

國 中

INTERIM REPORT 2008



國|中|控|股|有|限|公|司
INTERCHINA HOLDINGS CO LTD

Stock Code: 202

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Yang (*Chairman*)
Mr. Zhu Yongjun (*Deputy Chairman*)
Mr. Chan Wing Yuen, Hubert
Mr. Lam Cheung Shing, Richard

Independent Non-executive Directors

Mr. Wong Hon Sum
Ms. Ha Ping
Dr. Tang Tin Sek

AUDIT COMMITTEE

Mr. Wong Hon Sum (*Chairman*)
Ms. Ha Ping
Dr. Tang Tin Sek

REMUNERATION COMMITTEE

Mr. Wong Hon Sum (*Chairman*)
Mr. Chan Wing Yuen, Hubert
Ms. Ha Ping

CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Hon Sum (*Chairman*)
Mr. Chan Wing Yuen, Hubert

PRINCIPAL BANKERS

The Bank of East Asia Limited
Standard Chartered Bank Limited
Fubon Bank (Hong Kong) Limited

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

COMPANY SECRETARY

Mr. Lam Cheung Shing, Richard

SOLICITORS

Kirkpatrick & Lockhart Preston Gates & Ellis Solicitors
35/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

PRINCIPAL OFFICE IN HONG KONG

Room 701, 7/F., Aon China Building
29 Queen's Road Central
Hong Kong

SHARE REGISTRARS

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

0202



Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF INTERCHINA HOLDINGS COMPANY LIMITED**
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 30, which comprises the condensed consolidated balance sheet of Interchina Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

HLB Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

Hong Kong, 23 December 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
	<i>Notes</i>	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited) (Restated)
Turnover	4	27,476	18,927
Cost of sales		(8,423)	(7,506)
Other revenue		964	1,547
Interest income		19,935	19,927
Staff costs		(13,611)	(44,979)
Amortisation and depreciation		(1,760)	(1,513)
Selling costs		–	(8,774)
Administrative costs		(14,543)	(24,124)
Impairment loss recognised in respect of goodwill		(11,006)	–
Impairment loss recognised in respect of an associate		(225,146)	–
Impairment loss recognised in respect of properties under development for sale		(120,508)	–
Fair value change in derivative financial instruments		16,629	–
Fair value change in investment properties		(150,194)	–
Loss from operations	5	(480,187)	(46,495)
Finance costs		(13,676)	(14,775)
Share of results of associates		3,146	2,608
Gain on disposal of subsidiaries		–	8,360
Loss before taxation		(490,717)	(50,302)
Taxation	6	13,335	(3,619)
Loss for the period		(477,382)	(53,921)
Attributable to:			
Equity holders of the Company		(477,302)	(53,546)
Minority interests		(80)	(375)
		(477,382)	(53,921)
Loss per share for loss attributable to the equity holders of the Company			
Basic and diluted	7	(HK2.381 cents)	(HK0.766 cents)

All of the Group's activities are classed as continuing.
The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 September 2008 HK\$'000 (Unaudited)	At 31 March 2008 HK\$'000 (Audited) (Restated)
Non-current assets			
Investment properties	9	489,500	630,820
Interests in leasehold land and land use rights	10	43,093	41,938
Property, plant and equipment	11	252,068	239,849
Intangible assets	12	125,779	116,873
Other financial assets	13	352,943	350,098
Interests in an associate	14	74,000	–
Goodwill		–	11,006
Other non-current assets		2,394	2,401
		1,339,777	1,392,985
Current assets			
Properties under development for sale	15	532,184	607,714
Inventories		891	844
Trade and other receivables and prepayments	16	712,914	735,907
Loan receivables	17	121,711	61,899
Financial assets at fair value through profit or loss		64	98
Bank balances – trust and segregated accounts		4,649	4,346
Cash and cash equivalents		24,643	30,193
		1,397,056	1,441,001
Current liabilities			
Trade and other payables and deposits received	18	247,028	257,349
Amount due to a related company	19	–	78,564
Tax payable		3,130	2,297
Derivative financial instruments	20	1,079	22,736
Bank borrowings – due within one year	21	120,005	100,357
Other borrowings – due within one year	21	100,617	–
		471,859	461,303
Net current assets		925,197	979,698
Total assets less current liabilities		2,264,974	2,372,683

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	At 30 September 2008 HK\$'000 (Unaudited)	At 31 March 2008 HK\$'000 (Audited) (Restated)
Equity			
Share capital	23	2,028,619	1,728,619
Share premium and reserves		(23,354)	394,369
Equity attributable to ordinary equity holders of the Company		2,005,265	2,122,988
Minority interests		9,232	9,312
		2,014,497	2,132,300
Non-current liabilities			
Bank borrowings – due after one year	21	222,829	199,631
Convertible notes	22	–	–
Deferred tax liabilities		27,648	40,752
		250,477	240,383
		2,264,974	2,372,683

Approved by the Board of Directors on 23 December 2008 and signed on its behalf by:

