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## 1. Basis of preparation

The interim financial statements are unaudited but have been reviewed by the Audit Committee.

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2003, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior periods, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will be crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The retrospective adoption of this new standard has not resulted in any significant effect on the financial statements in the prior periods, and, accordingly no prior period adjustment has been made.

## 2. Segment information

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

The Group's operating businesses are classified as follows:

- (a) the LCD-based electronic products segment engages in the manufacture and sale of LCD-based electronic products such as calculators; and
- (b) the other electronic products segment engages in the sale and provision of subcontracting services on manufacture of other electronic products such as electronic toys; and
- (c) the electronic components segment engages in the manufacture and sale of electronic components.

(a) *Business segments*

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

	LCD-based electronic products		Other electronic products		Electronic components		Eliminations		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Segment revenue:										
Sales to external customers	19,652	98,556	8,523	-	-	3,303	-	-	28,175	101,859
Intersegment sales	-	-	-	-	1,720	3,869	(1,720)	(3,869)	-	-
Other revenue	4,453	384	-	-	-	-	-	-	4,453	384
<b>Total</b>	<b>24,105</b>	<b>98,940</b>	<b>8,523</b>	<b>-</b>	<b>1,720</b>	<b>7,172</b>	<b>(1,720)</b>	<b>(3,869)</b>	<b>32,628</b>	<b>102,243</b>
Segment result:	673	(16,539)	273	-	(980)	670	-	-	(34)	(15,869)
Interest income									-	238
Unallocated expenses									(2,911)	(1,047)
Loss from operating activities									(2,945)	(16,678)
Finance costs									(792)	(923)
Share of results of associates									(863)	151
Loss before tax									(4,600)	(17,450)
Tax									1,649	1,687
Loss before minority interests									(2,951)	(15,763)
Minority interests									(122)	674
Net loss from ordinary activities attributable to shareholders									(3,073)	(15,089)

(b) *Geographical segments*

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

	Asia		Europe		North and South America		Others		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Segment revenue: Sales to external customers	14,075	36,130	2,951	10,803	10,997	49,564	152	5,362	28,175	101,859

**3. Loss from operating activities**

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

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Cost of inventories sold	27,298	96,229
Depreciation	7,395	19,352
Amortisation of goodwill	2,066	954
Interest income	-	(238)

**4. Tax**

No provision for Hong Kong profits tax has been made for the Group because it had no assessable profits during the current period (2002: nil). The Group did not have any assessable profits in respect of subsidiaries of the Company in the PRC and overseas during the period (2002: nil).

**5. Loss per share**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$3,073,000 (2002: HK\$15,089,000) and the weighted average of 179,004,512 (2002: 91,446,344) ordinary shares in issued during the period. The comparative basic loss per share have been adjusted to reflect the capital reorganisation completed on 25 July 2003 on the basis that 20 existing ordinary shares of HK\$0.10 each be effectively reorganised to 1 new ordinary share of HK\$0.01 each.

There were no dilutive potential ordinary shares at shares as at 30 September 2003 and 2002, and accordingly, the diluted loss per share was not applicable.

## 6. Plant and equipment

During the six month ended 30 September 2003, the Group has acquired 55% equity interest in Graham Industrial Limited which engages in the provision of subcontracting services on manufacture of electronic products. As at 30 September 2003, the net book value of fixed assets of Graham Industrial Limited amounted to approximately HK\$17.8 million which mainly comprises of machineries and fixtures.

## 7. Trade receivables

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

	<b>30 September 2003 (unaudited) HK\$'000</b>	<b>As at 31 March 2003 (audited) HK\$'000</b>
Current to 90 days	4,084	1,754
91 to 180 days	2,495	–
Over 181 days	220	3
	<b>6,799</b>	<b>1,757</b>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade receivables, which generally have credit terms not exceeding 120 days, are recognised and carried at original invoiced amount less provision for doubtful debts which are recorded when collection of a receivable is no longer probable. Bad debts are written off as incurred.

## 8. Trade and bills payables

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

	<b>30 September 2003 (unaudited) HK\$'000</b>	<b>As at 31 March 2003 (audited) HK\$'000</b>
Current to 90 days	859	609
91 to 180 days	928	2,482
Over 181 days	23,947	31,167
	<b>25,734</b>	<b>34,258</b>

At 30 September 2003, the Group received customers' deposits of approximately HK\$6,244,000 (31 March 2003 : HK\$6,244,000) which were supported by a guarantee given by Mr. Tong Yiu Lun, a former director of the Company.

## 9. Share capital

	Number of shares '000	Value HK\$ '000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each at 1 April 2002	2,000,000	200,000
Increase during the period	8,000,000	800,000
Ordinary shares of HK\$0.10 each at 30 September 2002 and 31 March 2003	10,000,000	1,000,000
Capital reorganisation <i>note (i)</i>	10,000,000	(800,000)
Ordinary shares of HK\$0.01 each at 30 September 2003	20,000,000	200,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each at 1 April 2002	1,312,524	131,252
Issue of new shares during the period	437,508	43,751
Issue of bonus shares during the period	1,312,524	131,253
Ordinary shares of HK\$0.10 each at 30 September 2002 and 31 March 2003	3,062,556	306,256
Capital reorganisation <i>note (i)</i>	(2,909,428)	(304,725)
Conversion of convertible bonds <i>note (ii) &amp; (iii)</i>	60,000	600
Ordinary shares of HK\$0.01 each at 30 September 2003	213,128	2,131

### Share capital

During the six months ended 30 September 2003, the movements in share capital are as follows:

