NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 8th October, 2002 as an exempted company with limited liabilities under Companies Law of the Cayman Islands. Pursuant to the reorganisation, as disclosed in the Company's prospectus dated 27th May, 2005, prepared for the purpose of listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Reorganisation"), the Company became the holding company of Excellent Overseas Limited ("Excellent Overseas") and its subsidiaries on 18th May, 2005.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group.

The shares of the Company were listed on the Main Board of the Stock Exchange on 10th June, 2005.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Group resulting from the Reorganisation referred to in Note 1 above is regarded as a continuity entity. Accordingly, the unaudited condensed consolidated financial statements have been prepared on the merger basis as if the Company had been the holding company of the companies comprising the Group and the group structure as at 10th June, 2005 had been in existence from the beginning of 1st April, 2004.

These condensed consolidated financial statements should be read in conjunction with the annual report of the Company for the year ended 31st March, 2005 ("2005 Annual Report").

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the 2005 Annual Report, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRSs"), issued by HKICPA that are effective for accounting period beginning on or after 1st January, 2005. The application of the New HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The adoption of the New HKFRSs has resulted in changes to the Group's accounting policies in the following areas.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)***

Share-based Payment

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions") or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

Following the adoption of HKFRS 2, the fair values of share options granted to directors and employees are determined at the date of grant and are amortised over the relevant vesting periods to the income statements.

The adoption of HKFRS 2 had no significant impact on the results and financial position for the current and prior accounting periods. No prior period adjustments were required.

The Effects of Changes in Foreign Exchange Rates

In previous periods, the reporting currency of the major subsidiaries are Hong Kong dollars. Transactions denominated in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date to Hong Kong dollars. Profits and losses arising on exchange are included in net profit or loss for the period.

In the current period, the Group has applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires in preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operated) at the rates of exchanges prevailing on the dates of the transactions. For the two major subsidiaries, the functional currencies are considered as Euro. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

The Effects of Changes in Foreign Exchange Rates *(continued)*

For the purposes of presenting the condensed consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. This change in accounting policy has been applied retrospectively. As a result of the adjustments, the exchange reserve and retained profits as at 1st April, 2004 were decreased and increased by approximately HK$3,191,000 respectively, the exchange reserve and retained profits as at 1st April, 2005 were increased and decreased by approximately HK$4,934,000 respectively, and the loss for the six months ended 30th September, 2005 was increased by approximately HK$2,079,000 (for the six months ended 30th September, 2004: profit decreased by HK$1,845,000).

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instrument in the Group's financial statements. HKAS 39, which is effective for annual period beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on the presentation of financial instruments in the Group's financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model.

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

The Group has not early applied the following New HKFRSs that have been issued but are not yet effective. The Directors anticipate that the adoption of these New HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific market – Waste Electrical and Electronic Equipment

3. SEGMENT INFORMATION

Turnover represents revenue generated from provision of engineering systems contracting services and the amount received and receivable for consumables and spare parts sold, as after sales services incidental and ancillary to the engineering systems, during the period.

Business segments

For management purposes, the Group is currently organised into two operating divisions – provision of engineering systems contracting services and sale of consumables and spare parts. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	For the six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Turnover		
Provision of engineering systems contracting services	**84,345**	321,673
Sale of consumables and spare parts	**22,710**	64,375
	107,055	386,048
Provision of engineering systems contracting services results	**486**	29,840
Sale of consumables and spare parts results	**5,240**	13,750
Segment results	**5,726**	43,590
Unallocated corporate revenue	**1,024**	2,986
Unallocated corporate expenses	**(27,522)**	(14,966)
Finance costs	**(217)**	(345)
(Loss) profit before taxation	**(20,989)**	31,265
Taxation	**389**	(1,805)
Net (loss) profit for the period	**(20,600)**	29,460

3. SEGMENT INFORMATION *(continued)*

Geographical segments

The Group's operations are principally located in Hong Kong, the other regions of PRC, Taiwan and the Southeast Asia.