Zhang Yang
Director

Lam Cheung Shing, Richard
Director

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2008

The Group

	Equity attributable to ordinary equity holders of the Company									
	Share Capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note 1)	Share options reserve HK\$'000	Exchange reserve HK\$'000	Convertible notes reserve HK\$'000 (Note 2)	Accumulated losses HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2007, as previously reported	665,190	282,741	571,996	-	34,457	590	(770,479)	784,495	23,317	807,812
Effect on adoption of new accounting policy - HK (IFRIC) Int 12	-	-	-	-	3,173	-	70,106	73,279	2,171	75,450
At 1 April 2007, as restated	665,190	282,741	571,996	-	37,630	590	(700,373)	857,774	25,488	883,262
Exchange differences on translation of overseas subsidiaries	-	-	-	-	29,192	-	-	29,192	-	29,192
Net loss for the period	-	-	-	-	-	-	(53,546)	(53,546)	(375)	(53,921)
Issue of share options	-	-	-	32,986	-	-	-	32,986	-	32,986
Exercise of share options	29,449	34,603	-	(21,057)	-	-	-	42,995	-	42,995
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(13,896)	(13,896)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,720)	(1,720)
Issue of convertible notes	-	-	-	-	-	11,259	-	11,259	-	11,259
Conversion of convertible notes	106,280	39,028	-	-	-	(11,849)	250	133,709	-	133,709
At 30 September 2007	800,919	356,372	571,996	11,929	66,822	-	(753,669)	1,054,369	9,497	1,063,866
At 1 April 2008, as previously reported	1,728,619	366,454	571,996	6,470	179,945	-	(822,960)	2,030,524	6,849	2,037,373
Effect on adoption of new accounting policy - HK (IFRIC) Int 12	-	-	-	-	9,639	-	82,825	92,464	2,463	94,927
At 1 April 2008, as restated	1,728,619	366,454	571,996	6,470	189,584	-	(740,135)	2,122,988	9,312	2,132,300
Exchange differences on translation of overseas subsidiaries	-	-	-	-	54,551	-	-	54,551	-	54,551
Net loss for the period	-	-	-	-	-	-	(477,302)	(477,302)	(80)	(477,382)
Issue of convertible notes	-	-	-	-	-	32,027	-	32,027	-	32,027
Recognition of deferred tax for convertibles notes	-	-	-	-	-	(5,284)	-	(5,284)	-	(5,284)
Conversion of convertible notes	300,000	5,028	-	-	-	(26,743)	-	278,285	-	278,285
At 30 September 2008	2,028,619	371,482	571,996	6,470	244,135	-	(1,217,437)	2,005,265	9,232	2,014,497

Note:

- 1) The special reserve of the Group represents mainly the difference between the nominal value of shares of Burlingame International Limited ("Burlingame") and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the company and Burlingame dated 27 July 2000.
- 2) Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated losses.)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 September 2008

	For the six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited) (Restated)
Net cash (used in)/generated from operating activities	(148,932)	94,021
Net cash used in investing activities	(301,499)	(295,591)
Net cash generated from financing activities	420,403	151,901
Net decrease in cash and cash equivalents	(30,028)	(49,669)
Cash and cash equivalents at beginning of the period	30,193	159,430
Effect of foreign exchange rate changes	24,478	9,662
Cash and cash equivalents at end of the period	24,643	119,423
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	29,292	125,354
Less: Bank balances – trust and segregated accounts	(4,649)	(5,931)
	24,643	119,423

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2008

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Room 701, 7/F., Aon China Building, 29 Queen's Road Central, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in environmental protection and water treatment operation, city development and investment operation, property investment operation and securities and financial operation.

The condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated financial statements have been prepared on historical cost basis as modified for the revaluation of certain financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new interpretations ("HK(IFRIC) – Int") issued by the HKICPA which are effective for the Group's accounting period beginning 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of HK(IFRIC) – Int 12 resulted in material impact on the condensed consolidated financial statements of the Group are separately described in Note 3 below.

The adoption of HK(IFRIC) – Int 14 and HKAS 39 & HKFRS 7 (Amendments) had no material effect on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ⁵
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates ¹
HK(IFRIC) – Int 16	Hedges of a New Investment in a Foreign Operation ⁴
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual period beginning on or after 1 July 2009

The Group is currently assessing the impact of the adoption of the above standards, amendments and interpretations in future period.

3. CHANGES IN ACCOUNTING POLICIES

The following sets out further information on the adoption of HK(IFRIC) – Int 12 for the accounting period beginning on 1 April 2008 which has been reflected in this interim financial information.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of HK(IFRIC) – Int 12 to each of the line items in the consolidated income statement for the six months ended 30 September 2007 and the consolidated balance sheet as at 31 March 2008 as previously reported.

Effects on the condensed consolidated income statement

	For the Six months ended 30 September 2007 (as previously reported) HK\$'000	Effects of HK(IFRIC) – Int 12 increase/ (decrease) HK\$'000	For the Six months ended 30 September 2007 (as restated) HK\$'000
Turnover	25,644	(6,717)	18,927
Cost of sales	(2,728)	(4,778)	(7,506)
Interest income	3,196	16,731	19,927
Amortisation and depreciation	(5,629)	4,116	(1,513)
Taxation	(535)	(3,084)	(3,619)
Minority interests	(668)	293	(375)
	19,280	6,561	25,841

Effects on the condensed consolidated balance sheet

	At 31 March 2008 (as previously reported) HK\$'000	Effects of HK(IFRIC) – Int 12 increase/ (decrease) HK\$'000	At 31 March 2008 (as restated) HK\$'000
Assets			
Property, plant and equipment	608,661	(368,812)	239,849
Intangible assets	–	116,873	116,873
Other financial assets	–	350,098	350,098
	608,661	98,159	706,820
Equity and liabilities			
Reserves	301,905	92,464	394,369
Minority interests	6,849	2,463	9,312
Deferred tax liabilities	17,603	23,149	40,752
Trade and other payables and deposits received	277,266	(19,917)	257,349
	603,623	98,159	701,782

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Effects of changes in accounting policies on the current period

Effects on the condensed consolidated income statement for the six months ended 30 September 2008

	Effects of HK(IFRIC) – Int 12 increase/(decrease) <i>HK\$'000</i>
Turnover	(14,570)
Cost of sales	(2,252)
Interest income	19,759
Amortisation and depreciation	12,250
Taxation	(3,797)
	<hr/> 11,390 <hr/>

Effects on the condensed consolidated balance sheet at 30 September 2008

	Effects of HK(IFRIC) – Int 12 increase/(decrease) <i>HK\$'000</i>
Assets	
Property, plant and equipment	(376,828)
Intangible assets	125,779
Other financial assets	352,943
	<hr/> 101,894 <hr/>
Equity and liabilities	
Reserves	89,267
Minority interests	2,463
Deferred tax liabilities	(24,854)
Trade and other payables and deposits received	35,018
	<hr/> 101,894 <hr/>

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Service concession arrangements (HK(IFRIC) – Int 12: Service concession arrangements)

In prior years, the Group recognised property, plant and equipment of certain of its build-operate-transfer (“BOT”) arrangements as property, plant and equipment.

With effective from 1 April 2008, in accordance with HK(IFRIC) – Int 12, the BOT arrangements of the Group, such as sewage water processing projects are service concession arrangements under HK(IFRIC) – Int 12. Infrastructure within the scope of HK(IFRIC) – Int 12 is not recognised property, plant and equipment as control of the infrastructure of the projects remain in public hands but the Group is responsible for construction or upgrade activities, as well as for operating and maintaining the public sector infrastructure.

