological assets which are determined by constantly changing market forces of supply and demand and other factors. The other factors include governmental and environmental regulations, weather conditions and diseases relating to the biological assets. The Group has little or no control over these conditions and factors.

The Group has not entered into derivatives or other contracts to manage the risk of fluctuation in the prices of biological assets. The Group reviews its exposure for the prices of biological assets in considering the need for active financial risk management.

The Group is subject to risks relating to its ability to maintain the health of biological assets. Health problems of biological assets could adversely impact production and consumer satisfaction. The Group monitors the health status of its biological assets on a regular basis and has procedures in place to reduce potential exposure to diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by disease epidemics.

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For the year ended 31 March 2006

19. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials and supplies	**5,652**	1,787
Work in progress	**–**	18
Finished goods	**2,513**	355
	8,165	2,160

20. TRADE AND BILLS RECEIVABLES

	Group	
	2006	2005
	HK$'000	HK$'000
Trade and bills receivables	**7,749**	9,939
Less: Non-current portion	**–**	(3,441)
Current portion	**7,749**	6,498

The Group has a policy of allowing trade customers with credit normally ranged from 30 to 90 days (2005: 30 days). The ageing analysis of the Group's trade and bills receivables at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to 90 days	**4,453**	2,272
91 – 180 days	**526**	1,552
Over 180 days	**2,770**	6,115
	7,749	9,939

21. BANK AND CASH BALANCES

	Group		Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**100,036**	20,239	**14,502**	14,954
Short-term bank deposits	**135,000**	–	**135,000**	–
	235,036	20,239	**149,502**	14,954

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirement of the Group, and earn interest at the respective short-term time deposit rates, ranging from 3.8% to 3.9% per annum.

At as 31 March 2006, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$84,306,000 (2005: approximately HK$1,692,000), which were deposited with banks in the PRC and held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. TRADE PAYABLES

The credit terms of trade payables varies according to the terms agreed with different suppliers. The ageing analysis of the Group's trade payables as at the balance sheet is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to 90 days	**3,895**	44
91 – 180 days	**5,517**	70
Over 180 days	**2,548**	1,317
	11,960	1,431

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23. BORROWINGS

			Group		Company	
		Original	**2006**	2005	**2006**	2005
	Notes	**currency**	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current						
Finance lease liabilities	(a)	HK$	**245**	–	**245**	–
Bank loans – unsecured	(b)(i)	RMB	**837**	–	**–**	–
Bank loans – secured	(b)(i)	RMB	**13,499**	10,094	**–**	–
Other loans – unsecured	(b)(ii)	RMB	**39,425**	8,103	**–**	–
Government loans – unsecured	(b)(iii)	RMB	**4,615**	–	**–**	–
			58,621	18,197	**245**	–
Non-current						
Finance lease liabilities	(a)	HK$	**592**	–	**592**	–
Bank loans – secured	(b)(i)	RMB	**3,077**	–	**–**	–
Other loans – unsecured	(b)(ii)	RMB	**21,454**	–	**–**	–
Government loans – unsecured	(b)(iii)	RMB	**34,983**	–	**–**	–
			60,106	–	**592**	–
			118,727	18,197	**837**	–

23. BORROWINGS (Continued)

Notes:

(a) During the year ended 31 March 2006, the Company leased its motor vehicle under a finance lease and has remaining lease terms of four years. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The analysis of the obligations under finance leases is as follows:

	Group and Company 2006 HK$'000
Amounts payable:	
Within one year	**279**
In the second year	**279**
In the third to fifth years, inclusive	**396**
	954
Future finance charges on finance leases	**(117)**
Present value of finance lease liabilities	**837**
The present value of finance lease liabilities is as follows:	
Due within one year	**245**
Due in the second year	**245**
Due in the third to fifth years, inclusive	**347**
	837
Less: Portion due within one year included under current liabilities	**(245)**
Non-current portion included under non-current liabilities	**592**

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23. BORROWINGS (Continued)

Notes (Continued):

(b)

	Group	
	2006	2005
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**14,336**	10,094
In the second year	**769**	–
In the third to fifth years, inclusive	**2,308**	–
	17,413	10,094
Other loans repayable:		
Within one year or on demand	**39,425**	8,103
In the second year	**–**	–
In the third to fifth years, inclusive	**21,454**	–
	60,879	8,103
Government loans repayable:		
Within one year or on demand	**4,615**	–
In the second year	**11,381**	–
In the third to fifth years, inclusive	**7,343**	–
Beyond five years	**16,259**	–
	39,598	–