The following tables provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market For the six months ended 30th September,		**Contribution to (loss) profit before taxation For the six months ended 30th September,**	
	2005	2004	**2005**	2004
	(Unaudited)	(Unaudited	**(Unaudited)**	(Unaudited and restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**8,299**	32,658	**(80,331)**	(32,218)
PRC	**55,121**	201,504	**47,856**	46,028
Taiwan	**19,405**	25,130	**14,193**	172
Southeast Asia	**24,143**	124,708	**14,744**	21,320
Others	**87**	2,048	**(17,451)**	(4,037)
	107,055	386,048	**(20,989)**	31,265

4. CONSOLIDATED REVENUE/EXPENSES FOR THE PERIOD

	For the six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Consolidated (loss) profit for the period have been arrived at after charging the following items:		
Depreciation and amortisation	**869**	657
Expenses incurred on the listing of the Company's shares on the Stock Exchange	**6,353**	–
Finance costs	**217**	345
Impairment loss in respect of irrecoverable trade receivables	**5,015**	2,307
Write down for inventories	**77**	39

5. TAXATION

	For the six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current period	**158**	1,929
– Overprovision in prior period	**(547)**	–
	(389)	1,929
Deferred taxation	**–**	(124)
	(389)	1,805

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both period.

6. DIVIDENDS

A special interim dividend of HK 2 cents per ordinary share amounting to HK$6 million was declared for the six months ended 30th September, 2005 and paid. The Directors do not recommend the payment of further interim dividend.

As stated in note 1 above, the Company became the holding company of the subsidiaries now comprising the Group on 18th May, 2005 upon the Reorganisation becoming effective. No dividend has been paid or declared by the Company since its date of incorporation up to 30th September, 2004. During the six months ended 30th September, 2004, a subsidiary of the Company, Excellent Overseas, had paid interim dividend of HK$12 million to its then shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this financial statements.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK$20,600,000 and the weighed average number of 272,131,148 shares in issue during the period.

The comparative basic earnings per share is calculated based on profit attributable to equity holders of the Company of approximately HK$29,460,000 and an aggregate of 225,000,000 shares comprising 150,000,000 shares in issue as at 18th May, 2005 and 75,000,000 shares in issue pursuant to the capitalisation issue under a sole shareholder's resolutions passed on 20th May, 2005 on the assumption that the issue of shares of the Company had been completed on 1st April, 2004.

No dilutive loss per share is presented as the exercise of the potential ordinary shares would result in reduction in loss per share in current period. No dilutive earnings per share is presented for the six months ended 30th September, 2004 as no potential ordinary shares outstanding during that period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$3,818,000 (for the six months ended 30th September, 2004: HK$458,000) on acquisition of property, plant and equipment.

9. TRADE DEBTORS AND BILLS RECEIVABLE

The Group has a policy of allowing credit period ranging from three to twelve months to its trade customers.

In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted, such as the balance of the contract sum being paid by way of instalments over a period up to 18 months.

An aged analysis of trade debtors and bills receivable is as follows:

	30th September, 2005 (Unaudited) ***HK$'000***	31st March, 2005 (Unaudited) *HK$'000*
Within 30 days	**5,213**	60,592
Between 31 to 60 days	**1,601**	50,941
Between 61 to 90 days	**2,000**	1,005
Between 91 to 180 days	**48,584**	22,892
Between 181 to 365 days	**73,801**	69,787
Over 1 year	**60,348**	23,657
Over 2 years	**7,972**	4,911
	199,519	233,785
Less: impairment loss recognised	**(30,015)**	(25,000)
	169,504	208,785

10. TRADE CREDITORS AND BILLS PAYABLE

An aged analysis of the trade creditors is as follows:

	30th September, 2005 (Unaudited) *HK$'000*	31st March, 2005 (Unaudited) *HK$'000*
Within 30 days	**6,707**	35,466
Between 31 to 60 days	**182**	19,196
Between 61 to 90 days	**2,358**	1,252
Between 91 to 180 days	**33,136**	31,432
Between 181 to 365 days	**40,120**	44,987
Over 1 year	**25,026**	7,709
Over 2 years	**1,299**	617
	108,828	140,659

11. BANK BORROWINGS

During the period, the Group advanced and repaid bank loans amounting to approximately HK$40 million (for the six months ended 30th September, 2004: HK$46 million) and HK$70 million (for the six months ended 30th September, 2004: HK$43 million) respectively.