As a result, the Group accounts for revenue and costs in accordance with HKAS 11 “Construction Contracts” for the construction and upgrade services of the plant and to account for the fair value of consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 “Intangible Assets” to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service or a financial asset in accordance with HKAS 39 “Financial Instruments: Recognition and Measurement”. In addition, the operator accounts for the services in relation to the operation of the plant in accordance with HKAS 18 “Revenue”.

Consideration received or receivable by the Group for the water treatment operation are recognised at their fair values as financial assets. For financial assets recognised, they are reduced when payments, being a portion of the sewage water processing revenue. Finance income on the financial assets is recognised using an estimate of the service concession grantors’ incremental borrowing rate of interest. For intangible asset recognised, it is amortised on a straight-line basis over its estimated useful life.

Borrowing costs incurred for the construction and upgrade services are not capitalised and are expensed in the period in which they are incurred.

4. SEGMENT INFORMATION

Business segments

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 business segment represents a strategic business unit that offers products and services which are subjected to risks and returns that are different from those of the other business segments. The following tables present turnover and results for the Group's business segments.

There are no sales or other transactions among the business segments.

For the six months ended 30 September 2008

	Environmental protection and water treatment operation HK\$'000	City development and investment operation HK\$'000	Property investment operation HK\$'000	Securities and financial operation HK\$'000	Elimination HK\$'000	Consolidated total HK\$'000
TURNOVER						
External sales	9,485	-	8,049	9,942	-	27,476
Finance income	19,759	-	-	-	-	19,759
	29,244	-	8,049	9,942	-	47,235
SEGMENT RESULTS	16,764	(125,651)	(143,788)	7,597	-	(245,078)
Unallocated interest income						176
Unallocated corporate expenses						(235,285)
Loss from operations						(480,187)

For the six months ended 30 September 2007

	Environmental protection and water treatment operation HK\$'000 (Restated)	City development and investment operation HK\$'000	Property investment operation HK\$'000	Securities and financial operation HK\$'000	Elimination HK\$'000	Consolidated total HK\$'000 (Restated)
TURNOVER						
External sales	9,250	-	4,956	4,721	-	18,927
Finance income	16,731	-	-	-	-	16,731
	25,981	-	4,956	4,721	-	35,658
SEGMENT RESULTS	10,453	(16,728)	1,993	1,671	-	(2,611)
Unallocated interest income						3,196
Unallocated corporate expenses						(47,080)
Loss from operations						(46,495)

4. SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's sales by location of markets, irrespective of the origin of the goods/services:

	Hong Kong		The PRC		Consolidated Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000 (Restated)
TURNOVER						
External sales	10,212	4,991	17,264	13,936	27,476	18,927
Finance income	-	-	19,759	16,731	19,759	16,731
	10,212	4,991	37,023	30,667	47,235	35,658
SEGMENT RESULTS	5,861	1,478	(250,939)	(4,089)	(245,078)	(2,611)
Unallocated interest income					176	3,196
Unallocated corporate expenses					(235,285)	(47,080)
Loss from operations					(480,187)	(46,495)

5. LOSS FROM OPERATIONS

	For the six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited) (Restated)
Loss from operations has been arrived at after charging:		
Depreciation		
– Owned assets	1,427	1,185
– Assets held under finance leases	-	26
Amortisation of leasehold land and land use rights	333	302
Operating lease rentals in respect of premises	955	1,619
Net foreign exchange loss	9	160

6. TAXATION

	For the six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited) (Restated)
Current tax	475	535
Deferred tax	(13,810)	3,084
	(13,335)	3,619

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. Deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to respective years when the asset is realised or the liability is settled.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. Accordingly, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 September 2008.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	For the six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited) (Restated)
Loss attributable to ordinary equity holders for the purpose of basic and diluted loss per share	477,302	53,546
	At 30 September	
Number of shares	2008	2007
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	20,048,488,714	6,987,914,452

7. LOSS PER SHARE (Continued)

Diluted loss per share for the six months ended 30 September 2007 and 2008 were the same as basis loss per share. The Company's outstanding share options and convertible notes options were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options and convertible notes options were anti-dilutive.

8. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2008 (2007: Nil).

9. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 September 2008 have been arrived at on the basis of valuations carried out on that date by Beijing Guotai Hongye Estate Appraisals Limited and Shanghai Real Estate Appraisals Limited, independent PRC valuers, which have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

At 30 September 2008, investment properties with carrying amount of approximately HK\$166,868,000 (31 March 2008: HK\$62,611,000) have been pledged to secure banking facilities granted to the Group.

10. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS

	<i>HK\$'000</i> (Unaudited)
Carrying amount	
At 1 April 2008	41,938
Exchange alignment	1,488
Amortisation	(333)
At 30 September 2008	43,093

At 30 September 2008, interests in leasehold land and land use rights with an aggregate carrying amount of approximately HK\$43,093,000 (31 March 2008: HK\$41,938,000) were pledged to secure banking facilities granted to the Group.

11. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i> (Unaudited)
Net book value	
At 1 April 2008, as previously reported	608,661
Effect on adoption of HK(IFRIC) – Int 12	(368,812)
At 1 April 2008, as restated	239,849
Exchange alignment	8,140
Additions	5,553
Disposals	(47)
Depreciation	(1,427)
At 30 September 2008	252,068

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 30 September 2008, the net book value of property, plant and equipment comprised of the followings:

	<i>HK\$'000</i> (Unaudited)
Net book value	
Property under development	238,149
Furniture and fixtures	5,184
Equipment, motor vehicles and others	5,135
Plant and machinery	3,600
	252,068

At 30 September 2008 and 31 March 2008, none of the Group's property, plant and equipment were pledged to secure bank loans.

Except for the reclassifications of property, plant and equipment with a total carrying amount of HK\$376,828,000 to intangible assets and other financial assets as a result of the change in accounting policy described in Note 3, there were no other significant changes in the Group's property, plant and equipment during the six months ended 30 September 2007 and 2008.

12. INTANGIBLE ASSETS

	Concession intangible assets <i>HK\$'000</i> (Unaudited)
Net book value	
At 1 April 2008, as previously reported	–
Effect on adoption of HK(IFRIC) – Int 12	116,873
At 1 April 2008, as restated	116,873
Exchange alignment	3,506
Additions	5,400
At 30 September 2008	125,779

The intangible assets represented the tap water processing operating rights under BOT arrangement. Under HK(IFRIC) – Int 12, the consideration received and receivable for the construction and upgrade services are accounted for as intangible assets.

