



INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the period under review, the Group recorded turnover of approximately HK\$61.7 million (2005: 16.7 million), while net profit attributable to equity holders of the Company amounted to approximately HK\$15.0 million (2005: HK\$0.4 million). The increase in turnover is due to further expansion of the Group in the water business during the period. The Directors consider that the expansion in water business is in the interests of the Company and the Shareholders as a whole.

Liquidity and financial resources

As at 30 September 2006, the Group had current assets of approximately HK\$532.7 million (31 March 2006: HK\$297.8 million) and current liabilities of approximately HK\$73.2 million (31 March 2006: HK\$ 131.2 million). The Group's current ratio is approximately 7.28 times as at 30 September 2006 as compared with approximately 2.27 times as at 31 March 2006. The Group had total assets of approximately HK\$819.0 million (31 March 2006: 530.5 million) and total liabilities of approximately HK\$407.0 million (31 March 2006: HK\$191.3 million) representing a gearing ratio (expressed as total liabilities to total assets) of approximately 49.7% as at 30 September 2006 as compared with approximately 36.1% as at 31 March 2006.

In light of the financial measures taken to date, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

Prospects and business outlook

As mentioned previously, the Directors will continue to focus their efforts in expanding the Group's business in the PRC water business. The Board considered that the water projects will strengthen the Group's revenue base and generate steady revenue inflow for the Group. The Board believes that operating efficiency of the water projects will be improved by capitalising on the expertise and experience of the senior management in the water industry in the PRC.

Employees and remuneration policies

As at 30 September 2006, the Group had approximately 1,200 full-time employees. Most of them station in the PRC while the remaining in Hong Kong. The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.