23. BORROWINGS (Continued)

Notes (Continued):

(b)(i) The Group's bank loans at 31 March 2006 were secured by:

(a) pledge of water revenue of a subsidiary; and

(b) guarantees by 江西長林機械(集團)有限公司, 江西新余紡織廠, 仁化縣自來水公司 and 江西省水利水電開發總公司. 仁化縣自來水公司 and 江西省水利水電開發總公司 are minority equity holders of the Company's subsidiaries.

Except for the secured and floating interest rate bank loans with aggregate carrying amount of HK$3,846,000, all other bank loans of the Group are at fixed rates. The interest rates of the Group's bank loans ranged from 5.5% to 7.6% per annum.

(b)(ii) Except for the other loans with aggregate carrying amount of HK$29,663,000 which are non-interest bearing, the interest rates of the Group's other loans ranged from 2.55% to 10% per annum.

(b)(iii) The government loans comprise loans of HK$32,675,000, which bear interests ranging from 2.3% to 2.6% per annum, and an interest free loan of HK$6,923,000 (the "Government Interest Free Loan") granted by the local governments of the PRC. The local government of the PRC agreed to waive the repayment of the Government Interest Free Loan on the condition that the expansion and construction of water plant and pipeline of a subsidiary of the Company in the local county satisfy the requirements set by the local government.

24. BALANCES WITH MINORITY EQUITY HOLDERS OF SUBSIDIARIES, A DIRECTOR AND FORMER SUBSIDIARIES – GROUP

The balances are unsecured, interest-free and repayable on demand.

25. PROMISSORY NOTES

	Group	
	2006	2005
	HK$'000	HK$'000
In connection with acquisition of Graham Industrial Limited (Note)	–	10,480

Note: On 30 June 2003, the Group issued six promissory notes with an aggregate principal amount of HK$10,480,000 in consideration for the acquisition of Graham Industrial Limited, a then subsidiary of the Company. The promissory notes are unsecured, interest bearing at seven per cent per annum and are repayable on 29 June 2006 and were classified as non-current liabilities as at 31 March 2005 accordingly. The principal amount of HK$10,480,000 was fully paid during the year ended 31 March 2006.

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26. CONVERTIBLE NOTE

On 17 December 2003, the Company issued convertible note in the principal amount of HK$10,608,000 as consideration of acquisitions of two companies incorporated in the PRC. The convertible note bears interest at six per cent per annum with maturity date of three years from the date of issuance and are repayable after three years from the date of issuance or convertible into shares of the Company at the conversion price of HK$0.80 at any time after six months from the date of issuance. Due to the effect of the open offer during the year ended 31 March 2005, the conversion price was subsequently adjusted to HK$0.72 according to the adjustment mechanism as stipulated in the terms and conditions for the convertible note. On 22 March 2005, convertible note of HK$9,547,000 was converted into 13,260,000 ordinary shares of HK$0.01 each. The remaining balance of the convertible note, amounting to HK$1,061,000, was redeemed at the agreement of the convertible note holders during the year ended 31 March 2006.

As the interest rate of six per cent per annum approximated the market interest rate for a similar financial instrument without the conversion option, no equity component of convertible note was recognised retrospectively accordingly.

27. SHARE CAPITAL

	Number of shares '000	**Par value** HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2005 and 2006	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 April 2004	292,028	2,920
Issue of shares on open offer (Note a)	146,014	1,460
Shares issued upon conversion of convertible note (Note b)	13,260	133
Placing and subscription of new shares (Note c)	30,000	300
Ordinary shares of HK$ 0.01 each at 31 March 2005	481,302	4,813
Placing and subscription of new shares (Note d)	302,900	3,029
Share options exercised (Note e)	45,640	456
Ordinary shares of HK$ 0.01 each at 31 March 2006	**829,842**	**8,298**

27. SHARE CAPITAL (Continued)

Notes:

During the years ended 31 March 2006 and 2005, the movements in share capital were as follows:

(a) On 28 April 2004, the Company announced a proposed open offer of new shares on the basis of one share for every two shares at a price of HK$0.20 per share held on 21 June 2004. The proposed open offer was approved at the special general meeting held on 21 June 2004 and raised a gross proceeds of approximately HK$29,203,000 (before expenses).