13. OTHER FINANCIAL ASSETS

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited) (Restated)
Other financial assets	352,943	350,098

13. OTHER FINANCIAL ASSETS (Continued)

Other financial assets, bear interest at rates ranging from 9.38% to 13.88%, represented the considerations paid for the construction of sewage water treatment plants under BOT arrangements. Under HK(IFRIC) – Int 12, the considerations paid are accounted for as financial assets. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

14. INTERESTS IN AN ASSOCIATE

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Cost of investment	296,000	–
Share of post-acquisition profits and reserves	3,146	–
Impairment loss recognised	(225,146)	–
	74,000	–

On 15 July 2008, the Group completed the acquisition of 29.52% interest in China Pipe Group Limited (“China Pipe”) at consideration of approximately HK\$296,000,000. Details of which were set out in the Company’s circular dated 14 April 2008. The shares of China Pipe held by the Group were pledged to secure loan facilities granted to the Group.

On 15 October 2008, the Group entered into a sale and purchase agreement with Singapore Zhongxin Investment Company Limited (“Singapore Zhongxin”) in relation to disposal of the newly acquired 29.52% interest in China Pipe at consideration of approximately HK\$74,000,000. Details of which were set out in note 28(c). The directors of the Company had reviewed the recoverable amount of the associate by reference to the proceeds received from disposal less cost to sell and considered an impairment loss of HK\$225,146,000 was recognised in the condensed consolidated income statements for the six months ended 30 September 2008.

The summarised financial information in respect of the Group’s associate is set out below:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Turnover	273,934	6,520
Profit for the period/year	7,243	6,520
Profit attributable to the Group	3,146	2,608
Total assets	976,387	–
Total liabilities	(495,344)	–
Net assets	481,043	–
Net assets attributable to the Group	74,000	–

For the six months ended 30 September 2008, the unaudited consolidated balance sheet and the unaudited consolidated income statement of China Pipe and its subsidiaries (collectively referred to as the “China Pipe Group”) extracted as above are based on the published unaudited interim consolidated financial statements of the China Pipe Group for the six months ended 30 June 2008 which is not conterminous with the Group.

15. PROPERTIES UNDER DEVELOPMENT FOR SALE

	<i>HK\$'000</i> (Unaudited)
Net book value	
At 1 April 2008	607,714
Exchange alignment	20,956
Additions	24,022
Impairment loss recognised	(120,508)
At 30 September 2008	532,184

The directors reassessed the carrying amount of properties under development for sale by reference to the recoverable amount and considered an impairment loss of approximately HK\$120,508,000 was recognised in the condensed consolidated income statements.

At 30 September 2008, no properties under development for sale were pledged to secure bank loans (31 March 2008: Nil).

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade customers. The aged analysis of trade receivables of HK\$8,347,000 (31 March 2008: HK\$34,520,000) included in trade and other receivables and prepayments is as follow:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Trade receivables:		
0 – 30 days	8,347	34,520
Margin clients accounts receivables	1,227	1,227
Clearing houses, brokers and dealers	3,952	1,502
Prepayments and deposits	666,106	661,716
Other receivables	33,282	36,942
	712,914	735,907

Loans to margin clients are secured by client's pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed, as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in the prepayments and deposits as at 31 March 2008 and 30 September 2008 amounted to approximately HK\$347,063,000 and HK\$381,703,000 are deposits paid for acquisition of Heilongjiang Black Dragon Company Limited ("Black Dragon").

17. LOAN RECEIVABLES

The loan receivables were unsecured, carrying at the prevailing interest rate ranging from 7.5% to 15% per annum with fixed repayment terms.

18. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables of HK\$6,920,000 (31 March 2008: HK\$8,851,000) included in trade and other payables and deposits received is as follow:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited) (Restated)
Trade payables:		
0 – 30 days	6,920	8,851
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	1,395	95
Other payables and deposits received	238,713	248,403
	247,028	257,349

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed, as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in the other payables and deposits received are payables for construction works of approximately HK\$126,933,000 (31 March 2008: HK\$124,562,000) and deposits received for the pre-sale properties of approximately HK\$20,770,000 (31 March 2008: HK\$25,890,000).

19. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-bearing at Hong Kong Inter Bank Offered Rate plus 1.75% and repayable on demand.

The related company is wholly-owned by Mr. Zhang Yang, a director of the Company.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Financial liabilities in related to convertible note options	1,079	22,736

During the year ended 31 March 2008, the Group entered into subscription agreements with a director of the Company (the Subscriber"), pursuant to which the Group, in return for its payment of a premium of HK\$20,000,000, granted to the Subscriber (i) an option (the "First Tranche Option") to subscribe for convertible notes of the Company up to an aggregate principal amount of HK\$650,000,000 (the "First Tranche Convertible Notes"); and (ii) an option (the "Second Tranche Option") to subscribe for convertible notes of the Company up to an aggregate principal amount of HK\$1,200,000,000 (the "Second Tranche Convertible Notes").

The First Tranche Option may be exercised by the Subscriber at any time during the period commencing from the date of such grant and ending on 31 December 2007 and the Second Tranche Option may be exercised by the Subscriber at any time during the period commencing from the date of completion of subscription of the First Tranche Option in full and ending on 31 December 2008.

The value of each of the convertible note option was valued by BMI Appraisals Limited, an independent valuer, at the issue date, at 31 March 2008 and at 30 September 2008, by using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	At the date of issue	As at 31 March 2008	As at 30 September 2008
The First Tranche Option			
Spot price	HK\$0.144	-	-
Conversion price	HK\$0.1	-	-
Risk free rate	3.884%	-	-
Expected exercise period	0.25 years	-	-
Nature of the option	Call	-	-
Volatility	22.51%	-	-
The Second Tranche Option			
Spot price	HK\$0.071	HK\$0.073	HK\$0.023
Conversion price	HK\$0.1	HK\$0.1	HK\$0.1
Risk free rate	4.074%	1.287%	0.041%
Expected exercise period	0.75 years	1.875 years	0.125 years
Nature of the option	Call	Call	Call
Volatility	34.12%	80.66%	66.15%

20. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Expected volatility was measured at the standard deviation of expected share price returns based on statistical analysis of daily share average prices of comparable companies with similar business over the past years immediately preceding the grant dates. The expected life of call options used in the model represents management's best estimate, taking into account of non transferability, exercise restrictions and behavioral consideration.

