國中

ANNUAL REPORT 2009

國|中|控|股|有|限|公|司

INTERCHINA HOLDINGS CO LTD

Stock Code: 202

Contents

To Shareholders,

On behalf of the Board of Directors of Interchina Holdings Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009.

2008 witnessed a financial crisis of unprecedented scale sweeping across the world. Credit crunches in all major markets have sent many companies into financial hardship. Notwithstanding the difficult business environment, the Group overcame certain difficulties and the environmental protection and water treatment operation has entered a new stage.

During the year, the Group successfully completed the acquisition of 70.2% interest in 黑龍江黑龍股份有限公司 ("Black Dragon") (stock code: 600187, its shares are listed on the Shanghai Stock Exchange) and the trading in shares of Black Dragon was resumed on 17 April 2009. To reflect this major change in our environmental protection and water treatment operation, Black Dragon has changed its name to Heilongjiang Interchina Water Treatment Company Limited 黑龍江國中水務股份有限公司 ("Heilongjiang Interchina"). As at 27 May 2009, the market capitalization of Heilongjiang Interchina was approximately RMB2.4 billion. Heilongjiang Interchina currently own two water supply projects in Shaanxi Province and one sewage treatment project in Qinghai Province, with average daily aggregate processing capacity of 280,000 tonnes. This acquisition has given the Group the opportunity to further expand the development in the environmental protection and water treatment operation. Besides, the sewage treatment project in Changli, Hebei Province, the PRC with average daily processing capacity of 40,000 tonnes has commenced trail operation in March 2009. In addition, the Group was granted to the right by the Dalada Qi Government to construct and operate a sewage treatment project in Dalada Qi, Ordos City, Inn Mongolia with average daily processing capacity of 70,000 tonnes. As at 31 March 2009, there is a total of eight environmental protection and water treatment projects spreading across Hebei Province, Shaanxi Province, Anhui Province, Qinghai Province and Inn Mongolia, with average daily aggregate processing capacity of 670,000 tonnes. It is expected that upon completion of the water treatment plants which are now under construction and those which are under planning, the contribution from the environmental protection and water treatment operation to the Group would become more material.

The Group will focus on developing the businesses in environmental protection and water treatment operation through Heilongjiang Interchina. In order to strength the capital base and support the business development, Heilongjiang Interchina is planning to increase its share capital by issuing of new shares to original shareholders or strategic investors. The Group will continue to provide support to the further increase of share capital of Heilongjiang Interchina.

In December 2008, a sale and purchase agreement was entered into for disposal of 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 million. That coupled with the steady cash flow from property investment operation can enable the Group to develop its core environmental protection and water treatment operation and property investment operation at full force.

Looking forward, the Company will strive to observe high standard of corporate governance and develop its business through extensive market experience and professional expertise. With our distinctive competitive advantages, clear development strategies and strong management team, we look forward to sharing our prosperous achievements with our shareholders in the years ahead.

Finally, on behalf of the Board, I would like to take this opportunity to extend my gratitude to our business partners and shareholders and thank all staff of the Group for their contributions in the past year.

By order of the Board,
Lam Cheung Shing, Richard
Chairman

Hong Kong, 29 May 2009

BUSINESS REVIEW

Environmental Protection and Water Treatment Operation

At the end of March 2009, the Group's environmental protection and water treatment operation encompasses Hanzhong Shimen Water Supply Plant ("Hanzhong Project"), Qinhuangdao Sewage Treatment Plant ("Qinhuangdao Project"), Maanshan Sewage Treatment Plant ("Maanshan Project"), Changli Sewage Treatment Plant ("Changli Project"), Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project"), Xian Yanliang Water Supply Plant ("Yanliang Project") and Qinghai Xiongyue Sewage Treatment Plant ("Qinghai Project"), with total average daily aggregate processing capacity of 600,000 tonnes, representing an increase of 280,000 tonnes, representing a 88% increase from last year.

During the year under review, the Group further consolidated resources to focus on developing its core environmental protection and water treatment operation. In the year, the Group completed the acquisition of 229,725,000 shares, representing 70.2% equity interest of 黑龍江黑龍股份有限公司 (stock code: 600187, its shares are listed on the Shanghai Stock Exchange) and has changed its name to Heilongjiang Interchina Water Treatment Company Limited 黑龍江國中水務股份有限公司 ("Heilongjiang Interchina") in March 2009. The total consideration for the acquisition is approximately RMB627,149,000. The trading of its A shares has successfully resumed on 17 April 2009. As at 27 May 2009, the market capitalization of Heilongjiang Interchina was approximately RMB2.4 billion. Heilongjiang Interchina owns Xingyuan Project with daily aggregate processing capacity of 110,000 tonnes, Yanliang Project with daily aggregate processing capacity of 120,000 tonnes and Qinghai Project, with average daily aggregate processing capacity of 42,500 tonnes. The total average daily aggregate processing capacity of Heilongjiang Interchina is approximately 280,000 tonnes.

During the year, total revenue of environmental protection and water treatment operation amounted to HK$81,479,000, an increase of 14% when compared with 2008. However, since the completion of acquisition of Heilongjiang Interchina in December 2008, the Group can only share 3 months revenue of Heilongjiang Interchina which amounted of HK$20,483,000. In view of this, we believe the acquisition of Heilongjiang Interchina has already laid a strong foundation for our business growth and prosperity in future years.

In March 2009, the Group's Changli Project located at Hebei Province, with a sewage treatment capacity of 40,000 tonnes on average per day, commenced trial operation. The Group expects that the Changli Project will make contribution to the Group's revenue in the coming year. Besides, the Group was granted to the right by the Dalada Qi Government to construct and operate a sewage treatment project in Dalada Qi, Ordos City, Inn Mongolia ("Ordos Project"). The daily average processing capacity of the project will be 70,000 tonnes. The project is in the early and preparatory stage. Taking into account the Hanzhong Project with daily aggregate processing capacity of 100,000 tonnes, Qinhuangdao Project with daily aggregate processing capacity of 120,000 tonnes and Manashan Project with daily aggregate processing capacity of 60,000 tonnes, the total average daily aggregate processing capacity is 280,000 tonnes. Upon completion of the construction of the Ordos Project, the Group had eight water treatment projects in China with a daily aggregate treatment capacity of 670,000 tonnes.

The Group planned to provide an additional financing platform through the water treatment operations offered to the Group by Heilongjiang Interchina, so as to further expand the scale of development in the environmental protection and water treatment operations of the Group. Heilongjiang Interchina intends to increase its share capital by issuing of new shares to original shareholders or strategic investors. The proposed increase of share capital is principally aimed to strengthen the capital base and provide additional funding for the merger and acquisition of any potential water treatment projects available to the Group in the future.

The Group expects that environmental protection and water treatment operation will be a major and stable source of revenue of the Group and the profit contribution from its operations will grow steadily.

City Development and Investment Operation

During the year, worldwide financial tsunami affects the financial systems of many countries. The Group, as a medium size real estate developer also encountered financial difficulties as the bank had tightened its credit policy. The huge capital requirement for continuing the city development and investment operation increased the risks of investment and reduced the financial resources available to other core businesses operation of the Group. As a result, in December 2008, the Group proposed to dispose 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 "Proposed 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 and 27 April 2009.

Upon completion of the Proposed Disposal, the Group has no business operation and activities in the city development and investment operation and will concentrate its resources on development its environmental protection and water treatment operation and property investment operation as the core businesses of the Group. This segment is presented as discontinuing operation in the consolidated financial statements for the year ended 31 March 2009.

Property Investment Operation

During the year, total revenue of property investment operation amounted to HK$18,211,000 (2008: HK$18,107,000). Investment properties of the Group were valued at 31 March 2009 and recorded a revaluation loss of HK$136,955,000 as a result of the downturn of the property markets in China and Hong Kong.

Looking forward, sentiment in the property market will continue to be influenced by the impact of the financial crisis. Rental income from properties will inevitably be affected. Nevertheless, our properties located in the CBD of Shanghai and Beijing, the PRC will help secure a stable rental income stream and future profitability. The Group will carry out review from time to time on its retail properties for renovation potential in order to enhance rental income.

Securities and Financial Operation

During the year, the revenue for securities and financial operation increased by 21% to HK$16,492,000, mainly due to 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 resulted from the fluctuation of the securities market.

PROSPECT

The slowdown of the global economy has brought forth many uncertainties over the operating environment of different industries. After the disposal of city development and investment operation, the Group will concentrate on the development of environmental protection and water treatment operation and property investment operation as the core businesses of the Group. Given the Group's competitive advantages and expertise in environmental protection and water treatment operation, and the favourable government policies on environmental protection and water treatment industry, we believe that the environmental protection and water treatment operation is less influenced by economy downturns. Challenges and opportunities will be abundant in the year 2009. The Directors are equipped with confidence to confront and resolve the setbacks arising from the financial crisis. Meanwhile, we will grasp this opportunity to effectively accomplish our established development strategies, with the aim to strengthen the foothold of the Group and maximize shareholders' benefit.

FINANCIAL REVIEW

During the year, the Group's revenue from its continuing operations was approximately HK$116,182,000 (2008: restated HK$103,007,000), representing an increase of 13% from last year. The increase in revenue is attributable to the Group sharing 3 months revenue of Heilongjiang Interchina which amounted of HK$20,483,000 as the acquisition of Heilongjiang Interchina was completed in December 2008. No revenue had been recorded from the discontinuing operation this year and last year.

During the year, the Group's operating loss from its continuing operations was HK$351,378,000 (2008:restated HK$14,015,000). The increase was mainly attributable to (i) a revaluation loss of approximately HK$136,955,000 arising on change in fair value of the Group's investment properties; and (ii) the loss on disposal of the Group's investment in an associate of approximately HK$225,146,000. By excluding the effects of the above losses, the Group recorded profit from its continuing operations of HK$10,723,000.

The operating loss from the discontinued operation was HK$412,867,000 (2008: restated HK$26,706,000). The increase was mainly attributable to (i) a revaluation loss of approximately HK$182,770,000 arising on change in fair value of the Group's properties under development for sale which is classified as assets held for sale; and (ii) the Company disposed of the entire equity interests of two major subsidiaries in the city development and investment operation, for a consideration of RMB330,000,000, with an impairment loss of approximately HK$216,300,000 has been realized.

As at 31 March 2009, the Group's total assets were HK$3,065,296,000 (2008: restated HK$2,833,986,000) and the total liabilities were HK$1,190,145,000 (2008: restated HK$701,686,000), and the equity reached HK$1,875,151,000 (2008: restated HK$2,132,300,000).

As at 31 March 2009, the Group's cash on hand and deposits in bank (including trust and segregated accounts) totaled approximately HK$41,582,000 (2008: HK$34,539,000).

As at 31 March 2009, the Group had outstanding borrowings of HK$523,838,000 (2008: HK$299,988,000) comprising secured bank and other borrowings of HK$397,031,000 (2008: HK$252,210,000) and unsecured bank and other borrowings of HK$126,807,000 (2008: HK$47,778,000) whereas 76% of the Group's outstanding borrowings carried interest on floating rate basis and the remaining 24% were at fixed interest rate. The gearing ratio was 18% (total outstanding borrowings/total assets). The maturity profile of the outstanding borrowings was spread over a period of more than five years with HK$219,477,000 repayable within one year, HK$233,741,000 repayable after one year but within five years and HK$70,620,000 repayable after the five years.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. As at 31 March 2009, 36% of the Group's cash on hand and deposits in bank was held in Hong Kong dollars and 64% in Renminbi; whereas 29% of the Group's outstanding borrowings was denominated in Hong Kong dollars and the rest in Renminbi.