(b) During the year ended 31 March 2005, 13,260,000 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion right attaching to the Company's convertible note at a conversion price of HK$0.72 per share (note 26).

(c) On 14 March 2005, a shareholder of the Company, Asset Full Resources Limited ("AFRL") entered into a placing agreement with an independent placing agent for the placement of 30,000,000 ordinary shares of the Company owned by AFRL at a price of HK$0.50 per share. Pursuant to a subscription agreement on the same date, AFRL subscribed for 30,000,000 new ordinary shares of the Company at a price of HK$0.50 per share. The subscription of new shares raised total consideration of approximately HK$15,000,000 (before expenses). AFRL is beneficially owned by Mr. Duan Chuan Liang ("Mr. Duan"), a director of the Company.

(d) During the year ended 31 March 2006, the following placement and subscription of new shares occurred:

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

   (ii) On 19 January 2006, AFRL entered into a placing agreement with a placing agent for the placement of 107,700,000 ordinary shares of the Company owned by AFRL at a price of HK$0.42 per share. Pursuant to a subscription agreement on the same date, AFRL subscribed for 107,700,000 new ordinary shares of the Company at a price of HK$0.42 per share. The subscription of new shares raised total consideration of approximately HK$45,234,000 (before expenses).

   (iii) On 16 March 2006, AFRL entered into a placing agreement with a placing agent for the placement of 137,600,000 ordinary shares of the Company owned by AFRL at a price of HK$0.96 per share. Pursuant to a subscription agreement on the same date, AFRL subscribed for 137,600,000 new ordinary shares of the Company at a price of HK$0.96 per share. The subscription of new shares raised total consideration of approximately HK$132,096,000 (before expenses).

(e) During the year ended 31 March 2006, the subscription rights attaching to 45,640,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.41 per share, resulting in the issue of 45,640,000 shares of HK$0.01 each for a total cash consideration of approximately HK$18,712,000 (before expenses) (note 28).

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28. SHARE OPTION SCHEME

On 6 September 2002, the share option scheme of the Company adopted on 22 September 1999 ceased to operate and a new share option scheme (the "Scheme") was adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option scheme of a company.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority equity holders in the Company's subsidiaries. The Scheme became effective on 6 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 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 commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

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

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28. SHARE OPTION SCHEME (Continued)

Movement in share options are as follows:

Name or category of participant	At 1 April 2005	Granted during the year *(Note d)*	Exercised during the year *(Note e)*	Transfer (to)/ from other category during the year	At 31 March 2006	Date of grant of share options *(Note a)*	Exercise period of share options	Exercise price of share options (HK$) *(Note b)*
	Number of share options							
Directors								
Mr. Duan Chuan	1,600,000	–	–	–	1,600,000	1 February 2005	Period 2	0.41
Liang (Note c)	–	3,700,000	–	–	3,700,000	3 January 2006	Period 1	0.41
	–	40,000,000	–	–	40,000,000	7 February 2006	Period 4	0.72
	1,600,000	43,700,000	–	–	45,300,000			
Mr. Chen Guo Ru#	–	4,000,000	(4,000,000)	–	–	3 January 2006	Period 1	0.41
Mr. Tsui Chi Kin*	3,500,000	–	–	(3,500,000)	–	1 February 2005	Period 2	0.41
Mr. Chiu Shun Pui,	2,200,000	–	(2,200,000)	–	–	1 February 2005	Period 2	0.41
Andrew	–	2,500,000	(2,500,000)	–	–	3 January 2006	Period 1	0.41
	2,200,000	2,500,000	(4,700,000)	–	–			
Mr. Zhao Hai Hu	2,600,000	–	(2,600,000)	–	–	1 February 2005	Period 2	0.41
	–	2,500,000	(2,500,000)	–	–	3 January 2006	Period 1	0.41
	2,600,000	2,500,000	(5,100,000)	–	–			
Mr. Zhou Wen Zhi	870,000	–	–	–	870,000	1 February 2005	Period 2	0.41
	–	1,000,000	–	–	1,000,000	3 January 2006	Period 1	0.41
	870,000	1,000,000	–	–	1,870,000			
Mr. Wu Jiesi#	–	6,000,000	–	–	6,000,000	29 March 2006	Period 3	1.45
Other employees								
In aggregate	4,540,000	–	(4,140,000)	3,500,000	3,900,000	1 February 2005	Period 2	0.41
	–	39,700,000	(27,700,000)	–	12,000,000	3 January 2006	Period 1	0.41
	–	10,600,000	–	–	10,600,000	17 March 2006	Period 5	1.16
	–	2,400,000	–	–	2,400,000	29 March 2006	Period 3	1.45
	4,540,000	52,700,000	(31,840,000)	3,500,000	28,900,000			
Suppliers/Advisors								
In aggregate	–	9,800,000	–	–	9,800,000	17 March 2006	Period 5	1.16
	15,310,000	122,200,000	(45,640,000)	–	91,870,000			