As at 31 March 2008, the First Tranche Option has been fully exercised. The changes in fair value of the First Tranche Option and the Second Tranche Option during the year ended 31 March 2008 and the six months ended 30 September 2008 were as follows:

	As at 31 March 2008		As at 30 September 2008
	The First Tranche Option <i>HK\$'000</i> (Audited)	The Second Tranche Option <i>HK\$'000</i> (Audited)	The Second Tranche Option <i>HK\$'000</i> (Unaudited)
Derivative financial instruments			
At beginning of the year/period	-	-	22,736
At initial recognition	125	21,175	-
Fair value (decrease)/increase	(61)	1,561	(16,629)
Exercise upon issue of convertible notes	(64)	-	(5,028)
At end of the year/period	-	22,736	1,079

21. BANK AND OTHER BORROWINGS

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Bank borrowings, secured	293,409	252,210
Bank borrowings, unsecured	49,425	47,778
Other borrowings, secured	100,617	–
Total borrowings	443,451	299,988
The maturity profile are as follow:		
On demand or repayable within one year:		
bank borrowings	120,005	100,357
other borrowings	100,617	–
Portion classified as current liabilities	220,622	100,357
Bank borrowings repayable:		
on demand or in the second year	44,872	41,239
in the third to fifth years, inclusive	99,778	99,842
after the fifth year	78,179	58,550
Portion classified as non-current liabilities	222,829	199,631
Total borrowings	443,451	299,988

All the bank borrowings are variable-rate borrowings, thus exposing the Group to interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on the Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi ranged from 5.5% to 12.3% (31 March 2008: 5.8% to 7.8%) per annum.

The Group's borrowings are denominated in the following currencies:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Hong Kong dollars	127,088	27,887
Renminbi	316,363	272,101
Total	443,451	299,988

22. CONVERTIBLE NOTES

- a. During the year ended 31 March 2008, the Group entered into subscription agreement with the Subscriber pursuant to which the Company has agreed to grant to the Subscriber (i) the First Tranche Option to subscribe for the First Tranche Convertible Notes; and (ii) the Second Tranche Option to subscribe for the Second Tranche Convertible Notes.
- b. During the year ended 31 March 2008, the Company issued the First Tranche Convertible Notes with principal amount of HK\$650,000,000. The First Tranche Convertible Notes carries interest at 3.0% and will be matured on 4 July 2012. The First Tranche Convertible Notes are denominated in Hong Kong dollars. The initial conversion price is HK\$0.10 per share. The effective interest rate of the liability component is 8.57% per annum.

On 26 October 2007, 30 October 2007, 9 November 2007, 28 December 2007, 4 January 2008 and 30 January 2008, the First Tranche Convertible Notes of approximately HK\$150,000,000, HK\$50,000,000, HK\$50,000,000, HK\$300,000,000, HK\$50,000,000 and HK\$50,000,000 were converted into 1,500,000,000, 500,000,000, 500,000,000, 3,000,000,000, 500,000,000 and 500,000,000 ordinary shares respectively at HK\$0.10 each of the Company. Following the conversion, 6,500,000,000 ordinary shares under the First Tranche Convertible Notes were issued.

- c. During the six months ended 30 September 2008, the Company issued part of the Second Tranche Convertible Notes with principal amount of HK\$300,000,000. The Second Tranche Convertible Notes carries interest at 3.0% and will be matured on 4 July 2012. The Second Tranche Convertible Notes are denominated in Hong Kong dollars. The initial conversion price is HK\$0.10 per share. The effective interest rate of the liability component is 5.5% per annum.

On 2 April 2008, 16 April 2008 and 21 April 2008, the Second Tranche Convertible Notes of approximately HK\$50,000,000, HK\$200,000,000 and HK\$50,000,000 were converted into 500,000,000, 2,000,000,000 and 500,000,000 ordinary shares respectively at HK\$0.10 each of the Company. Following the conversion, 3,000,000,000 ordinary shares under the Second Tranche Convertible Notes were issued.

The movement of the liability component of the convertible notes for the period/year is set out below:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Liability component at beginning of the period/year	–	4,587
Proceeds of issue	305,028	782,677
Equity component	(32,027)	(288,269)
Liability component at date of issue	273,001	498,995
Imputed interest expense for the period/year	–	931
Conversion into ordinary share	(273,001)	(499,926)
Liability component at end of the period/year	–	–

23. SHARE CAPITAL

	Number of shares		Nominal value	
	30 September 2008	31 March 2008	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:	40,000,000,000	40,000,000,000	4,000,000	4,000,000
Issued and fully paid:				
At beginning of the period/year	17,286,193,632	6,651,903,632	1,728,619	665,190
Issue of new shares	–	2,700,000,000	–	270,000
Exercise of share options	–	371,490,000	–	37,149
Conversion of convertible notes	3,000,000,000	7,562,800,000	300,000	756,280
At end of the period/year	20,286,193,632	17,286,193,632	2,028,619	1,728,619

For the year ended 31 March 2008

- The Company increased the authorised share capital from HK\$1,000,000,000 to HK\$4,000,000,000 by the creation of an additional 30,000,000,000 new ordinary shares of HK\$0.10 each.
- The Company entered into a subscription agreement for issuing an aggregate of 2,700,000,000 new shares at par value of HK\$0.10 each.
- The Company allotted and issued 371,490,000 new shares of HK\$0.10 each pursuant to the exercise of share options granted to the Group's directors, employees and consultants. The exercise price was HK\$0.146 per share.
- The holder of a convertible note issued by the Company on 12 February 2007 (the "2007 CN") and the First Tranche Convertible Notes with outstanding principal amounts of HK\$5,000,000 and HK\$650,000,000 respectively were converted into shares at conversion price of HK\$0.10 per share. 6,550,000,000 ordinary shares were issued upon conversion of the 2007 CN and the First Tranche Convertible Notes.
- The holder of a convertible note issued by the Company for acquisition of Money Capture Investments Limited (the "Money Capture CN") with principal amounts of HK\$132,677,000 was converted into shares at conversion price of HK\$0.131 per share. 1,012,802,000 ordinary shares were issued upon conversion of the Money Capture CN.