Liquidity and Financial Resources

During the year, the Group's financial resources mainly comprised cash inflow generated by its business operations, bank and other borrowings and the issuance of convertible notes. Depending on the additional funding required for facilitating its current and future business development plans (including capital expenditure), the Group will make financial arrangements for the interest of the shareholders of the Group and at minimum financing cost.

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 year. The net proceeds were mainly applied as working capital.

Significant disposal

On 21 January 2009, the Company held an extraordinary general meeting, during which the disposal of its 29.52% equity interest in an associate China Pipe Group Limited ("China Pipe") was approved by the Company's shareholders. Upon completion of the disposal, the Company ceased to have any interest in China Pipe since January 2009.

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 and 27 April 2009 respectively.

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

Foreign Exchange Exposure

During the year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the year ended 31 March 2009, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

Pledge of Assets

As at 31 March 2009, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK$179,976,000, intangible assets with carrying amounts of HK$293,916,000 and other financial assets with carrying amounts of HK$334,334,000. In addition, certain shares of subsidiaries held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Employment and Remuneration Policy

As at 31 March 2009, the Group had a total of 820 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.

EXECUTIVE DIRECTORS

Ms. WING Man Yi, aged 40, was appointed as an executive Director and re-designated as the chairman of the Company in June 2009. Ms. Wing was appointed as an executive director and chairman of China Pipe Group Limited ("China Pipe"), the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from June 2007 to February 2009. Ms. Wing was also a sales director of Interchina Securities Limited, a wholly-owned subsidiary of the Company. She has extensive experience in the securities industry in Hong Kong and the People's Republic of China (the "PRC"), especially in the B share market where she was one of the pioneering professionals in the PRC. Through her experience in the securities industry, she has established a strong network of contacts of corporate and high network individuals in the PRC and Hong Kong which serves as a source of business and investment opportunities. Prior to joining Interchina Securities Limited, Ms. Wing held various senior positions at Shenyin Wanguo Securities (H.K.) Limited, ABN AMRO Asia Limited and BNP Paribas Peregrine Securities Limited. Ms. Wing received her bachelor's degree in economics from The Central Institute of Finance and Banking（中央財政金融學院）(now known as Central University of Finance & Economics（中央財經大學）), the PRC. Ms. Wing is the wife of the brother-in-law of Mr. Zhang Yang who is a substantial shareholder of the Company.

Mr. LAM Cheung Shing, Richard, aged 51, is the deputy chairman and chief executive officer of the Company since June 2009. In August 2001, Mr. Lam was appointed as an executive Director and deputy chief executive officer and was designated as the chairman of the Company during the period from May 2009 to June 2009. Mr. Lam was also the company secretary of the Company for the period from March 2004 to June 2009. Mr. Lam was appointed as an executive director of Kai Yuan Holdings Limited ("Kai Yuan"), the issued shares of which are listed on the main board of the Stock Exchange, during the period from December 2001 to July 2008 and re-designated as a non-executive director of Kai Yuan during the period from July 2008 to November 2008. Mr. Lam was appointed as an executive director of China Pipe, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009. Mr. Lam is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lam obtained the master degree of business administration from the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PriceWaterhouseCoopers, an international accounting firm and had been promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the Group, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited. Mr. Lam was also appointed as an independent non-executive director of Leadership Publishing Group Limited, the issued shares of which are listed on the Stock Exchange, during the period from April 2004 to March 2005.

Mr. ZHU Yongjun, aged 41, was appointed as an executive Director and deputy chairman of the Company in May 2008. Mr. Zhu was also appointed as an executive director of China Pipe, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009. Mr. Zhu obtained his master degree of business administration from Peking University after graduated from Hunan University in 1989. He has over 15 years of experience in business planning, management and fund raising.

Dr. MU Simon Xinming, aged 52, was appointed as an executive Director in June 2009. Dr. Mu graduated from the Nanjing University with a bachelor of science degree in urban planning in 1982. He obtained a master's degree in econometrics and a doctor of philosophy degree in planning and development finance from University of North Carolina at Chapel Hill, the United States of America (the "USA") in 1985 and 1987 respectively. Dr. Mu is currently the president of Prime Partner International Limited with its principal activity as investment holding. Dr. Mu is also a director of Wanhua Industrial Group Company Limited, a company engaged in manufacturing and sales of chemical products. Dr. Mu is appointed as an independent director of China Huaxia Bank, the issued shares of which are listed on the Shanghai Stock Exchange, since February 2004. Dr. Mu had over 15 years of working experience in banking, investment banking, financial advisories and technology services. Dr. Mu has been appointed and taken up various senior positions in a number of well prestige organisations; including Salomon Brothers, General Components Limited, Jinpan International Limited and Patron America Inc.. Dr. Mu was also an assistant professor of Lyndon Johnson School, University of Texas at Austin, USA.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. HA Ping, aged 44, was appointed as an independent non-executive Director in May 2000. Ms. Ha received her honorary doctorate from Queen's University of Brighton. Ms. Ha is the chairman of All Leaders Publication Group Limited and was an independent non-executive director of a Smart Energy Finance (Holdings) Limited during the period from June 2000 to May 2007, the issued shares of which are listed on the Stock Exchange.

Mr. HO Yiu Yue, Louis, aged 61 was appointed as an independent non-executive Director in April 2009. He obtained a master degree of business administration in finance & operations research from Concordia University in Canada and is an associate member of both Hong Kong Institute of Certified Public Accountants and Australia Society of Certificate Practising Accountants. Mr. Ho had over 30 years working experience with international accounting professional firms and had been admitted as partner in Ernst & Young, PricewaterhouseCoopers and Arthur Andersen, focusing on technology risk, system and process assurance and risk consulting practices. During that period, Mr. Ho provided services and advices to numerous blue chip corporations in both Hong Kong and the PRC. Mr. Ho was an independent non-executive director of China Pipe, the issued shares of which are listed on the main board of the Stock Exchange.

Mr. KO Ming Tung, Edward, aged 48, was appointed as an independent non-executive Director in April 2009. He obtained an external bachelor of laws degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. He is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 18 years. He was appointed as deputy presiding officer of the Labour Tribunal and is presently a member of the Panel of Adjudicators of the Obscene Articles Tribunal, the Solicitors Disciplinary Tribunal Panel, the Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants and the Employment Law Committee of The Law Society of Hong Kong. Mr. Ko has been appointed as tribunal chairman of the Appeal Tribunal Panel under the Buildings Ordinance. He is also a manager of Chiu Chow Association Secondary School. Mr. Ko is also an independent non-executive director of Sinofert Holdings Limited, Kai Yuan and Wai Chun Group Holdings Limited, and a non-executive director of New Smart Energy Group Limited, all of which are companies whose issued shares are listed on the main board of the Stock Exchange. Mr. Ko was an independent non-executive director of China Pipe, whose issued shares are listed on the main board of the Stock Exchange and was an independent non-executive director of Thiz Technology Group Limited whose issued shares are listed on the Growth Enterprise Market of the Stock Exchange.

Dr. FU Tao, aged 41, was appointed as an independent non-executive Director in June 2009. He graduated from the Peking University in 1990 with a bachelor degree of science in applied chemistry. He obtained a master degree in environmental engineering from Tsinghua University in 1993 and also obtained a doctorate in civil engineering from Harbin Institute of Technology Heilongjiang in 1999. He is a senior engineer and has been appointed as director of the Water Policy Research Center at Tsinghua University since 2003. He has been appointed as chairman of Beijing Golden City Science & Technology Development Company Limited (chinawater.com)（北京金城智業科技發展有限公司（中國水網））since 2008 and vice chairman of China Environment Service Association（全國環境服務業商會）since 2007. Between 2001 and 2002, he was the chief secretary of the China Housing Industry Association（全國住宅商會）. From 1999 to 2001, he was the director of the information division of the Center of Promoting Housing Industrialization（住宅產業化促進中心）, Ministry of Construction ("MOC"). Between 1994 and 1999, he was working in the department of science and technology of the MOC as project officer in charge of urban construction projects and study programs relating to the water industry in the PRC. These include, amongst others, the pilot study on benchmarking system for urban water supply conducted by the MOC and the north china water quality study program conducted jointly by the World Bank and the MOC. He is also an independent director of Beijing Capital Company Limited, the issued shares of which are listed on the Shanghai Stock Exchange and Epure International Limited, the issued shares of which are listed on the Singapore Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

The Board of directors of the Company (the "Board") recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the year ended 31 March 2009, the Company had complied with the code provisions of the CG Code save for the following:

i) The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a 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, in view of the fact that they are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the code provisions.

ii) The code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the annual general meeting of the Company ("AGM"). Due to business appointments overseas, the Chairman was not in Hong Kong on 6 September 2008 and therefore could not attend the AGM on that day. The Chief Executive Officer and an Executive Director attended the AGM to ensure effective communication with the shareholders of the Company.

THE BOARD

The Board currently comprises four executive directors and four independent non-executive directors. The brief biographical details of the directors are set out in the "Directors' Profile" section on pages 8 to 9 of this annual report.

The Company has four independent non-executive directors representing more than one-third of the Board. At least one of the independent non-executive directors has appropriate professional qualification or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules. The Board has received from each independent non-executive director an annual confirmation of his/her independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

THE BOARD *(Continued)*

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as when necessary, directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. There were 21 meetings (including meetings by way of circulation of written resolutions) held during the year under review, details of attendance are set out below:

	Attendance/Number of Meetings
Executive Directors	
Mr. Lam Cheung Shing, Richard	21/21
Mr. Zhu Yongjun (appointed on 19 May 2008)	12/21
Mr. Zhang Yang (resigned on 11 May 2009)	7/21
Mr. Chan Wing Yuen, Hubert (resigned on 11 June 2009)	21/21
Ms. Wing Man Yi (appointed on 11 June 2009)	N/A
Dr. Mu Simon Xinming (appointed on 11 June 2009)	N/A
Independent Non-executive Directors	
Ms. Ha Ping	14/21
Mr. Wong Hon Sum (resigned on 1 April 2009)	21/21
Dr. Tang Tin Sek (resigned on 1 April 2009)	21/21
Mr. Ho Yiu Yue, Louis (appointed on 2 April 2009)	N/A
Mr. Ko Ming Tung, Edward (appointed on 2 April 2009)	N/A
Dr. Fu Tao (appointed on 16 June 2009)	N/A

During the year ended 31 March 2009, the Board has dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control, material acquisitions and investments, disposal of assets and significant capital and financial matters. The Board has delegated the day-to-day operations of the Group to the senior management under the supervision of the Board.

THE BOARD *(Continued)*

In the Board meetings, sufficient fourteen-day notice for regular Board meetings and notice in reasonable days for non-regular Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner before the date of the Board meetings and at least 3 days before the regular Board meetings. Sufficient information was also supplied by the management to the Board to enable it to make informed decisions, which are made in the best interests of the Company.