12. SHARE CAPITAL

	30th September, 2005		31st March, 2005	
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	Number of shares	*HK$'000*	*Number of shares*	*HK$'000*
Authorised ordinary shares of HK$0.10 each				
At beginning of the period/year	3,500,000	350	3,500,000	350,000
Creation of shares on 18th May, 2005	996,500,000	99,650	–	–
At end of the period/year	1,000,000,000	100,000	3,500,000	350,000
Issued and fully paid ordinary shares of HK$0.10 each				
At beginning of the period/year	1	1	1	1
Issue of shares on 18th May, 2005 *(Note a)*	149,999,999	14,999	–	–
Issue of shares on 7th June, 2005 *(Note b)*	75,000,000	7,500	–	–
Issue of shares on 8th June, 2005 *(Note c)*	75,000,000	7,500	–	–
At end of the period/year	300,000,000	30,000	1	1

Notes:

(a) On 18th May, 2005, an aggregate of 149,999,999 shares were issued and allotted to Polestar Assets Limited ("Polestar"), at the direction of Mr. Chang Ei Eu ("Mr. Chang") and Ms. Hsieh Ming Chiu ("Ms. Hsieh"), as consideration for the transfer of the entire issued share capital of Excellent Overseas to the Company and Mr. Chang transferred to Polestar the subscriber share in the Company. In consideration of Mr. Chang's transfer of the subscriber share and his and Ms. Hsieh's direction for the allotment and issue of 149,999,999 shares to Polestar as aforesaid, Polestar allotted and issued 7 shares and 2 shares of US$1 each to Mr. Chang and Ms. Hsieh respectively.

(b) On 7th June, 2005, 75,000,000 shares was capitalised and issued to Polestar.

(c) On 8th June, 2005, 75,000,000 new shares of the Company of HK$0.10 each were issued at HK$0.88 per share for cash through an initial public offering by way of placing and public offer.

13. SHARE OPTION SCHEME

Pre-IPO share option scheme

A pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was approved and adopted by the Company on 30th March, 2005.

The maximum number of shares which may be issued under the Pre-IPO Share Option Scheme shall be 15,000,000 shares. The Pre-IPO Share Option Scheme is not subject to any vesting condition precedent and the exercise period shall commence from the day following 6 months after 10th June, 2005 and end on 30th March, 2010 (both dates inclusive). Upon acceptance of the pre-IPO share option, each participant shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is HK$0.65 per share and there is no restriction on the number of pre-IPO share options granted under the Pre-IPO Share Option Scheme to any grantee.

On 30th March, 2005, 1,720,000 and 13,280,000 pre-IPO share options were granted under the Pre-IPO Share Option Scheme to a director and employees of the Group respectively for an aggregate consideration of HK$47. No charge was recognised in the condensed consolidated income statement in respect of the value of pre-IPO share options granted. None of these pre-IPO share options have been exercised, lapsed or cancelled by a director or employees during the six months ended 30th Septemer, 2005.

Share options scheme

Another share option scheme (the "Share Option Scheme") was approved and adopted by the Company on 20th May, 2005.

Under the Share Option Scheme, the Directors may, at their description, grant to any eligible person as defined under the Share Option Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the Directors and notified to each grantee but in any case shall not be less than the higher of (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Directors approve the making of the offer for the grant option (the "Date Of Grant"), which must be a trading day; (2) the average of closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Date Of Grant; or (3) the nominal value of a share. Upon acceptance of the share option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30,000,000 shares, being 10% of the total number shares in issue as at the date of listing of the Company's shares unless separate approval is obtained. Details of the Share Option Scheme are set out in the prospectus dated 27th May, 2005 issued by the Company.

At 30th September, 2005, there were no share options granted under the Share Option Scheme.

14. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

	30th September, 2005 (Unaudited) ***HK$'000***	31st March, 2005 (Audited) *HK$'000*
Performance bonds	**–**	1,339
Guarantees given by the Group in respect of credit facilities granted to a customer	**2,249**	195

15. RELATED PARTY TRANSACTIONS

At 30th September, 2005, certain banking facilities granted to the Group were secured by:

- unlimited personal guarantees from certain directors; and
- bank deposits from Mr. Chang.

All the above securities and guarantees had been released subsequent to 30th September, 2005.

At 31st March, 2005 certain banking facilities granted to the Group were secured by:

- unlimited personal guarantees from certain directors;
- bank deposits from Mr. Chang; and
- properties owned by Ms. Hsieh.

During the six months ended 30th September, 2004, the Group had purchased goods of approximately HK$209,000 from a related company. The related company is beneficially held by Mr. Chang and Ms. Hsieh, the directors of the Company.