- (i) Pursuant to resolutions passed at a special general meeting held on 9 June 2003, a capital reorganisation of the company was approved and was summarised as follows:
- a reduction of the nominal value of the shares from HK\$0.10 to HK\$0.0005 each by canceling the issued share capital to the extent of HKD0.0995 paid up on each of the issued share ("Reduced Share"); and
  - the subdivision of each unissued share in 200 Reduced Shares of HK\$0.0005 each; and
  - the reduction of authorised share capital of the Company by cancelling such number of authorised but unissued Reduced Shares as shall be sufficient to reduce the authorised share capital from HK\$1,000,000,000 to HK\$200,000,000; and
  - The consolidation of every 20 Reduced Shares of HK\$0.0005 each into shares of HK\$0.01 each. ("Consolidated Share"); and

- the amount of the paid-up capital so reduced of HK\$304,725,000 was firstly set off against the accumulated losses of the Company existed as at 25 July 2003. The remaining balance of HK\$70,725,000 was credited to the contributed surplus account of the Company, which is distributable in nature subject to the bye-laws of the Company and all applicable laws.
- (ii) On 11 June, 2003, the Company issued an interest bearing convertible bonds in the principal sum of HK\$6,000,000 to independent investors. The convertible bonds will mature on the second anniversary from the date of issue and bear interest at 6% per annum. The holders of the convertible bonds have the rights to convert the convertible bonds into Consolidated Shares at an initial conversion price of HK\$0.20 per Consolidated Share. At 30 September 2003, the convertible bonds has been fully converted into 30,000,000 new Consolidated Shares.
  - (iii) On 29 August 2003, the Company issued an interest bearing convertible bonds in the principal sum of HK\$7,500,000 to independent investors. The convertible bonds will mature on the second anniversary from the date of issue and bear interest at 6% per annum. The holders of the convertible bonds have the rights to convert the convertible bonds into Consolidated Shares at an initial conversion price of HK\$0.25 per Consolidated Share. At 30 September 2003, the convertible bonds have been fully converted into 30,000,000 new Consolidated Shares.

#### 10. Pledge of assets

As at 30 September 2003, the Group's bank facilities were secured by the following:

- (i) legal charges on certain properties owned by an independent third party;
- (ii) unlimited continuing guarantees executed jointly and severally by Mr. Tong Yu Lun and Ms. Wu Pik Ying, former directors of the Company; and
- (iii) corporate guarantees from the Company.

#### 11. Litigations

During the period, the court has on 28 July 2003 granted leave for Jade Electronic Limited (the "Petitioner") to substitute the original petitioner Dah Sing Bank Limited. The winding up petitions against the Company filed by the Petitioner are scheduled to be heard in the High Court of Hong Kong on 25th March 2004.

#### 12. Contingent liabilities

At 30 September 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$3.1 million (31 March 2003: HK\$4.7 million )

#### 13. Related party transactions

A shareholder's advance of approximately HK\$4.6 million (31 March 2003: HK\$4.6 million). The amount was advanced by Asset Full Resources Limited ("Asset Full"), a shareholder of the Company and beneficially owned by Mr. Duan Chuan Liang, a director of the Company, during the year ended 31 March 2003.

#### 14. Post balance sheet events

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

- (i) On 2 October 2003, Asset Full entered into a placing agreement with an independent placing agent for the placement of 32,500,000 ordinary shares of the Company owned by Asset Full at a price of HK\$0.30 per share. Pursuant to a top-up agreement of the same date, Asset Full subscribed for 32,500,000 new ordinary shares of the Company at a price of HK\$0.30 per share.

The placing and subscription of the new shares were completed on 16 October 2003. A sum of approximately HK\$9.5 million, net of share issue expenses, was raised and will be used as general working capital of the Group.

The excess of the proceeds over the nominal value of the shares issued was credited to the share premium account.

- (ii) On 17 October 2003, China Water Supply Group Limited (“China Water Supply”), a wholly owned subsidiary of the Company, entered into a sales and purchase agreement with Zhengzhou Xinzheng Airport Economy Development District Management Construction Committee (“Zhengzhou Committee”) to acquire a land of 80 mu which located at Zhengzhou Xinzheng Airport Economy Development District (“Zhengzhou”) with cash consideration of RMB2,250,000. The land will be used for development of a urban city water supply factory with daily capacity of 50,000 tons.
- (iii) On 20 October 2003, Graham Industrial Limited, a 55% owned subsidiary of the Company, entered into a sale and purchase agreement with Zhengzhou Committee to acquire a land of 134 mu which situated at Zhengzhou with cash consideration of approximately RMB4.3 million. The land will be developed as a logistic and manufacturing centres for electronic products.
- (iv) The Company entered into settlement agreements on 25 October 2003 with eight creditors of the Company whereby the Company will issue an aggregate of 8,900,000 new shares at HK\$0.40 each to settle the outstanding debt of HK\$3,560,000 owed by the Company to the creditors.

Further details of the settlement agreement are also set out in a press announcement made by the Company date 10th November 2003 and a circular to the shareholders of the Company dated 24 November 2003. The settlement agreements were approved by the shareholders at the special general meeting held on 11 December 2003.

- (v) On 17 December 2003, China Water Affairs Group Limited (“China Water Affairs”), a wholly owned subsidiary of the Company, entered into sale and purchases agreements with an independent third party for acquisition of 55% shareholding of two sewage treatment plants with aggregate consideration of HK\$17,680,000. The two water treatment plants have an aggregate daily capacity of 50,000 tons. The acquisition constitutes a “Discloseable transaction” for the Company under the Listing Rules. The details of the agreements has been stated out in a press announcement dated 19 December 2003 and a circular to be dispatched to the shareholders of the Company.