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28. SHARE OPTION SCHEME (Continued)

Notes:

#	Appointed during the year
*	Resigned during the year
Period 1	3 February 2006 to 2 January 2008
Period 2	1 August 2005 to 31 January 2007
Period 3	29 March 2006 to 28 March 2011
Period 4	14 March 2006 to 6 February 2011
Period 5	17 March 2006 to 16 March 2011

(a) The vesting date of the share options is the date of grant.

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

(c) The number of share options granted to Mr. Duan Chuan Liang on 7 February 2006 exceeded the individual limit of 1% of the shares of the Company then in issue and were approved by the shareholders of the Company at the special general meeting held on 14 March 2006.

(d) The weighted average share price of the Company at the date of grant was HK$0.70

(e) The weighted average share price of the Company at the date of exercise was HK$0.99.

The fair value of the share options granted during the year was HK$30,532,000.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the weighted average inputs to the model used for the year ended 31 March 2006.

Dividend yield (%)	4.00%
Expected volatility (%)	50.00%
Risk-free interest rate (%)	4.26%
Expected life of option (year)	3.69 years
Weighted average share price (HK$)	0.70

The expected life of the options is based on the historical data over the past one year and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 31 March 2006, the Company had 91,870,000 share options 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 91,870,000 additional ordinary shares of the Company and additional share capital of HK$918,700 and share premium of HK$73,184,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 21,170,000 share options outstanding under the Scheme, which represented approximately 2.4% of the Company's shares in issue at that date.

29. RESERVES

(a) Group

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

The amount of the goodwill remaining in consolidated reserves, arising from the acquisition of associates in prior years had been fully impaired in previous years.

The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in October 1999 (the "Reorganisation") over the nominal value of the share capital of the Company issued in exchange thereafter.

The contributed surplus of the Group represents the difference between the reduction in the issued share capital of HK$0.0995 for every issued share at a nominal value of HK$0.10 each of the Company and amount to be set-off against the accumulated losses of the Company pursuant to a capital restructuring on 25 July 2003.

The property, plant and equipment revaluation reserve represents the revalued amount of certain moulds and equipment of the Group as at 31 March 2004 less the original costs and subsequent impairment losses of these moulds and equipment. Details of the revaluation are set out in note 13(d). The property, plant and equipment revaluation reserve is non-distributable.

The share premium account mainly includes shares issued at a premium.

Notes to the Financial Statements

For the year ended 31 March 2006

29. RESERVES (Continued)

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004	36,585	70,725	95,029	–	(184,769)	17,570
Conversion of convertible note (Note 27(b))	9,415	–	–	–	–	9,415
Issue of shares on open offer (Note 27(a))	27,743	–	–	–	–	27,743
Placing and subscription of new shares (Note 27(c))	14,700	–	–	–	–	14,700
Share issue expenses	(1,681)	–	–	–	–	(1,681)
Loss for the year	–	–	–	–	(35,538)	(35,538)
At 31 March 2005 and at 1 April 2005	86,762	70,725	95,029	–	(220,307)	32,209
Equity-settled share option arrangements	–	–	–	30,532	–	30,532
Placing and subscription of new shares (Note 27(d))	203,101	–	–	–	–	203,101
Share options exercised (Note 27(e))	22,546	–	–	(4,290)	–	18,256
Share issue expenses	(5,608)	–	–	–	–	(5,608)
Loss for the year	–	–	–	–	(45,838)	(45,838)
At 31 March 2006	**306,801**	**70,725**	**95,029**	**26,242**	**(266,145)**	**232,652**