For the six months ended 30 September 2008

- 3,000,000,000 ordinary shares of HK\$0.10 each were issued upon the conversion of the Second Tranche Convertible Notes with principal amount of HK\$300,000,000 issued by the Company.

24. CAPITAL COMMITMENTS

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of: acquisition of property, plant and equipment and properties under development for sale	113,926	110,375

25. COMMITMENTS

- (a) At 30 September 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's guarantee lease arrangement for the pre-sale properties. The lease commitments of the Group will be as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within one year	10,470	5,073
In the second to fifth year inclusive	14,568	29,042
After five years	14,369	18,628
	39,407	52,743

Leases are negotiated for an average term of eight to ten years.

- (b) At 30 September 2008, the Group has commitments to the property buyers of certain pre-sales properties that the Group would buy back the properties at 100% of the original property sales price on the request from the property buyers. The commitments are six years after the completion date of the sale and purchase agreements of the properties with the total contract sum of approximately HK\$63,284,000 (31 March 2008: HK\$61,175,000).

26. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 September 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within one year	2,656	2,906
In the second to fifth year inclusive	4,437	5,086
After five years	12,472	12,581
	19,565	20,573

The Group as lessor

At 30 September 2008, the Group had contracted with tenants for the following future minimum lease payments:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within one year	9,544	9,341
In the second to fifth year inclusive	26,636	20,627
	36,180	29,968

27. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:-

- (a) The Group paid interest amounting to HK\$90,000 (2007: HK\$106,000) to a director of the Company's subsidiary.
- (b) The Group paid interest amounting to HK\$56,000 (2007: HK\$3,305,000) to a related company of the Company.
- (c) The Group received rental income approximately HK\$270,000 (2007: HK\$270,000) from a director of the Company.
- (d) Key management personnel compensation

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives is as follows:-

	Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Salaries and other short-term benefits	5,034	4,763
Pension scheme contributions	170	165
Share-based payment expenses	-	5,459
	5,204	10,387

- (e) The Company entered into a subscription agreement ("Subscription Agreement") with Mr. Zhang Yang ("Mr. Zhang"), a director of the Company, in relation to share subscription and the grant of convertible note options.

Pursuant to the Subscription Agreement, the Company had conditionally agreed to (i) allot and issue the subscription shares (being a total 2,700,000,000 new shares) at the share subscription price (equivalent to HK\$0.10 per subscription share) to Mr. Zhang; and (ii) grant of the convertible note options at the premium of HK\$20,000,000 after the completion of share subscription, being options to subscribe for the First Tranche Convertible Notes and the Second Tranche Convertible Notes at an initial conversion price.

28. SUBSEQUENT EVENTS

- (a) On 17 May 2007, the Group entered into a sale and purchase agreement (as supplemented by the supplemental agreement dated 29 June 2007, the second supplemental agreement dated 15 November 2007 and the third supplemental agreement dated 17 December 2007) with Heilong Group Limited in relation to the sale and purchase of approximately 70.21% of the issued share capital of Black Dragon at the aggregate consideration of RMB420,000,000. Details of such acquisition are set out in the Company's circular dated 31 January 2008. As at the date of report, the acquisition of 70.21% of the issued share capital of Black Dragon has not been completed.

On 10 December 2008, the China Securities Regulatory Commission has granted several approvals for the restructuring proposal of Black Dragon and acquisition of Black Dragon by the Group. Details of which were set out in the Company's announcement dated 12 December 2008.

- (b) On 3 August 2008, the Group entered into a sale and purchase agreement with Guangzhou Guang Yu Enterprise Limited in relation to disposal of three parcels of land located in the PRC at consideration of approximately RMB474,267,000, which shall be satisfied in cash. Such disposal was approved by the shareholders of the Company at an extraordinary general meeting held on 19 September 2008.

Pursuant to the agreement, (i) the purchaser was entitled to conduct a due diligence review on the lands within 5 business days after the date of the agreement; and (ii) a deposit of approximately RMB60,000,000 is payable within 3 business days after completion of the due diligence review. However, the Group has not received any reply from the purchaser. Accordingly, the board of directors considers it in the best interests of the Company and the shareholders of the Company as a whole to terminate such disposal transaction. A notice of termination was sent to the purchaser on 31 October 2008. Details of which were set out in the Company's announcement dated 4 November 2008.

- (c) On 15 October 2008, the Company entered into a sale and purchase agreement with Singapore Zhongxin, in relation to disposal of 3,700,000,000 shares of HK\$0.002 each in the capital of China Pipe held by the Company at consideration of approximately HK\$74,000,000, which shall be satisfied in cash. Details of the transactions were set out in the Company's announcement dated 17 October 2008.
- (d) On 10 December 2008, the Company entered into a sale and purchase agreement with Shanghai Fanghua Shiye Development Limited for the disposal of the entire interest in Interchina (Changsha) Investments and Management Company Limited ("ICIM"), 38.9% interest in Changsha Interchina Star City Company Limited and a non-interest bearing shareholder loan owing by ICIM to the Company at a total consideration of RMB330,000,000. Details of the transactions were set out in the Company's announcement dated 12 December 2008.

29. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 23 December, 2008.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's turnover for the six months ended 30 September 2008 (the "Period") amounted to HK\$27,476,000 increased by 45.2% comparing to the restated HK\$18,927,000 in corresponding period in last year. The increase in turnover was mainly due to the Group added property investment in Shanghai and Beijing in last year, which increased its rental income. Also, the sewage treatment plant at Maanshan commenced operation in August last year, which brought revenue to its environmental protection and water treatment operation.

The Group's loss for the Period amounted to HK\$477,382,000 increased by 785.3% comparing to the restated HK\$53,921,000 in the corresponding period in last year. The loss was mainly attributable to (i) a revaluation loss of approximately HK\$270,702,000 arising on change in fair value of the Group's property investment under the recent adverse condition of the property market; and (ii) after the end of the Period, on 15 October 2008, the Company entered into a sale and purchase agreement with an independent third party with respect to the disposal of 29.52% of the issued share capital of China Pipe Group Limited, for a consideration of HK\$74,000,000, which resulted in impairment loss of approximately HK\$225,146,000 in the Group's investment in an associate. The impairment loss is calculated based on the equity interest of the investment of HK\$299,146,000 less the disposal consideration of HK\$74,000,000 and it should be recognised in the Period in accordance with Hong Kong Financial Reporting Standards. By excluding the effects of the above losses, the Group recorded profit of HK\$18,466,000.