Roles of Chairman and Chief Executive Officer

During the year, the chairman and chief executive officer of the Company are Mr. Zhang Yang and Mr. Chan Wing Yuen, Hubert. The Company has complied with code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Appointment and Re-election of Directors

The Board does not establish a nomination committee at present. The appointment of new Director(s) is therefore considered and approved by the full Board by taking into account criteria such as expertise, experience, integrity and commitments. During the year and up to the date of this report, there were the following changes to the membership of the Board:

(1) Mr. Zhu Yongjun was appointed as Executive Director and Deputy Chairman on 19 May 2008.
(2) Mr. Wong Hon Sum and Dr. Tang Tin Sek resigned as Independent Non-executive Directors on 1 April 2009.
(3) Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward were appointed as Independent Non-executive Directors on 2 April 2009.
(4) Mr. Zhang Yang resigned as Executive Director and Chairman on 11 May 2009.
(5) Mr. Lam Cheung Shing, Richard was appointed as Chairman on 11 May 2009 and re-designated as Deputy Chairman and Chief Executive Officer on 16 June 2009.
(6) Mr. Chan Wing Yuen, Hubert resigned as Executive Director and Chief Executive Officer on 11 June 2009.
(7) Ms. Wing Man Yi was appointed as Executive Director and Chairman on 11 June 2009 and 16 June 2009 respectively.
(8) Dr. Mu Simon Xinming was appointed as Executive Director on 11 June 2009.
(9) Dr. Fu Tao was appointed as Independent Non-executive Director on 16 June 2009.

All directors of the Company (including executive and non-executive directors) are not appointed for any specific term. The Board does not believe in any arbitrary term of office and would like to retain sufficient flexibility to organise the composition of the Board to serve the needs of the Group. All directors are subject to re-election by shareholders of the Company at the annual general meeting following their appointment and at least every three years on a rotation basis. The Articles of Association of the Company require that one-third of the Directors (including executive and non-executive directors) shall retire each year. The Directors who are required to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

THE BOARD *(Continued)*

Subordinate Committees of the Board

- Audit Committee
- Remuneration Committee
- Corporate Governance Committee

Each committee may decide upon all matters within its terms of reference and authority. To further enhance independence, each Board Committee includes a majority of independent non-executive directors.

Audit Committee

The current members of the Audit Committee are:

Mr. Ho Yiu Yue, Louis – Committee Chairman (appointed on 2 April 2009)
Ms. Ha Ping
Mr. Ko Ming Tung, Edward (appointed on 2 April 2009)
Dr. Fu Tao (appointed on 16 June 2009)

All Audit Committee members are independent non-executive directors. At least one of its members has appropriate professional qualifications or accounting or related financial management expertise. No member of this Committee is a member of the former or existing auditors of the Company. The membership of the Audit Committee has exceeded the Listing Rules requirement that the majority of its members must be independent.

The Audit committee is mainly responsible for:

i. to review the Group's financial and accounting policies and financial statements half yearly before submission to, and providing advice and comments thereon on to the Board;

ii. to discuss with the external auditors the nature and scope of audit and review audit issues raised by the external auditors;

iii. to review the financial controls, internal controls and risk management systems of the Group; and

iv. to consider the appointment, resignation or dismissal of external auditors and their audit fees.

THE BOARD *(Continued)*

Subordinate Committees of the Board *(Continued)*

Audit Committee (Continued)

There were two meetings held during the year under review, details of attendance are set out below:

	Attendance/Number of Meetings
Mr. Wong Hon Sum (resigned on 1 April 2009)	2/2
Dr. Tang Tin Sek (resigned on 1 April 2009)	2/2
Ms. Ha Ping	2/2
Mr. Ho Yiu Yue, Louis (appointed on 2 April 2009)	N/A
Mr. Ko Ming Tung, Edward (appointed on 2 April 2009)	N/A
Dr. Fu Tao (appointed on 16 June 2009)	N/A

The external auditors, HLB Hodgson Impey Cheng ("HLB"), and the related representatives of the Group also attended these meetings.

During the meetings held in the financial year ended 31 March 2009, the Audit Committee has performed the works which are set out as follows:

i) discuss and review auditing, internal controls, risk management, financial reporting matters including the annual and interim accounts, interim and full year results announcements, before recommending them to the Board for approval;

ii) review the external audit findings, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance in relation to the financial reporting; and

iii) approve the remuneration for the audit services provided by the external auditors in respect of the financial year ended 31 March 2008.

THE BOARD *(Continued)*

Subordinate Committees of the Board *(Continued)*

Remuneration Committee

The current members of the Remuneration Committee are:

Mr. Ho Yiu Yue, Louis – Committee Chairman (appointed on 2 April 2009)
Ms. Ha Ping
Mr. Chan Wing Yuen, Hubert (resigned on 11 June 2009)
Mr. Lam Cheung Shing, Richard (appointed on 16 June 2009)

The majority of the Remuneration Committee members are independent non-executive directors.

The Remuneration Committee is mainly responsible for:

i. reviewing any significant changes in human resources policies and structure made in line with the then prevailing trend and business requirements;

ii. making recommendations to the board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

iii. reviewing and approve the compensation payable to executive directors and senior management, including the granting of share options to the Group's employees and the executive directors under the Company's New Share Option Scheme and in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

iv. ensuring that no director or any of his associates is involved in deciding his own remuneration.

Where circumstances are considered appropriate, some Remuneration Committee decisions are approved by way of written resolutions passed by all the Remuneration Committee members.

THE BOARD *(Continued)*

Subordinate Committees of the Board *(Continued)*

Remuneration Committee (Continued)

There was one meeting held during the year under review, details of attendance are set out below:

	Attendance/Number of Meetings
Mr. Wong Hon Sum (resigned on 1 April 2009)	1/1
Mr. Chan Wing Yuen, Hubert (resigned on 11 June 2009)	1/1
Ms. Ha Ping	1/1
Mr. Ho Yiu Yue, Louis (appointed on 2 April 2009)	N/A
Mr. Lam Cheung Shing, Richard (appointed on 16 June 2009)	N/A

During the meeting, the Remuneration Committee had reviewed and approved the remuneration package of the Deputy Chairman.

Corporate Governance Committee

During the year, the members of the Corporate Governance Committee are:

Mr. Wong Hon Sum – Committee Chairman (resigned on 1 April 2009)
Mr. Chan Wing Yuen, Hubert

The Corporate Governance Committee is mainly responsible for:

i. reviewing the policies relating to corporate governance;

ii. proposing to the board of directors in respect of the Company's corporate governance policies and in respect of the formulation of these corporate governance policies for the establishment of formal and transparent procedures;

iii. ensuring a formal structure of policies and systems, such as that set out in this Code on Corporate Governance, including the necessary checks and balances, can only work effectively within an overall of honesty and integrity;

iv. monitoring the performance of management of the Company in relation to corporate governance matters;

v. setting the Company's values and standards for its corporate governance;

vi. reviewing and advise upon matters in respect of the present or future regulatory related matters of the Company; and

vii. delegating such of its powers as this Committee deems appropriate to the management of the Company. Where circumstances are considered appropriate, some board decisions are approved by way of written resolutions passed by all the directors.

THE BOARD *(Continued)*

Subordinate Committees of the Board *(Continued)*

Corporate Governance Committee (Continued)

There were two meetings held during the year under review, details of attendance are set out below:

	Attendance/Number of Meetings
Mr. Wong Hon Sum (resigned on 1 April 2009)	2/2
Mr. Chan Wing Yuen, Hubert	2/2

During the meetings the Committee reviewed the corporate governance disclosure of the Group's annual results of the Group for the year ended 31 March 2008 and interim results for the period ended 30 September 2008.

With effective from 1 April 2009, the function of the Corporate Governance Committee will be taken up by the Board and the Audit Committee and this Committee dismissed on 2 April 2009.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company (the "Directors"). All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2009.

Directors' and Auditors' Responsibility Statements

The Directors acknowledged responsibility for reviewing the accounts of the Company prepared by the Board for the year ended 31 March 2009 and ensuring the accounts are prepared in accordance with the Hong Kong Financial Reporting Standards. A statement by the auditors about their reporting responsibilities is contained in the independent auditors' report.

Internal Control

The Board is responsible for the effectiveness of the internal control system. The Group had hired independent professionals to perform a review on the system of internal control of the Group to ensure that the financial and operational function, compliance control, material control, asset management and risk management functions are in place and functioning effectively. During the year under review, the Company had continued to enhance its internal control system with formalized policies and procedures governing over critical business processes and activities. The Board and the Audit Committee are satisfied that it is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorised and proper accounting records are maintained. The Board will continue to engage independent professionals to review its internal control systems and will continue to review the need for setting up an internal audit function.

THE BOARD *(Continued)*

External Auditors

The external auditors are responsible for presenting independent opinions on the financial statements of the Group according to the results of their auditing work, and reporting to the Company on the same. Apart from providing annual auditing service, the external auditors of the Company also review the interim results of the Company and provide other non-audit service.

For the year ended 31 March 2009, the auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services is HK$950,000 (2008: HK$800,000) and HK$750,000 (2008: HK$2,190,000) for non-audit services.

The re-appointment of HLB as auditors of the Company has been recommended by the Audit Committee and endorsed by the Board and is subject to approval by the Shareholders at the forthcoming annual general meeting.

Interests of Directors and Senior Management

Details of Directors' interests in shares of the Company as at 31 March 2009 are as follows:

Name of Directors	Number of Shares	Share Option (Number of Shares)
Mr. Zhang Yang (resigned on 11 May 2009)	3,739,865,000	–
Mr. Chan Wing Yuen, Hubert (resigned on 11 June 2009)	77,000,000	–
Mr. Lam Cheung Shing, Richard	77,000,000	–
Mr. Wong Hon Sum (resigned on 1 April 2009)	–	5,000,000*
Ms. Ha Ping	–	5,000,000
Dr. Tang Tin Sek (resigned on 1 April 2009)	–	5,000,000*

* Lapsed on 1 April 2009

The share options held by senior management as at 31 March 2009 totalled 15,000,000 shares, representing approximately 0.07% of the issued share capital of the Company.

THE BOARD *(Continued)*

Shareholders' rights

The Company committed to ensure better protection of shareholders' interests. The Company maintains contact with its shareholders through AGM or extraordinary general meeting ("EGM"), and encourages shareholders to attend those meetings.

All shareholders have statutory rights to call for EGM and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the registered office a written request for such general meetings together with the proposed agenda items.

Registered shareholders are notified by post for the shareholders' meetings, such as at least 20 clear business days' notice for AGM and 10 clear business days' notice for EGM respectively. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are provided for in the articles of association of the Company. Details of such rights to demand a poll and the poll procedures are included in all circular to shareholders and will be explained during the proceeding of meetings. With the implementation of certain amendments to the Listing Rules effective on 1 January 2009, the voting at all general meetings of a listed company should be conducted by poll. The Company will procure the chairman of general meeting to demand for voting by poll on every general meeting to comply with the newly amended Listing Rules.