The capital reserve of the Company of HK$95,029,000 as at 31 March 2006 represented the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus represented reduction in issued share capital pursuant to a capital restructuring on 25 July 2003. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) The realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

30. BUSINESS COMBINATIONS

(a) On 9 November 2005, the Group acquired 50% equity interest in 高原聖果 by injection of cash of RMB14,000,000 (approximately HK$13,469,000) into the enlarged registered capital of 高原聖果. 高原聖果 is principally engaged in cultivation and sale of sea buckthorn seedlings and manufacture and sale of sea buckthorn products.

The consolidated assets and liabilities of 高原聖果 arising from the acquisition are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	6,731	6,731
Prepaid land lease payments	2,384	2,384
Bank and cash balances	11,007	11,007
Inventories	3,397	3,397
Prepayments, deposits and other receivables	8,670	8,670
Trade payables	(10)	(10)
Accrued liabilities and other payables	(29,050)	(29,050)
Minority interests	(806)	(806)
	2,323	
Capital injection by the Group	13,469	
Capital injection by other minority equity holders of subsidiaries	13,454	
Net assets	29,246	
Minority interests (50%)	(14,623)	
Net assets attributable to the Group acquired	14,623	
Excess over the cost of a business combination recognised in the income statement	(1,154)	
	13,469	
Satisfied by:		
Cash	13,469	

Notes to the Financial Statements

For the year ended 31 March 2006

30. BUSINESS COMBINATIONS (Continued)

(a) (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of 高原聖果 is as follows:

	HK$'000
Cash consideration	(13,469)
Bank and cash balances acquired	11,007
Cash inflow from capital injection made by the Group and other minority equity holders of subsidiaries	26,923
Net inflow	24,461

Since its acquisition, 高原聖果 contributed revenue of HK$6,088,000 and net profit of HK$4,484,000 to the Group respectively for the period from 9 November 2005 to 31 March 2006.

Had the combination taken place at 1 April 2005, the revenue and the net loss of the Group for the year would have been HK$56,035,000 and HK$41,175,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2005, nor are they intended to be a projection of future results.

30. BUSINESS COMBINATIONS (Continued)

(b) On 31 December 2005, the Group acquired 100% equity interest in 大港橋 from the original equity holders of 大港橋. 大港橋 is principally engaged in provision of water supply. The purchase consideration for the acquisition was in the form of cash at RMB3,913,000 (approximately HK$3,763,000).

The assets and liabilities of 大港橋 arising from the acquisition are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	26,697	26,697
Prepaid land lease payments	543	543
Bank and cash balances	1,992	1,992
Trade receivables	134	134
Inventories	234	234
Prepayments, deposits and other receivables	7,059	7,059
Trade payables	(981)	(981)
Accrued liabilities and other payables	(7,722)	(7,722)
Other borrowings	(20,346)	(20,346)
Bank loans	(3,847)	(3,847)
Net assets acquired	3,763	
Satisfied by:		
Cash	3,763	

Notes to the Financial Statements

For the year ended 31 March 2006

30. BUSINESS COMBINATIONS (Continued)

(b) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of 大港橋 is as follows:

	HK$'000
Cash consideration	(3,763)
Bank and cash balances acquired	1,992
Net outflow	(1,771)

Since its acquisition, 大港橋 contributed revenue of HK$708,000 and net loss of HK$368,000 to the Group for the period from 31 December 2005 to 31 March 2006.

Had the combination taken place at 1 April 2005, the revenue and the net loss of the Group for the year ended 31 March 2006 would have been HK$55,371,000 and HK$39,228,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2005, nor are they intended to be a projection of future results.

Details of the acquisition in the year ended 31 March 2005 have been set out in note 32.