BUSINESS REVIEW AND PROSPECT

Environmental Protection and Water Treatment Operation

During the Period, the sewage treatment capacity for the environmental protection and sewage treatment projects of the Group that had commenced operation amounted to 180,000 tonnes on average per day. The total income increased by 12.6% to HK\$29,244,000.

In order to accelerate the pace of business development, the Group acquired 70.21% equity interest of Heilongjiang Black Dragon Company Limited ("Black Dragon") (stock code: 600187, its shares are listed on the Shanghai Stock Exchange and have been suspended from trading) at the beginning of 2007 and engaged in a series of activities for the resumption of trading in the shares of Black Dragon (the "Acquisition"). These activities included the grant of loans to Black Dragon for the acquisition of water treatment projects so as to complete the business restructuring, and conducted the share reform scheme for Black Dragon in the capacity as the potential substantial shareholder of Black Dragon. The approval of the Acquisition has been obtained from Ministry of Commerce of the PRC on 1 September 2008 and the final approval regarding the assets restructuring of Black Dragon and the waiver of the obligations to make the general offer by the Group (if any) has been obtained from the China Securities Regulatory Commission on 10 December 2008. Black Dragon owns two water treatment projects in Shaanxi Province, and one in Qinghai Province, with a daily aggregate sewage treatment capacity of 280,000 tonnes. Upon completion of the Acquisition, the treatment capacity of the Group's environmental protection and water treatment operation will increase to 600,000 tonnes per day, and the revenue will substantially increase. On the other hand, the sewage treatment project located at Changli City, Hebei Province, with a sewage treatment capacity of 40,000 tonnes on average per day, will be completed in the first quarter of 2009, and commence trial operation in water treatment, which will bring revenue to the Group.

The Group planned to provide through Black Dragon an additional financing platform for the environmental protection and water treatment operations of the Group, so as to further expand the scale of development in the environmental protection and water treatment operations of the Group. Environmental protection and water treatment operation will be a major and stable source of revenue of the Group.

The Group will continue to seek opportunities of merger and acquisition of quality water treatment projects, to further increase its investment in environmental protection and water treatment operation, so as to keep on expanding the development scale of environmental protection and water treatment operation of the Group.

City Development and Investment Operation

With the impacts of the global economic downturn and a series of macro-economic control measures, the Interchina Mall – the Group’s mega-scale luxurious residential and commercial complex in Changsha has recorded impairment loss of HK\$120,508,000 in properties under development for sale.

In light of the introduction of macroeconomic control measures on property developers in the PRC and the recent stagnation in the economy, uncertainty of investment in property development in the PRC have increased. The huge capital needed to continue the development of the project also increased the risks of investment and reduced the financial resources available to other core business operation of the Group. As a result, in December this year, the Group disposed its entire interests in and shareholders’ loan due from two wholly-owned subsidiaries, which held property development projects located in Changsha at a total consideration of RMB330,000,000 (the “Disposal”), to enhance the working capital of the Group. Details of the transactions were set out in the Company’s announcement dated 12 December 2008.

After completion of the Disposal, the Group will ceased to be engaged in the city development and investment operation and concentrated its resources on development its core environmental protection and water treatment operation.

Property Investment Operation

During the Period, the turnover for the Group’s property investment operation increased 62.4% to HK\$8,049,000. The Group’s investment properties are mainly comprised of a shopping mall of about 18,000 square meters in the CBD of Shanghai, the PRC and a commercial unit of about 9,000 square meters in the CBD of Beijing, the PRC.

During the Period, the Group’s investment properties recorded decrease in fair value and revaluation loss of approximately HK\$150,194,000. The revaluation loss was non-cash and had no material impact on the Group’s finance and business.

Securities and Financial Operation

During the Period, the turnover of the Group’s securities and financial operation increased 110.6% to HK\$9,942,000, which is mainly attributable to the increase in interest income. The Group will continue to strengthen internal control over the borrowings to margin clients, especially in reducing the margin ratio for non-index constituent stocks, so as to reduce the risk arising from the fluctuation of the stock market.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During the Period, the Group's financial resources mainly comprised cash inflow generated by its business operations, bank and other borrowings and the issuance of convertible notes. As at 30 September 2008, the Group's cash on hand and deposits in bank (including segregated and trust accounts) totaled approximately HK\$29,292,000 (31 March 2008: HK\$34,539,000).

As at 30 September 2008, the Group had total assets of HK\$2,736,833,000 (31 March 2008: restated HK\$2,833,986,000).

As at 30 September 2008, the Group had outstanding borrowings of HK\$443,451,000 (31 March 2008: HK\$299,988,000) comprising secured bank and other borrowings of HK\$394,026,000 (31 March 2008: HK\$252,210,000) and unsecured bank borrowings of HK\$49,425,000 (31 March 2008: HK\$47,778,000) whereas 77.3% of the Group's outstanding borrowings carried interest on floating rate basis and the remaining 22.7% were at fixed interest rate. The gearing ratio was 16.2% (total outstanding borrowings/total assets). The maturity profile of the outstanding borrowings was spread over a period of more than five years with HK\$220,622,000 repayable within one year, HK\$144,650,000 repayable after one year but within five years and HK\$78,179,000 repayable after the five years. The Group's secured bank and other borrowings were secured by the Group's investment properties, interest in leasehold land, and the equity interest in an associate.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. As at 30 September 2008, 43.9% of the Group's cash on hand and deposits in bank was held in Hong Kong dollars and 56.1% in Renminbi; whereas 28.7% of the Group's outstanding borrowings was denominated in Hong Kong dollars and the rest in Renminbi.

Pursuant to the Share Subscription Agreement dated 5 July 2007, in April 2008, the Company issued 5-year convertible notes bearing interest at 3% p.a. convertible into a total of 3,000,000,000 shares of HK\$0.1 each in respect of the second tranche convertible note options, and all of the convertible notes had been converted into share capital during the Period. The net proceeds were mainly applied as usual working capital. As at 30 September 2008, the issued capital of the Company was 20,286,193,632 shares and shareholders equity amounted to HK\$2,005,265,000.