Investor Relations

Information about the Company's activities are provided in its interim and annual reports, circulars, notices which are sent to shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans.

To ensure effective disclosures are made to shareholders and investors, and to ensure the same information is made available to the public at the same time, price-sensitive information will be released in the form of announcements in accordance with the Listing Rules.

In order to keep it in line with the recent amendments to the Listing Rules, on 6 September 2008, the shareholders of the Company passed the special resolution for the amendments to the Articles of Association of the Company. Details of the amendments were set out in a circular of the Company dated 13 August 2008.

Financial Calendar for 2009/10

Events	**Dates**
Announcement of 2008/09 annual results	May 2009
Annual General Meeting	August 2009
Announcement of 2009/10 interim results	December 2009

The directors of the Company present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 27.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2009 (2008: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in investment properties and property, plant and equipment of the Group and the Company during the year are set out in notes 15 and 17 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2009 are set out on page 121 of the annual report.

BORROWINGS

Details of the bank and other borrowings as at 31 March 2009 are set out in note 33 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 34 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 46 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 31 and note 37 to the consolidated financial statements respectively.

At 31 March 2009, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 36 to the consolidated financial statements.

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

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ms. Wing Man Yi *(Chairman)* (appointed on 11 June 2009)
Mr. Lam Cheung Shing, Richard *(Deputy Chairman)*
Mr. Zhu Yongjun *(Deputy Chairman)*
Dr. Mu Simon Xinming (appointed on 11 June 2009)
Mr. Zhang Yang (resigned on 11 May 2009)
Mr. Chan Wing Yuen, Hubert (resigned on 11 June 2009)

Independent non-executive directors:

Ms. Ha Ping
Mr. Ho Yiu Yue, Louis (appointed on 2 April 2009)
Mr. Ko Ming Tung, Edward (appointed on 2 April 2009)
Dr. Fu Tao (appointed on 16 June 2009)
Mr. Wong Hon Sum (resigned on 1 April 2009)
Dr. Tang Tin Sek (resigned on 1 April 2009)

In accordance with the Company's Articles of Association, the directors of the Company (including independent non-executive directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Lam Cheung Shing, Richard shall retire by rotation at the forthcoming Annual General Meeting. In addition, Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward who were appointed on 2 April 2009, Ms. Wing Man Yi and Dr. Mu Simon Xinming who were appointed on 11 June 2009 and Dr. Fu Tao who was appointed on 16 June 2009 respectively, are also subject to re-election at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association. All of them, being eligible, have offered themselves for re-election at the meeting.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The directors' emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2009, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant section 352 of the 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:

		Number of ordinary shares held	
Director	**Capacity/ nature of interest**	**Long position**	**Approximate percentage of interest**
Zhang Yang ("Mr. Zhang")	Interests of controlled corporation *(Note 1)*	103,495,000	0.51%
	Beneficial owner	3,636,370,000	17.93%
Lam Cheung Shing, Richard ("Mr. Lam")	Beneficial owner	77,000,000	0.38%
Chan Wing Yuen, Hubert ("Mr. Chan")	Beneficial owner *(Note 2)*	77,000,000	0.38%
Ha Ping ("Ms. Ha")	Beneficial owner *(Note 3)*	5,000,000	0.02%
Wong Hon Sum ("Mr. Wong")	Beneficial owner *(Note 4)*	5,000,000*	0.02%
Tang Tin Sek ("Dr. Tang")	Beneficial owner *(Note 5)*	5,000,000*	0.02%

* Lapsed on 1 April 2009

Notes:

1. These shares represent the 103,495,000 shares held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang. Mr. Zhang resigned as executive director of the Company on 11 May 2009.

2. Mr. Chan resigned as executive director of the Company on 11 June 2009.

3. These shares represent the shares which may be allotted and issued to Ms. Ha upon the exercise in full of the subscription rights attaching to the options granted by the Company.

4. These shares represent the shares which may be allotted and issued to Mr. Wong upon the exercise in full of the subscription rights attaching to the options granted by the Company. Mr. Wong resigned as independent non-executive director of the Company on 1 April 2009.

5. These shares represent the shares which may be allotted and issued to Dr. Tang upon the exercise in full of the subscription rights attaching to the options granted by the Company. Dr. Tang resigned as independent non-executive director of the Company on 1 April 2009.

Save as disclosed above, as at 31 March 2009, none of the Directors, or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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 year, no option had been granted under either the Old Share Option Scheme or New Share Option Scheme by the Company. Details of movements in the share options and the share option schemes are set out in note 38 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Chan Tim Shing	Beneficial owner	1,565,000,000	7.71%

Save as disclosed above, as at 31 March 2009, the Company has not been notified by any other person or corporation having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS

Details of connected transactions are set out in note 47 to the consolidated financial statements.

The independent non-executive directors confirm that the transaction has been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreement governing such transaction that is fair and reasonable and in the interests of the shareholders of the Group as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year.

SUBSEQUENT EVENTS

Details of significant subsequent event of the Group are set out in note 51 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 62.2%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 23.88%.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases during the year was 42.99%. The percentage of purchase attributable to the Group's largest supplier to the total purchase during the year was 12.2%.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers and suppliers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 10 to 19.

AUDITORS

HLB Hodgson Impey Cheng will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lam Cheung Shing, Richard
Chairman

Hong Kong, 29 May 2009

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERCHINA HOLDINGS COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Interchina Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 119, which comprise the consolidated balance sheet and the Company's balance sheet as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards, or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 29 May 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations			
Turnover	8	116,182	103,007
Cost of sales		(30,681)	(31,104)
Other revenue and other operating income	9	7,313	8,459
Staff costs	10	(26,369)	(58,572)
Amortisation and depreciation		(8,429)	(2,098)
Administrative costs		(34,229)	(35,650)
Impairment loss recognised in respect of goodwill	21	(11,006)	–
Fair value change in derivative financial instruments		16,629	(1,500)
Fair value change in investment properties	15	(136,955)	36,835
(Loss)/profit from operations	11	(107,545)	19,377
Finance costs	12	(36,324)	(23,240)
Share of results of associates		3,146	2,608
Loss on disposal of an associate		(225,146)	–
Gain on disposal of a subsidiary	42	–	8,360
(Loss)/profit before taxation		(365,869)	7,105
Taxation	13	14,491	(21,120)
Loss for the year from continuing operations		(351,378)	(14,015)
Discontinued operation	40		
Loss for the year from discontinued operation		(412,867)	(26,706)
Loss for the year		(764,245)	(40,721)
Attributable to:			
Equity holders of the Company		(764,496)	(39,762)
Minority interests		251	(959)
		(764,245)	(40,721)
Loss per share for loss attributable to the ordinary equity holders of the Company – Basic and diluted	14		
From continuing and discontinued operations		HK(3.791 cents)	HK(0.402 cents)
From continuing operations		HK(1.744 cents)	HK(0.132 cents)

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

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Non-current assets			
Investment properties	15	503,228	630,820
Interests in leasehold land and land use rights	16	–	41,938
Property, plant and equipment	17	20,092	239,849
Intangible assets	19(a)	685,811	116,873
Other financial assets	19(b)	444,805	350,098
Interests in associates	20	–	–
Goodwill	21	387,557	11,006
Other non-current assets	22	2,277	2,401
		2,043,770	1,392,985
Current assets			
Properties under development for sale	23	–	607,714
Inventories	24	4,198	844
Trade and other receivables and prepayments	25	282,577	735,907
Loan receivables	26	102,898	61,899
Financial assets at fair value through profit or loss	27	80	98
Tax recoverable		511	–
Bank balances – trust and segregated accounts	28	7,323	4,346
Cash and cash equivalents	29	34,259	30,193
		431,846	1,441,001
Assets classified as held for sale	39	589,680	–
		1,021,526	1,441,001
Current liabilities			
Trade and other payables and deposits received	30	339,687	257,349
Amount due to a related company	31	–	78,564
Tax payable		9,660	2,297
Derivative financial instruments	32	–	22,736
Bank borrowings – due within one year	33	92,936	100,357
Other borrowings – due within one year	33	126,541	–
		568,824	461,303
Liabilities classified as held for sale	39	210,370	–
		779,194	461,303
Net current assets		242,332	979,698
Total assets less current liabilities		2,286,102	2,372,683

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Equity			
Share capital	36	**2,028,619**	1,728,619
Share premium and reserves		**(309,154)**	394,369
Equity attributable to ordinary equity holders of the Company		**1,719,465**	2,122,988
Minority interests		**155,686**	9,312
		1,875,151	2,132,300
Non-current liabilities			
Bank borrowings – due after one year	33	**291,936**	199,631
Other borrowings – due after one year	33	**12,425**	–
Convertible notes	34	**–**	–
Deferred tax liabilities	35	**106,590**	40,752
		410,951	240,383
		2,286,102	2,372,683

Approved by the Board of Directors on 29 May 2009 and signed on its behalf by:

Lam Cheung Shing, Richard
Director

Zhu Yongjun
Director

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

BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	–	–
Interests in subsidiaries	18	885,161	873,249
Interests in associates	20	–	–
Other non-current assets	22	380	380
		885,541	873,629
Current assets			
Trade and other receivables and prepayments	25	2,836	181,309
Amounts due from subsidiaries	18	1,378,188	1,130,627
Cash and cash equivalents	29	19	110
		1,381,043	1,312,046
Current liabilities			
Trade and other payables and deposits received	30	11,644	6,845
Amounts due to subsidiaries	18	385,863	349,540
Amount due to a related company	31	–	78,564
Derivative financial instruments	32	–	22,736
Other borrowings	33	123,000	–
		520,507	457,685
Net current assets		860,536	854,361
Total assets less current liabilities		1,746,077	1,727,990
Equity			
Share capital	36	2,028,619	1,728,619
Share premium and reserves	37	(282,542)	(629)
		1,746,077	1,727,990
Non-current liabilities			
Convertible notes	34	–	–
		1,746,077	1,727,990

Approved by the Board of Directors on 29 May 2009 and signed on its behalf by:

Lam Cheung Shing, Richard
Director

Zhu Yongjun
Director

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

The Group	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)	Accu-mulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
	Equity attributable to equity holders of the Company									
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	–	–	–	–	151,954	–	–	151,954	–	151,954
Net income directly recognised in equity	–	–	–	–	151,954	–	–	151,954	–	151,954
Net loss for the year	–	–	–	–	–	–	(39,762)	(39,762)	(959)	(40,721)
Total recognised income/ (expenses) for the year	–	–	–	–	151,954	–	(39,762)	112,192	(959)	111,233
Issue of new shares	270,000	–	–	–	–	–	–	270,000	–	270,000
Issue of share options	–	–	–	32,986	–	–	–	32,986	–	32,986
Exercise of share options	37,149	43,605	–	(26,516)	–	–	–	54,238	–	54,238
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(13,497)	(13,497)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(1,720)	(1,720)
Issue of convertible notes	–	–	–	–	–	288,269	–	288,269	–	288,269
Recognition of deferred tax for convertible notes	–	–	–	–	–	(90)	–	(90)	–	(90)
Conversion of convertible notes	756,280	40,108	–	–	–	(288,769)	–	507,619	–	507,619
At 31 March 2008	1,728,619	366,454	571,996	6,470	189,584	–	(740,135)	2,122,988	9,312	2,132,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 March 2009

The Group	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
	Equity attributable to equity holders of the Company									
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	–	–	–	–	55,945	–	–	55,945	–	55,945
Net income directly recognised in equity	–	–	–	–	55,945	–	–	55,945	–	55,945
Net (loss)/profit for the year	–	–	–	–	–	–	(764,496)	(764,496)	251	(764,245)
Total recognised income/(expenses) for the year	–	–	–	–	55,945	–	(764,496)	(708,551)	251	(708,300)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	146,123	146,123
Issue of convertible notes	–	–	–	–	–	32,027	–	32,027	–	32,027
Recognition of deferred tax for convertible notes	–	–	–	–	–	(5,284)	–	(5,284)	–	(5,284)
Conversion of convertible notes	300,000	5,028	–	–	–	(26,743)	–	278,285	–	278,285
At 31 March 2009	**2,028,619**	**371,482**	**571,996**	**6,470**	**245,529**	**–**	**(1,504,631)**	**1,719,465**	**155,686**	**1,875,151**

Notes:

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.)