31. DISPOSAL OF SUBSIDIARIES

	2006 HK$'000
Net assets disposed of:	
Property, plant and equipment	26,307
Bank and cash balances	665
Trade receivables	15,905
Inventories	98
Prepayments, deposits and other receivables	195
Trade payables	(631)
Tax payable	(4,016)
Accrued liabilities and other payables	(30,615)
Minority interests	(4,425)
	3,483
Gain on disposal of subsidiaries	3,017
	6,500
Satisfied by:	
Cash	6,500

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006 HK$'000
Cash consideration	6,500
Bank and cash balances disposed of	(665)
	5,835
Less: unsettled amount of cash consideration as at 31 March 2006	(6,500)
Net outflow	(665)

The disposed subsidiaries during the year contributed revenue of HK$9,125,000 (2005: HK$5,960,000) and net profit of HK$1,907,000 (2005: HK$1,112,000) respectively for the period from 1 April 2005 to 23 March 2006 (being effective date of disposal).

Notes to the Financial Statements

For the year ended 31 March 2006

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Acquisition of a subsidiary in the PRC

	Group 2005 HK$'000
Net assets acquired:	
Property, plant and equipment	28,879
Inventories	17
Trade receivables	4,604
Prepayments, deposits and other receivables	10,379
Bank and cash balances	13
Accrued liabilities and other payables	(10,365)
Due to minority equity holders	(14,774)
Taxation	(1,132)
Trade payables	(706)
	16,915
Satisfied by:	
Deposit for acquisition of a subsidiary	14,960
Injection by minority equity holders	1,955
	16,915

During the year ended 31 March 2005, the Group acquired 55% equity interest in 新樂市升美水淨化有限公司 at a consideration of HK$14,960,000. The effective date of the acquisition was 29 July 2004, being the date of transformation into a sino-foreign enterprise. The subsidiary acquired during the year ended 31 March 2005 contributed to the Group's net assets of HK$16,072,000 at 31 March 2005 and profit from operations after taxation of HK$1,112,000 for the year then ended.

(b) An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary in the PRC is as follows:

	Group 2005 HK$'000
Cash consideration	–
Bank and cash balances acquired	13
Net inflow	13

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(c) Major non-cash transactions

Save as those disclosed elsewhere in the financial statements, the Group had the following major non-cash transactions:

(i) During the year, the Group entered into finance lease arrangements in respect of acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$1,085,000.

(ii) During the year ended 31 March 2006, registered capitals of certain subsidiaries of the Company in PRC were paid up by transfer of net assets at a total net carrying value of HK$53,967,000, which mainly comprised the property, plant and equipment of HK$145,055,000 and borrowings of HK$80,225,000, from the minority equity holders of those subsidiaries.

(iii) During the year ended 31 March 2005, a minority equity holder had injected capital totalling HK$1,698,000 to the Group by way of repayment of other loan of the same amount on behalf of the Group.

33. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

(i) Capital commitments

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted, but not provided for		
– Buildings	**4,576**	–
– Plant and machinery	**1,541**	–
– Leasehold improvements	**2,952**	–
– Water pipelines	**8,526**	–
	17,595	–

As at 31 March 2006, the Group committed to make capital injections to equity ventures operating in the PRC of approximately HK$72,846,000 (2005: HK$15,842,000).

Notes to the Financial Statements

For the year ended 31 March 2006

33. COMMITMENTS (Continued)

(ii) Operating lease arrangement

As lessee

The Group leases certain of its leasehold land, office premises and properties under operating lease arrangements for terms ranging from one to twenty years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at dates mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**1,574**	664
In the second to fifth years, inclusive	**1,948**	38
After five years	**5,769**	–
	9,291	702

At 31 March 2006, the Company had commitment to make direct capital injections to its equity ventures operating in the PRC of approximately HK$70,425,000.

34. PRELIMINARY CO-OPERATION AGREEMENTS

During the year ended 31 March 2006 and up to the approval of these financial statements, the Group entered into several preliminary co-operation agreements with various companies in respect of the preliminary investments and establishment of joint ventures in PRC engaged in the provision of water supply. These preliminary co-operation agreements (the "Co-operations Agreements") are not legally binding and their terms and conditions have not been agreed and finalised. Details of the Co-operations Agreements were set out in the respective Company's announcements.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

(a) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet or in the notes to the financial statements. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's bank deposits are mainly deposited with banks in Hong Kong and the PRC.

The Group has little concentration of credit risk due to its relatively large customer base. The Group performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectibility of all receivables.

(b) Foreign currency risk

The Group is mainly exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong Dollar. The Group does not hedge its foreign currency risks, as the management of the Group does not expect any significant movements in the exchange rate between RMB and Hong Kong Dollar.