Significant Disposals

On 15 October 2008, the Company entered into the sale and purchase agreement with Singapore Zhongxin Investment Company Limited with respect to the disposal of 3,700,000,000 shares in China Pipe Group Limited ("China Pipe"), representing approximately 29.52% of the issued share capital of China Pipe, for a consideration of HK\$74,000,000. Details of the disposal were set out in the Company's announcement dated 17 October 2008.

On 10 December 2008, the Company entered into a sale and purchase agreement with Shanghai Fanghua Shiye Development Limited for the disposal of the entire interest in Interchina (Changsha) Investments and Management Company Limited ("ICIM"), 38.9% interest in Changsha Interchina Star City Company Limited and a non-interest bearing shareholder's loan owing by ICIM to the Company at a total consideration of RMB330,000,000. Details of the transactions were set out in the Company's announcement dated 12 December 2008.

Save as those disclosed above, during the Period, the Group did not have other significant investment or acquisition or disposal of subsidiaries.

Pledge of Group's Assets

As at 30 September 2008, the Group's assets were pledged as security for its bank and other borrowings, comprising investment properties with carrying amounts of HK\$166,868,000 (31 March 2008: HK\$62,611,000) and interests in leasehold land with carrying amounts of HK\$43,093,000 (31 March 2008: HK\$41,938,000). In addition, certain shares of an associate held by the Group were also pledged to lender to secure loan facilities granted to the Group.

Foreign Exchange Exposure

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar or Renminbi. As Renminbi becomes more volatile, the Group's operations and performances might thus be affected. Presently, the Group does not have any currency hedging policy but will closely monitor the fluctuation of Renminbi exchange rate and take appropriate measures to minimize any adverse impact that may be caused by such fluctuation.

Employment and Remuneration Policy

As at 30 September 2008, the Group had a total of 240 employees in the PRC and Hong Kong. To maintain the Group's competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2008, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (“SFO”), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding
Zhang Yang (“Mr. Zhang”)	Interests of controlled corporation (Note 1)	103,495,000 Shares (L)	0.51%
	Beneficial owner (Note 2)	12,636,370,000 Shares (L)	62.29%
Lam Cheung Shing, Richard	Beneficial owner	77,000,000 Shares (L)	0.38%
Chan Wing Yuen, Hubert	Beneficial owner	77,000,000 Shares (L)	0.38%
Ha Ping	Beneficial owner (Note 3)	5,000,000 Shares (L)	0.02%
Wong Hon Sum	Beneficial owner (Note 4)	5,000,000 Shares (L)	0.02%
Tang Tin Sek	Beneficial owner (Note 5)	5,000,000 Shares (L)	0.02%

(L) denotes the long position held in the Shares

Notes:

1. These Shares are held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang, who is a Director and the chairman of the Company.
2. These Shares represent (i) 3,636,370,000 Shares held by Mr. Zhang; (ii) 9,000,000,000 Shares to be allotted and issued to Mr. Zhang upon the exercise in full of the conversion rights attaching to the convertible notes to be issued by the Company, details of which are set out in the announcement of the Company dated 6 July 2007.
3. These Shares represent the Shares which may be allotted and issued to Ha Ping upon the exercise in full of the subscription rights attached to the options granted by the Company.
4. These Shares represent the Shares which may be allotted and issued to Wong Hon Sum upon the exercise in full of the subscription rights attached to the options granted by the Company.
5. These Shares represent the Shares which may be allotted and issued to Tang Tin Sek upon the exercise in full of the subscription rights attached to the options granted by the Company.

Other than as disclosed above, at 30 September 2008, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of substantial Shareholder	Capacity/nature of interests	Number of shares	Approximate percentage of shareholding
Chan Tim Shing	Beneficial owner	1,565,000,000 Shares (L)	7.71%

(L) denotes the long position held in the Shares

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 30 September 2008.

SHARE OPTION SCHEME

The share option scheme (the "Old Share Option Scheme") which was adopted on 25 July 2000 was terminated in 2002 and a new share option scheme (the "New Share Option Scheme") was adopted and approved by the shareholders of the Company at the annual general meeting held on 2 September 2002.

During the six months ended 30 September 2008, the Board did not grant any share option under the New Share Option Scheme to the directors or eligible employees of the Group to subscribe for shares in the Company and the outstanding share options as at 30 September 2008 were as follows:

Name of category of participant	Number of share options			Date of grant	Exercise period	Exercise price HK\$
	Outstanding as at 31 March 2008	Granted, exercised and lapsed during the period	Outstanding as at 30 September 2008			
Director						
Wong Hon Sum	5,000,000	–	5,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Ha Ping	5,000,000	–	5,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Tang Tin Sek	5,000,000	–	5,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Consultants						
In aggregate	33,000,000	–	33,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Employees						
In aggregate	40,000,000	–	40,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
	88,000,000	–	88,000,000			

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

At 30 September 2008, the Company had 88,000,000 share options (2007: 165,000,000) outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 88,000,000 additional ordinary shares of HK\$0.10 each of the Company and additional share capital of HK\$8,800,000 (2007: HK\$16,500,000) and cash proceeds to the Company of approximately HK\$12,848,000 (2007: HK\$24,090,000) (before share issue expenses).

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, throughout the six months ended 30 September 2008, save for the deviation as set out below:

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for specific term, subject to re-election. Currently, all directors of the Company (including executive and non-executive directors) are not appointed for any specific term. However, all directors are subject to retirement by rotation at each annual general meeting in accordance with the Company's Articles of Association and shall be eligible for re-election. The Board shall ensure that all directors shall be subject to retirement by rotation at least once every three years so as to accomplished the same purpose as a specific term of appointment.

The code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the 2008 annual general meeting of the Company ("2008 AGM"). The Chairman did not attend the 2008 AGM due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2008.

AUDIT COMMITTEE

The audit committee which comprised three independent non-executive directors of the Company, namely Mr. Wong Hon Sum, Dr. Tang Tin Sek and Ms. Ha Ping, has reviewed with management the accounting principles and policies adopted by the Group and discussed internal control and the financial reporting matters including the review of the unaudited condensed financial statements for the six months ended 30 September 2008.

By order of the Board
Zhang Yang
Chairman