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
OPERATING ACTIVITIES			
(Loss)/profit before taxation from continuing operations		(365,869)	7,105
Loss before taxation from discontinued operation		(412,867)	(26,706)
Loss before taxation		(778,736)	(19,601)
Adjustments for:			
Depreciation of property, plant and equipment	17	2,658	2,699
Amortisation of interests in leasehold land, land use rights and intangible assets	16	6,850	607
Fair value change in investment properties	15	136,955	(36,835)
Impairment loss recognised in respect of goodwill	21	11,006	–
Loss on remeasurement of assets held for sale to fair value less costs to sell		216,300	–
Impairment loss recognised in respect of properties under development		182,770	–
(Gain)/loss on derivative financial instruments		(1,079)	1,301
Fair value change in derivative financial instruments		(16,629)	1,500
(Gain)/loss on disposal of property, plant and equipment		(565)	5
Written off of property, plant and equipment		–	640
Share-based payment expenses	38	–	32,986
Share of results of associates	20	(3,146)	(2,608)
Gain on disposal of a subsidiary	42	–	(8,360)
Loss on disposal of an associate		225,146	–
Discount on acquisition of a subsidiary	41(e)	–	(443)
Fair value change in financial assets at fair value through profit or loss		18	71
Interest income	9	(238)	(2,868)
Interest expenses	12	40,913	28,200
Operating cash flows before movements in working capital		22,223	(2,706)
Increase in properties under development for sale		(44,905)	(107,407)
Increase in other financial assets		(5,991)	(30,155)
Increase in intangible assets		(10,439)	(14,059)
(Increase)/decrease in inventories		(480)	80
Increase in loan receivables		(40,999)	(61,899)
Decrease/(increase) in trade and other receivables and prepayments		613,883	(476,843)
Increase in amount due from an associate		–	(249,016)
(Increase)/decrease in bank trust and segregated accounts		(2,977)	82,064
Increase/(decrease) in trade and other payables and deposits received		157,702	(175,445)
(Decrease)/increase in amount due to a related company		(78,564)	78,120
Cash generated from/(used in) operations		609,453	(957,266)
Profits tax (paid)/refund		(26,567)	14,671
Interest received		238	2,868
Net cash generated from/(used in) operating activities		583,124	(939,727)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 31 March 2009

	Notes	2009 *HK$'000*	2008 *HK$'000* (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(15,770)	(64,008)
Purchase of investment properties		(2,024)	–
Proceeds on disposal of property, plant and equipment		630	8,062
Acquisition of a subsidiary	*41(a)*	(706,146)	(118,396)
Acquisition of an associate	*20*	(296,000)	–
Proceeds on disposal of a subsidiary	*42*	–	31,421
Proceeds on disposal of an associate		74,000	–
Net refund in non-current assets		18	11
Net cash used in investing activities		(945,292)	(142,910)
FINANCING ACTIVITIES			
Interest paid		(40,913)	(27,269)
New bank borrowings raised		33,317	–
New other borrowings raised		123,000	–
Repayment of obligations under finance leases		–	(210)
Repayment of bank borrowings		(69,108)	(53,181)
Issue of new shares		–	270,000
Issue of new shares under the share options		–	54,238
Proceeds from issue of convertible note options		–	20,000
Proceeds from issue of convertible notes	*34*	300,000	650,000
Net cash generated from financing activities		346,296	913,578
Net decrease in cash and cash equivalents		(15,872)	(169,059)
Cash and cash equivalents at beginning of the year		30,193	159,430
Effect of change in foreign exchange rate		20,214	39,822
Cash and cash equivalents included in assets of disposal group classified as held for sale		(276)	–
Cash and cash equivalents at end of the year		34,259	30,193
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		41,582	34,539
Less: Bank balances – trust and segregated accounts	*28*	(7,323)	(4,346)
		34,259	30,193

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

1. GENERAL

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 located at Room 701, 7th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) environmental protection and water treatment operation, (ii) property investment operation and (iii) securities and financial operation. Details of the principal activities of its subsidiaries are set out in note 50 to the consolidated financial statements.

During the year, the Group discontinued its city development and investment operation. Details were set out in note 40 to the consolidated financial statements.

The 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

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and the applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value, as detailed in the accounting policies set out in note 5.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are set out in note 6 to the consolidated financial statements.

3. IMPACT ON ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have adopted, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA which are effective for the current accounting period.

3. IMPACT ON ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
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 the above new HKFRSs did not have significant impact on the Group's results and financial position for the current or prior accounting period, except for the adoption of HK(IFRIC) – Int 12.

The following set out information on the significant changes in accounting policies in relation to the first adoption of HK(IFRIC) – Int 12 for the year in the consolidated financial statements.

(a) Restatement of prior year 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 and the consolidated balance sheet as previously reported for the year ended 31 March 2008.

Consolidated income statement for the year ended 31 March 2008

	2008 (as previously reported) *HK$'000*	**Effects of HK(IFRIC)-Int 12 increase/ (decrease)** *HK$'000*	**2008 (as restated)** *HK$'000*
Turnover	68,739	34,268	103,007
Cost of sales*	(11,532)	(23,136)	(34,668)
Amortisation and depreciation*	(11,593)	8,287	(3,306)
Minority interests	(1,251)	292	(959)
Taxation	(14,712)	(6,408)	(21,120)
Total effects on the consolidated income statement	29,651	13,303	42,954
Effects on decrease in loss per share – Basic and diluted	HK0.30 cents	HK0.13 cents	HK0.43 cents

* Included in cost of sales and amortisation and depreciation of approximately HK$3,564,000 and HK$1,208,000 were expenses under discontinued operation.

3. IMPACT ON ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Restatement of prior year and opening balances *(Continued)*

Consolidated balance sheet as at 31 March 2008

	2008 (as previously reported) *HK$'000*	**Effects of HK(IFRIC)-Int 12 increase/ (decrease)** *HK$'000*	**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			
Share premium and reserves	301,905	92,464	394,369
Minority interests	6,849	2,463	9,312
Trade and other payables and deposits received	277,266	(19,917)	257,349
Deferred tax liabilities	17,603	23,149	40,752
	603,623	98,159	701,782

(b) Effect of changes in accounting policies for the current year

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and the consolidated balance sheet for the year ended 31 March 2009 is higher or lower than it would have been had the previous policies still been applied in the current period, where it is practicable make such estimates.

3. IMPACT ON ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) Effect of changes in accounting policies for the current year *(Continued)*

Effects on the consolidated income statement for the year ended 31 March 2009

	Effects of HK(IFRIC)-Int 12 increase/(decrease) *HK$'000*
Turnover	9,641
Cost of sales	(4,205)
Amortisation and depreciation	16,142
Minority interests	(37)
Taxation	(6,532)
Total effects on the consolidated income statement	15,009
Effect on decrease in loss per share – Basic and diluted	HK0.07 cents

Effects on the consolidated balance sheet as at 31 March 2009

	Effects of HK(IFRIC)-Int 12 increase/(decrease) *HK$'000*
Assets	
Property, plant and equipment	(1,038,772)
Intangible assets	685,811
Other financial assets	444,805
	91,844
Equity and liabilities	
Share premium and reserves	81,989
Minority interests	2,426
Trade and other payables and deposits received	35,018
Deferred tax liabilities	(27,589)
	91,844

3. IMPACT ON ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) Service concession arrangements (HK(IFRIC) 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 or other non-current assets.

During the year, the Group adopted HK(IFRIC) – Int 12. 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 and tap water processing projects located in the People's Republic of China (the "PRC"), are service concession arrangements under HK(IFRIC)-Int 12. Infrastructure within the scope of HK(IFRIC)-Int 12 is not recognised as property, plant and equipment or other non-current assets 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 relating to construction or upgrade services of infrastructure in accordance with HKAS 11, "Construction contracts" for the construction and upgrade services of the plant. Considerations received or receivable by the Group for the construction or upgrade services are recognised at their fair values as financial assets (for sewage water processing projects and tap water processing projects) or intangible assets. For financial assets recognised, they are reduced when payments, being a portion of the sewage water processing revenue and tap water processing revenue are received. Finance income on the financial assets is recognised using an estimate of the service concession grantors' incremental borrowing rate of interest. For intangible assets recognised, they are amortised over its estimated useful life ranged from 20 to 30 years.

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

The new accounting policy has been applied retrospectively with comparatives restated. The adjustments for each line of the consolidated financial statements affected for the year ended 31 March 2008 and 2009 are set out in notes 3(a) and 3(b).

4. IMPACT ON ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group and the Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

HKFRS (Amendments)	Improvement to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendments)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfer of assets from customers received on or after 1 July 2009

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies followed by the Group and the Company in the preparation of the consolidated financial statements is set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50%of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any impairment losses) identified in acquisition.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been amortised to the income statement, less any identified impairment loss. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividend received or receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

(i) Rental income

Rental income, including rentals invoiced in advance, from properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Commission and brokerage income

Commission and brokerage income are recognised on a trade date basis when the service is provided.

(iii) Revenue from construction service

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Sewage treatment income

Revenue arising from sewage treatment is recognised based on actual sewage treated from meter readings or the amount billed in accordance with terms of contractual agreements where applicable during the year.

(v) Finance income

Finance income is recognised as it accrues using effective interest method.

(vi) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than properties under development and construction in progress, are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Properties under development are stated at cost, less any impairment loss. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Construction in progress is stated at cost, less any impairment loss. Cost includes construction cost, interest, finance charges and other direct cost attributable to the construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of property, plant and equipment, other than properties under development and construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following principal annual rates:

Buildings	Over the estimated useful lives of 50 years or over the terms of the leases, if less than 50 years
Leasehold improvements	Over the terms of the leases
Plant and machinery	5%-10%
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Asset held under a finance lease is depreciated over its expected useful live on the same basis as owned assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated on an arm's length basis.

Investment properties are stated at their fair value at balance sheet date. Any gain or loss arising from a change in the fair value of the investment properties is recognised directly in the consolidated income statement. Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement upon disposal.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under service concession arrangements) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with HKAS 11 "Construction Contract".