(c) Cash flow and Interest rate risk

Cash flow and interest rate risks are managed by means of derivative financial instruments, where necessary, to ensure short to medium term liquidity.

At 31 March 2006, the Group had HK$3,846,000 borrowings with floating interest rates.

(d) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amount because of the immediate or short term maturity. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from their fair values.

Notes to the Financial Statements

For the year ended 31 March 2006

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

(a)

	Notes	2006 HK$'000	2005 HK$'000
Loans from minority equity holders of subsidiaries	(i)	**39,271**	–
Sale to a minority equity holder of subsidiaries	(ii)	**20,451**	–
Receipt-in-advance from a minority equity holder of subsidiaries	(iii)	**11,306**	–

Notes:

(i) Loans from minority equity holders of subsidiaries are unsecured, bearing interest ranging from non-interest bearing to 6.12% per annum and are included in other loans in note 23. The terms of the loans were based on mutually agreed terms.

(ii) The sales represented sale of biological assets to China National Administration Center for Sea Buckthorn Development, a minority equity holder of subsidiaries. The sales were based on mutually agreed terms.

(iii) An aggregate amount of receipt-in-advance of HK$11,306,000 was received from China National Administration Center for Sea Buckthorn Development, a minority equity holder of subsidiaries, as at 31 March 2006. This amount was made for the sales of biological assets based on mutually agreed terms and was included under "accrued liabilities and other payables".

(b) During the year ended 31 March 2005, Mr. Duan advanced approximately HK$4,751,000 to the Group. The advance is unsecured, interest-free and repayable on demand. During the year ended 31 March 2006, the Group made repayment of HK$2,457,000 to Mr. Duan.

(c) Compensation of key management personnel of the Group:

	2006 HK$'000	2005 HK$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	**3,624**	3,188
– Share-based payments	**19,870**	–
– Retirement scheme contribution	**38**	49
	23,532	3,237

37. POST BALANCE SHEET EVENTS

In addition to those disclosed elsewhere in these financial statements, the Group had the following material post balance sheet events:

(a) In May 2006, the Company has subscribed for and been allotted 30,000,000 shares of Bank of China Limited (Stock code: 3988) at a subscription price of HK$2.95, which is held by the Group for trading purpose. The total cash consideration is approximately HK$88,500,000. All the shares of Bank of China Limited have been disposed subsequently.

(b) The Company entered into a subscription agreement dated 22 June 2006 with DBS Bank Limited ("DBS") pursuant to which DBS agreed to subscribe for the convertible bonds of the Company at an aggregate principal amount of HK$260 million. The Company has further granted to DBS an option to require the Company to issue up to a further HK$40 million in principal amount of convertible bond, which has been exercised by DBS on 7 July 2006. The convertible bonds of the Company in the principal amount of HK$260 million and the further subscription amount of HK$40 million were issued on 30 June 2006 and 14 July 2006 respectively. The net proceeds from the issue of convertible bonds will be used wholly for investment in water supply and/or water related projects in the PRC. Further details of the issue of convertible bonds were set out in the Company's announcement dated 26 June 2006 and 14 July 2006.

(c) Subsequent to the balance sheet date, the subscription rights attaching to 70,700,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price ranging from HK$0.41 per share to HK$1.45 per share, resulting in the issue of 70,700,000 shares of HK$0.01 each for a total cash consideration of HK$53,607,000 (before expenses).

(d) On 14 July 2006, the Company entered into an agreement with China Water Industry Investment Corporation for the acquisition of 8% of the enlarged registered capital of Shandong Water Investment Company Limited ("Shandong Water") at a consideration of RMB8 million. Shandong Water is principally engaged in the water supply and sewage business in Shandong Province of the PRC.

(e) On 18 July 2006, the Company entered into a joint venture agreement (the "Zhoukou JV Agreement") with Henan Province Zhoukou City People's Government (the "JV Partner") for the establishment of an equity joint venture company (the "Zhoukou JV") in the PRC which will be engaged in water supply business in Zhoukou City of Henan Province, the PRC. Pursuant to the Zhoukou JV Agreement, the registered capital of the Zhoukou JV will be RMB50,000,000. The Company will contribute RMB30,000,000 and the JV Partner will contribute RMB20,000,000 to the Zhoukou JV, respectively.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2006.