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" above.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, including (a) to maintain the infrastructures it operates to a specified level of serviceability and/or (b) to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession arrangements. These contractual obligations to maintain or restore the infrastructures, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible assets

Intangible asset represents tap water processing operating rights under BOT arrangements. The intangible asset is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

Amortisation of intangible asset is charged to the consolidated income statement on a straight-line basis over its estimated useful life. Both the period and method of amortisation are reviewed annually.

Interests in leasehold land and land use rights

Interests in leasehold land and land use rights represent prepaid lease payment made for leasehold land. Interests in leasehold land and land use rights are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interests in leasehold land and land use rights are amortised on a straight-line basis over the shorter of the relevant interest in leasehold land or the operation period of the relevant company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in consolidated income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

(i) Assets carried at amortised cost *(Continued)*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individual significant, and individually or collectively for financial assets that are not individual significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previous recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

(ii) Assets carried at cost

If there is objective that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associates.

Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. Any impairment loss for goodwill is not reversed in subsequent periods.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition")

A discount on acquisition arising on an acquisition of a business for which an agreement date is on or after 1 April 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in consolidated income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

Other non-current assets

Other non-current assets are stated at cost, less any identified impairment losses.

Financial Instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sale is purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise.

Loans and receivables

Loans and receivables (including advance to associates, advance to an investee company, loan receivables, pledged deposits, securities trading receivable and deposits, time deposits, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in the consolidated income statement. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the asset of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arises.

Other financial liabilities

Other financial liabilities including creditors and accruals, securities trading and margin payable, deposits and receipts in advance, bank and other borrowings and amounts due to associates are subsequently measured at amortised cost, using the effective interest rate method.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve – equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve – equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes – equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve – equity reserve will be released to the retained profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to convertible notes reserve – equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derivative financial instruments that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in the consolidated income statement.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement. For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated income statement.

Properties under development for sale

Properties under development classified as non-current assets are stated at cost less any identified impairment losses. The cost of properties comprises development expenditure, other directly attributable expenses and, where appropriate, borrowing costs capitalised. Depreciation of buildings commences when they are available for use.

Property which is developed as an investment property is included in properties under development and is carried at cost less any impairment loss. Upon the completion of the development, the property is reclassified to investment properties and any difference between the fair value of the property at the time of reclassification and its previous carrying amount is recognised in the consolidated income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development for sale *(Continued)*

When the leasehold land and buildings are in the course of development, the leasehold land component is classified as prepaid land lease payments and amortised over a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the cost of the property under development.

Properties under development for sale are stated at lower of cost and net realisable value, and are classified under current assets. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

Assets held under finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the consolidated income statement over the period of the relevant lease or contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (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 year, 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 translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated income statement.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity in the consolidated balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts where the share options are exercised and when the restricted are exercised and when the restricted share award are vested.

Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are controlled or under the significant influence or related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environmental (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise income and expenses of the Group which cannot be reasonably allocated to a specific business segment. The interest benefit of the capital of the Group is also included as unallocated income.

Disposal group classified as held for sale

A disposal group is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group in brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held-for-sale and until disposal, the disposal group is recognised at the lower of its carrying amount and fair value less cost to sell.

Impairment loss on initial classification as held-for-sale, and on subsequent remeasurement under held-for-sale, is recognised in the consolidated income statement. As long as a disposal group is classified as held-for-sale, the non-current asset is not depreciated and amortised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discontinued operation

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less cost to sell, or on disposal, of the assets or disposal group(s) constituting the discontinued operation

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 5. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Estimate of fair value of investment properties

As described in note 15, the investment properties were revalued at the balance sheet date on market value existing use basis by independent professional valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairment of properties under development

Management assessed the recoverability of these amounts based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development and a forecast of future sales. If the actual net realisable values of the underlying properties are more or less than expected as a result of changes in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect the results of operations.

Fair value of other financial assets and liabilities

The fair value of loan and receivables, financial assets and financial liabilities are accounted for or disclosed in the consolidated financial statements, The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Construction contracts

Revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work to date. In addition, actual outcomes in terms of total cost of revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amount recorded to date.

Service concession arrangements

In prior years, the Group entered into BOT arrangements in respect of its sewage water treatment. The Group concluded that the BOT arrangements are services concession arrangements under HK(IFRIC) – Int 12, because the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge. In addition, upon expiry of concession rights agreement, the infrastructure will be transferred to the local government at nil consideration. Details of the accounting policy have been set out in note 3(c).

7. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four (2008: four) operating divisions, the following divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

(i)	Environment protection and water treatment operation	– development of environmental protection and water treatment operation
(ii)	Property investment operation	– leasing of rental property
(iii)	Securities and financial operation	– provision of financial services
(iv)	City development and investment operation	– infrastructure construction for urbanisation operation and property development for sale

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

The following table provides an analysis of the Group's sales by its business segments:

For the year ended 31 March 2009	Continuing operations: Environmental protection and water treatment operation HK$'000	Continuing operations: Property investment operation HK$'000	Continuing operations: Securities and financial operation HK$'000	Continuing operations: Elimination HK$'000	Total HK$'000	Discontinued operation: City development and investment operation HK$'000	Consolidated total HK$'000
Turnover							
External sales	81,479	18,211	16,492	–	116,182	–	116,182
Segment results	34,974	(119,567)	11,564	–	(73,029)	(408,283)	(481,312)
Unallocated interest income					238	5	243
Unallocated corporate expenses					(34,754)	–	(34,754)
Loss from operations					(107,545)	(408,278)	(515,823)
Finance costs					(36,324)	(4,589)	(40,913)
Share of results of associates					3,146	–	3,146
Loss on disposal of an associate					(225,146)	–	(225,146)
Loss before taxation					(365,869)	(412,867)	(778,736)
Taxation					14,491	–	14,491
Loss for the year					(351,378)	(412,867)	(764,245)
Assets/liabilities							
Segment assets	1,799,741	541,553	127,937	–	2,469,231	589,680	3,058,911
Unallocated corporate assets					5,874	–	5,874
Tax recoverable					511	–	511
Total assets					2,475,616	589,680	3,065,296
Segment liabilities	299,792	9,922	14,024	–	323,738	210,370	534,108
Unallocated corporate liabilities					539,787	–	539,787
Tax liabilities					116,250	–	116,250
Total liabilities					979,775	210,370	1,190,145
Other segment information							
Amortisation and depreciation	7,517	205	128	–	7,850	1,079	8,929
Unallocated amounts					579	–	579
					8,429	1,079	9,508
Capital expenditure	20,480	3,443	10	–	23,933	49,065	72,998
Unallocated amounts					140	–	140
					24,073	49,065	73,138
Fair value loss on investment properties	–	136,955	–	–	136,955	–	136,955

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31 March 2008	Continuing operations: Environmental protection and water treatment operation HK$'000 (Restated)	Continuing operations: Property investment operation HK$'000	Continuing operations: Securities and financial operation HK$'000	Continuing operations: Elimination HK$'000	Total HK$'000	Discontinued operation: City development and investment operation HK$'000	Consolidated total HK$'000 (Restated)
Turnover							
External sales	71,238	18,107	13,662	–	103,007	–	103,007
Segment results	34,584	48,348	2,587	–	85,519	(20,640)	64,879
Unallocated interest income					2,868	8	2,876
Unallocated corporate expenses					(69,010)	(1,114)	(70,124)
Gain/(loss) from operations					19,377	(21,746)	(2,369)
Finance costs					(23,240)	(4,960)	(28,200)
Share of results of associates					2,608	–	2,608
Gain on disposal of a subsidiary					8,360	–	8,360
Gain/(loss) before taxation					7,105	(26,706)	(19,601)
Taxation					(21,120)	–	(21,120)
Loss for the year					(14,015)	(26,706)	(40,721)
Assets/liabilities							
Segment assets	959,380	662,756	122,701	–	1,744,837	900,112	2,644,949
Unallocated corporate assets					189,037	–	189,037
Total assets					1,933,874	900,112	2,833,986
Segment liabilities	92,590	9,690	12,271	–	114,551	155,779	270,330
Unallocated corporate liabilities					388,307	–	388,307
Tax liabilities					43,049	–	43,049
Total liabilities					545,907	155,779	701,686
Other segment information							
Amortisation and depreciation	1,278	700	120	–	2,098	1,208	3,306
Capital expenditure	3,782	631	231	–	4,644	131,065	135,709
Unallocated amounts					2,193	–	2,193
					6,837	131,065	137,902
Fair value gain on investment properties	–	36,835	–	–	36,835	–	36,835

7. 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	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)
Turnover						
External sales						
Continuing operations	16,492	14,203	99,690	88,804	116,182	103,007
Discontinued operation	–	–	–	–	–	–
	16,492	14,203	99,690	88,804	116,182	103,007
Segment results						
Continuing operations	11,565	236	(84,594)	85,283	(73,029)	85,519
Discontinued operation	–	–	(408,283)	(20,640)	(408,283)	(20,640)
	11,565	236	(492,877)	64,643	(481,312)	64,879
Interest income					243	2,876
Unallocated corporate expenses					(34,754)	(70,124)
Loss from operations					(515,823)	(2,369)

The following is an analysis of the carrying amounts of segment assets, and additions to property, plant and equipment, investment properties and intangible assets, analysed by the geographical area in which the assets are located:

	Hong Kong		The PRC		Consolidated total	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)
Carrying amounts of segment assets						
Continuing operations	147,370	364,769	2,328,246	1,569,105	2,475,616	1,933,874
Discontinued operation	–	–	589,680	900,112	589,680	900,112
	147,370	364,769	2,917,926	2,469,217	3,065,296	2,833,986

7. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

	Hong Kong		The PRC		Consolidated total	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)
Additions to property, plant and equipment, investment properties, and intangible assets						
Continuing operations	150	141	23,923	6,696	24,073	6,837
Discontinued operation	–	–	49,065	131,065	49,065	131,065
	150	141	72,988	137,761	73,138	137,902

8. TURNOVER

Turnover represents (i) sewage treatment and tap water supply services income; (ii) finance income on other financial assets under service concession arrangements; (iii) property rental income; (iv) commission income generated from securities and commodities brokering and (v) interest income from margin clients, and is analysed as follow:

	Continuing operations		Discontinued operation		Consolidated total	
	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000* (Restated)
Sewage and water treatment income*	81,479	71,238	–	–	81,479	71,238
Property rental income	18,211	18,107	–	–	18,211	18,107
Brokerage commission income	3,014	9,562	–	–	3,014	9,562
Interest income from clients	13,478	4,100	–	–	13,478	4,100
	116,182	103,007	–	–	116,182	103,007

* Finance income on other financial assets under service concession arrangements of HK$40,390,000 (2008: HK$ 35,139,000, as restated) is included in the revenue derived from "Sewage and water treatment income" disclosed above.

9. OTHER REVENUE AND OTHER OPERATING INCOME

	Continuing operations		Discontinued operation		Consolidated total	
	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)
Other revenue:						
Bank interest income	238	2,868	5	8	243	2,876
Dividend income	4	5	–	–	4	5
Technical consultancy service income	–	2,934	–	–	–	2,934
Government subsidies	5,172	–	–	–	5,172	–
Sundry income	1,899	2,209	–	–	1,899	2,209
	7,313	8,016	5	8	7,318	8,024
Other operating income:						
Discount on acquisition (note 41(e))	–	443	–	–	–	443
Other revenue and other operating income	7,313	8,459	5	8	7,318	8,467

10. STAFF COSTS

	Continuing operations		Discontinued operation		Consolidated total	
	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)
Salaries and allowances (including directors' remuneration)	25,116	24,090	2,408	1,753	27,524	25,843
Retirement benefit scheme contributions	1,253	1,496	242	125	1,495	1,621
Share-based payment expenses (note 38)	–	32,986	–	–	–	32,986
	26,369	58,572	2,650	1,878	29,019	60,450

10. STAFF COSTS *(Continued)*

(a) Directors' emoluments

The aggregate amount of emoluments payable to the directors of the Company during the year was HK$10,876,000 (2008: HK$29,454,000).

The remuneration of every director for the year ended 31 March 2009 and 31 March 2008 is shown as below:

Name of directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Executive directors										
Zhang Yang[4]	200	200	3,600	4,173	164	240	–	5,459	3,964	10,072
Chan Wing Yuen, Hubert	200	200	2,925	3,589	164	240	–	5,459	3,289	9,488
Lam Cheung Shing, Richard	200	200	1,950	2,393	124	180	–	5,459	2,274	8,232
Zhu Yongjun[1]	176	–	562	–	11	–	–	–	749	–
	776	600	9,037	10,155	463	660	–	16,377	10,276	27,792
Independent non-executive directors										
Wong Hon Sum[2]	200	200	–	–	–	–	–	354	200	554
Ha Ping	200	200	–	–	–	–	–	354	200	554
Tang Tin Sek[2]	200	200	–	–	–	–	–	354	200	554
Ho Yiu Yue, Louis[3]	–	–	–	–	–	–	–	–	–	–
Ko Ming Tung, Edward[3]	–	–	–	–	–	–	–	–	–	–
	600	600	–	–	–	–	–	1,062	600	1,662
	1,376	1,200	9,037	10,155	463	660	–	17,439	10,876	29,454

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

1 Appointed on 19 May 2008
2 Resigned on 1 April 2009
3 Appointed on 2 April 2009
4 Resigned on 11 May 2009

10. STAFF COSTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2008: three) directors whose emoluments are reflected in note (a) above and amounted to HK$9,527,000 (2008: HK$27,792,000). The emoluments payable to the remaining two (2008: two) individuals during the year were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Salaries and other benefits	2,645	1,749
Retirement benefit scheme contributions	40	28
Share-based payment expenses	–	2,729
	2,685	4,506

The emoluments of the two individuals (2008: two individuals) who were not directors and with the highest emoluments were within the following bands:

	2009	2008
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	1	–
	2	2

11. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operation		Consolidated total	
	2009 HK$'000	2008 HK$'000 (Restated)	2009 HK$'000	2008 HK$'000 (Restated)	2009 HK$'000	2008 HK$'000 (Restated)
Depreciation						
– Owned assets	2,245	2,072	413	601	2,658	2,673
– Assets held under finance leases	–	26	–	–	–	26
Amortisation of leasehold land, land use rights and intangible assets	6,184	–	666	607	6,850	607
Auditors' remuneration	1,071	682	106	118	1,177	800
Loss on disposal of property, plant and equipment	–	5	–	–	–	5
Write-off of property, plant and equipment	111	640	–	–	111	640
Fair value change in financial instruments						
– Financial assets at fair value through profit or loss	18	71	–	–	18	71
– Derivative financial instruments	(16,629)	1,500	–	–	(16,629)	1,500
Impairment loss recognised in respect of other receivables	260	–	–	–	260	–
Operating lease rentals in respect of premises	2,211	2,463	–	–	2,211	2,463
Net foreign exchange loss	288	716	–	–	288	716
Gross rental income from investment properties	(18,211)	(18,107)	–	–	(18,211)	(18,107)
Less: direct operating expenses from investment properties that generated rental income during the year	2,716	840	–	–	2,716	840
direct operating expenses from investment properties that did not generate rental income during the year	180	180	–	–	180	180

12. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated total	
	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)
Interests on:						
Bank loans and overdrafts wholly repayable:						
– within five years	15,861	5,052	4,589	4,960	20,450	10,012
– over five years	4,225	12,700	–	–	4,225	12,700
Other borrowings	16,238	6,953	–	–	16,238	6,953
Interest on obligations under finance leases	–	6	–	–	–	6
Interest on convertible notes	–	931	–	–	–	931
	36,324	25,642	4,589	4,960	40,913	30,602
Less: Amounts capitalised	–	(2,402)	–	–	–	(2,402)
	36,324	23,240	4,589	4,960	40,913	28,200

13. TAXATION

	Continuing operations		Discontinued operation		Consolidated total	
	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000* (Restated)
Current tax						
Hong Kong Profits Tax	303	–	–	–	303	–
The PRC Enterprise Income Tax	1,816	3,986	–	–	1,816	3,986
	2,119	3,986	–	–	2,119	3,986
Deferred tax	(16,610)	17,134	–	–	(16,610)	17,134
	(14,491)	21,120	–	–	(14,491)	21,120

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. With effect from the year of assessment 2008/2009, Hong Kong Profits Tax has been reduced from 17.5% to 16.5%.

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2008 in the consolidated financial statements of the Group and the Company as there has no estimated assessable profits or its estimated assessable profits are wholly absorbed by the estimated tax losses brought forward.

13. TAXATION *(Continued)*

The PRC Enterprise Income Tax

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which become effective on 1 January 2008, when the income tax rules and regulations of the PRC applicable to foreign investment enterprises was abolished. The New Tax Law adopts a uniform tax of 25% of all enterprises including foreign investment enterprises.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

The Group – For the year ended 31 March 2009

	Hong Kong		The PRC		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Loss before taxation						
Continuing operations	(321,460)		(44,409)		(365,869)	
Discontinued operation	–		(412,867)		(412,867)	
	(321,460)		(457,276)		(778,736)	
Tax at the statutory tax rate	(53,041)	(16.5)	(114,319)	(25.0)	(167,360)	(21.5)
Tax effect of expenses not deductible for tax purpose	11,004	3.4	31,395	6.9	42,399	5.4
Tax effect of income not taxable for tax purpose	(5,546)	(1.7)	(5,172)	(1.1)	(10,718)	(1.4)
Tax effect of tax losses not recognised	47,847	14.8	92,043	20.1	139,890	18
Effect of change in tax rate	–	–	(5,612)	(1.2)	(5,612)	(0.7)
Tax effect of unrecognised temporary differences	(7,862)	(2.4)	(5,228)	(1.2)	(13,090)	(1.7)
Tax credit for the year	(7,598)	(2.4)	(6,893)	(1.5)	(14,491)	(1.9)

13. TAXATION *(Continued)*

The Group – For the year ended 31 March 2008 (Restated)

	Hong Kong		The PRC		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
(Loss)/profit before taxation						
Continuing operations	(15,657)		22,762		7,105	
Discontinued operation	–		(26,706)		(26,706)	
	(15,657)		(3,944)		(19,601)	
Tax at the statutory tax rate	(2,740)	(17.5)	(730)	(18.5)	(3,470)	(17.7)
Tax effect of expenses not deductible for tax purpose	7,571	48.4	871	22.1	8,442	43.1
Tax effect of income not taxable for tax purpose	(5,505)	(35.2)	(2,793)	(70.8)	(8,298)	(42.3)
Tax effect of tax losses not recognised	11,106	70.9	13,199	334.6	24,305	124.0
Underprovision for the year	–	–	141	3.6	141	0.7
Tax charge for the year	10,432	66.6	10,688	271.0	21,120	107.8

14. LOSS PER SHARE

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

	2009 *HK$'000*	2008 *HK$'000* (Restated)
Loss for the year attributable to ordinary equity holders of the Company for the calculation of basic and diluted loss per share		
From continuing operations	351,629	13,056
From discontinued operation	412,867	26,706
From continuing and discontinued operations	764,496	39,762

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the calculation of basic and diluted loss per share	20,167,015,550	9,893,806,897

Diluted loss per share for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding share options and convertible notes were not included in the calculation of diluted loss per share because the effect of Company's outstanding share options and convertible notes were anti-dilutive.

15. INVESTMENT PROPERTIES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**630,820**	65,852
Exchange alignment	**6,850**	47,294
Acquisition of subsidiaries	**489**	480,839
Additions	**2,024**	–
Fair value change	**(136,955)**	36,835
At end of the year	**503,228**	630,820

The fair value of the Group's investment properties at 31 March 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Messrs. Savills Valuation and Professional Services Limited and 上海房地產估價師事務所有限公司, independent professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location.

The Group's investment properties at their net book values are analysed as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Investment properties in Hong Kong, held on:		
Long-term leases	**13,500**	15,000
Investment properties outside Hong Kong, held on:		
Medium-term leases	**489,728**	615,820
	503,228	630,820

Investment properties with the carrying amount of approximately HK$179,976,000 (2008: HK$62,611,000) have been pledged to secure banking facilities granted to the Group.

The Group's investment properties, amounting to approximately HK$474,835,000 (2008: HK$611,290,000) are rented out under operating leases.

16. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS

The Group

	HK$'000
Cost	
At 1 April 2007	40,980
Exchange alignment	4,098
At 31 March 2008 and 1 April 2008	45,078
Exchange alignment	1,593
Transfer to assets classified as held for sale	(46,671)
At 31 March 2009	–
Accumulated amortisation	
At 1 April 2007	2,342
Exchange alignment	191
Charge for the year	607
At 31 March 2008 and 1 April 2008	3,140
Exchange alignment	105
Charge for the year	666
Transfer to assets classified as held for sale	(3,911)
At 31 March 2009	–
Carrying amount	
At 31 March 2009	–
At 31 March 2008	41,938

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follow:

	2009 *HK$'000*	2008 *HK$'000*
Land outside Hong Kong, held on long-term leases	–	41,938

At 31 March 2009, all of the Group's interests in leasehold land and land use rights with an aggregate net book value of approximately HK$Nil (2008: HK$41,938,000) were pledged to secure banking facilities granted to the Group.

Interests in leasehold land and land use rights comprise of cost of acquiring rights to use certain land which are all located in the PRC over fixed periods. Cost of prepaid lease for land use rights is amortised on a straight-line basis over the unexpired period of rights.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties under development	Leasehold improvements	Furniture and fixtures	Equipment, motor vehicle and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2007	298,081	4,341	9,063	18,687	330,172
Exchange alignment	29,810	318	773	802	31,703
Additions	60,648	–	1,166	2,194	64,008
Acquisition of subsidiaries	–	–	1,803	76	1,879
Disposals	(7,042)	(2,064)	(480)	(4,844)	(14,430)
Disposal of subsidiaries	–	–	(36)	(850)	(886)
Reclassification of properties under development for sale	(151,780)	–	–	–	(151,780)
At 31 March 2008 and 1 April 2008	229,717	2,595	12,289	16,065	260,666
Exchange alignment	7,921	89	324	454	8,788
Additions	8,207	–	1,560	6,003	15,770
Acquisition of subsidiaries	–	55	5	2,246	2,306
Transfer to assets classified as held for sale	(241,648)	(2,599)	(1,513)	(3,661)	(249,421)
Disposals	–	–	–	(803)	(803)
At 31 March 2009	4,197	140	12,665	20,304	37,306
Accumulated depreciation					
At 1 April 2007	–	3,927	5,446	13,312	22,685
Exchange alignment	–	277	479	400	1,156
Charge for the year	–	–	1,212	1,487	2,699
Elimination upon disposals	–	(1,609)	(389)	(3,725)	(5,723)
At 31 March 2008 and 1 April 2008	–	2,595	6,748	11,474	20,817
Exchange alignment	–	89	219	342	650
Charge for the year	–	1	1,220	1,437	2,658
Transfer to assets classified as held for sale	–	(2,599)	(1,282)	(2,291)	(6,172)
Elimination upon disposals	–	–	–	(739)	(739)
At 31 March 2009	–	86	6,905	10,223	17,214
Net book value					
At 31 March 2009	**4,197**	**54**	**5,760**	**10,081**	**20,092**
At 31 March 2008	229,717	–	5,541	4,591	239,849

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Equipment, motor vehicle and others *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2007	1,982	447	2,900	5,329
Exchange alignment	82	32	37	151
Disposals	(2,064)	(479)	(2,937)	(5,480)
At 31 March 2008, 1 April 2008 and 31 March 2009	–	–	–	–
Accumulated depreciation				
At 1 April 2007	1,570	363	2,815	4,748
Exchange alignment	41	24	28	93
Disposals	(1,611)	(387)	(2,843)	(4,841)
At 31 March 2008, 1 April 2008 and 31 March 2009	–	–	–	–
Net book value				
At 31 March 2009	–	–	–	–
At 31 March 2008	–	–	–	–

The carrying amounts of the properties under development comprised:

	2009 *HK$'000*	2008 *HK$'000*
The Group		
Outside Hong Kong, held on long-term leases	**4,197**	229,717

Properties under development of the Group are situated in the PRC. At 31 March 2009, properties under development of the Group included interest capitalised of HK$Nil (2008: HK$40,400,000).

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**945,777**	908,136
Impairment loss recognised	**(60,616)**	(34,887)
	885,161	873,249

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and are repayable on demand. The carrying amounts of these amounts due from/(to) subsidiaries approximate to their fair values.

Details of the Company's principal subsidiaries at 31 March 2009 are set out in note 50.

19. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into a number of service concession arrangements with certain governmental authorities in the PRC on a BOT or a Transfer-Operate-Transfer ("TOT") bases in respect of its sewage and water treatment operations. These service concession arrangements generally involve the Group as an operator (i) constructing the infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; (iii) operating and maintaining the infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism. The Group is entitled to, where appropriate, use all the property, plant and equipment of the infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the infrastructures, and retain the beneficial entitlement to any residual interest in the infrastructures at the end of the term of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the infrastructures to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes. The accounting policies in respect of the classification of the service concession arrangements between other financial assets (receivables under service concession arrangements) and intangible assets (operating concessions) are set out under the heading of "Service concession arrangements" in note 5 to the consolidated financial statements.

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

The following is the summarised information of the Group's service concession arrangements under environmental protection and water treatment operation:

(a) Intangible assets

The Group

	Concession intangible assets *HK$'000*
Cost	
At 1 April 2007, as previously reported	–
Effect on adoption of HK(IFRIC) – Int 12	102,814
At 1 April 2007, as restated	102,814
Exchange alignment	9,253
Additions	4,806
At 31 March 2008 and 1 April 2008	116,873
Exchange alignment	4,030
Acquisition of subsidiaries	560,653
Additions	10,439
At 31 March 2009	691,995
Accumulated amortisation	
At 1 April 2007, 31 March 2008 and 1 April 2008	–
Effect on adoption of HK(IFRIC) – Int 12	–
Charge for the year	6,184
At 31 March 2009	6,184
Carrying amount	
At 31 March 2009	**685,811**
At 31 March 2008	116,873

(b) Other financial assets

	The Group	
	2009 *HK$'000*	2008 *HK$'000* (Restated)
Receivables under service concession arrangements	**444,805**	350,098

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

(c) Notes to the service concession arrangements

The Group has entered into a number of service concession arrangements with certain governmental authorities in the PRC on BOT or TOT bases in respect of their sewage treatment, water treatment and distribution businesses.

During the year, the Group acquired Heilongjiang Black Dragon Company Limited ("Black Dragon") and its subsidiaries (collectively referred to as the "Black Dragon Group") as further detailed in note 41(a) to the consolidated financial statements. The subsidiaries of Black Dragon have also entered into a number of service concession arrangements with certain governmental authorities in the PRC on BOT and TOT bases in respect of their sewage treatment, water treatment and distribution businesses.

As at 31 March 2009, the Group, including the Black Dragon Group, had service concession arrangements on water treatment and distribution and on sewage treatment with various governmental authorities in the PRC. The following table list the major terms of the major service concession arrangements of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group.

Name of subsidiary	Location	Name of grantor	Type of service concession arrangements	Service concession period
青海雄越環保科技有限公司	中國西寧市	西寧市水務局	TOT	25 years from 2005 to 2030
西安航空科技產業園供排水有限公司	中國西安市	西安市閻良區水務局	TOT	20 years from 2008 to 2028
漢中市國中自來水有限公司	中國漢中市	漢中市漢台區人民政府建設局	TOT	30 years from 2008 to 2038
國水(馬鞍山)污水處理有限公司	中國馬鞍山市	馬鞍山市市政管理處	BOT	22 years from 2006 to 2028
國水(昌黎)污水處理有限公司	中國秦皇島市昌黎縣	秦皇島市昌黎人民政府	BOT	30 years from 2005 to 2035
Interchina (Qinhuangdao) Sewage Treatment Company Limited	中國秦皇島市	河北省秦皇島市人民政府	BOT	20 years from 2002 to 2022

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

(c) Notes to the service concession arrangements *(Continued)*

Pursuant to the service concession agreements signed, the Group is granted the rights to use the property, plant and equipment of the sewage and water treatment plants and related land, which are generally registered under the names of the relevant companies in the Group during the Service Concession Periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods.

During the year ended 31 March 2008, the intangible assets of operating concession were under construction and no amortisation has been made.

The carrying amounts of the Group's assets under service concession arrangements were used to secure the Group's banking facilities as follow:

	2009 *HK$'000*	2008 *HK$'000*
Intangible assets	293,916	116,873
Other financial assets	334,334	164,288
	628,250	281,161

Other financial assets, bear interest at rates ranging from 6.37% to 13.88%, represented the minimum guaranteed income from the relevant governmental authorities in the PRC, calculate with reference to forecast sewage treatment and water treatment capacity over the Service Concession Periods.

20. INTERESTS IN ASSOCIATES

	The Group and the Company	
	2009 *HK$'000*	2008 *HK$'000*
Cost of investments, listed shares	296,000	–
Share of post-acquisition reserves	3,146	–
Disposal	(299,146)	–
	–	–

20. INTERESTS IN ASSOCIATES *(Continued)*

For the year ended 31 March 2009

On 15 July 2008, the Group completed the acquisition of 29.52% equity 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. Subsequently, the Group pledged its equity interest in China Pipe 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 to dispose the 29.52% equity interest in China Pipe at consideration of approximately HK$74,000,000 and details were set out in the Company's circular dated 2 January 2009. Disposal of China Pipe was completed on 23 January 2009 and a loss on disposal of an associate of approximately HK$225,146,000 was recognised in the consolidated income statement.

China Pipe is a company listed in Hong Kong with its financial year end date on 31 December and its interim financial year end date on 30 June. The Group has equity for its share of interest in China Pipe from the date of acquisition and up to 15 October 2008 (being the date the Group entering into an agreement for disposal of China Pipe) based on the net assets of China Pipe at 30 June 2008, after adjusting for any material transactions up to 15 October 2008.

For the year ended 31 March 2008

On 11 June 2007, the Group further acquired 60% interests in Money Capture Investments Limited ("Money Capture"). Money Capture was an associate of the Group before acquisition. Details of the assets and liabilities acquired are set out in note 41(c). Following the further acquisition of Money Capture, the Group has no associate as at 31 March 2008.

The summarised financial information in respect of the Group's associates is set out below:

	2009 *HK$'000*	2008 *HK$'000*
Turnover	273,934	6,520
Profit for the year	7,243	6,520
Profit attributable to the Group	3,146	2,608
Total assets	–	–
Total liabilities	–	–
Net assets	–	–
Net assets attributable to the Group	–	–

21. GOODWILL

	The Group
	HK$'000
Cost	
At 1 April 2007	2,846
Additions (note 41 (b), (c), (d))	8,160
At 31 March 2008 and 1 April 2008	11,006
Additions (note 41 (a))	387,557
At 31 March 2009	398,563
Impairment	
At 1 April 2007, 31 March 2008 and 1 April 2008	–
Impairment loss recognised	11,006
At 31 March 2009	11,006
Carrying amount	
At 31 March 2009	**387,557**
At 31 March 2008	11,006

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business as follow:

	2009	2008
	HK$'000	*HK$'000*
City development and investment operation	**–**	2,846
Environmental protection and water treatment operation	**387,557**	1,043
Property investment operation	**–**	7,117
	387,557	11,006

Addition of goodwill comprised of the following:

For the year ended 31 March 2008, the Group further acquired 4.67%, 60% and 100% of equity interest in Interchina (Tianjin) Water Treatment Company Limited ("Interchina Tianjin"), Money Capture and Success Flow International Limited ("Success Flow") respectively, and the goodwill has increased by approximately of HK$1,043,000, HK$3,682,000 and HK$3,435,000 accordingly.

For the year ended 31 March 2009, the Group completed the acquisition of Black Dragon and resulted an increase in goodwill of approximately HK$387,557,000.

21. GOODWILL *(Continued)*

Impairment test of goodwill

The recoverable amount of goodwill under city development and investment operation, environmental protection and water treatment operation and property investment operation were assessed by reference to value-in-use calculation based on a five year projection of the relevant cash-generating unit. A discount rate of 9.5% per annum was applied in the value-in-use model which uses cash flow projections based on financial forecasts approved by the directors of the Company (the "CGU Forecast") covering a five-year period. There are a number of assumptions and estimates involved for the preparation of the cash flow projections for the period covered by the CGU Forecast. Key assumptions included budgeted gross margin and discount rate which are determined by the management of the Group based on past experience and its expectation for market development.

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 March 2009, the management of the Group expected that the property market and environmental protection would be less prosperous in the coming periods which the profitability would be significant reduced. In view of the deteriorating profitability, impairment loss of approximately HK$11,006,000 was made in accordance with the result of the discounted cash flow analysis.

22. OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Contribution to the compensation fund and fidelity fund with the Stock Exchange	197	197	–	–
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	100	100	–	–
Guarantee fund contributions to HKSCCL	100	100	–	–
Statutory deposits with HKFE Clearing Corporation Limited	1,500	1,500	–	–
Club membership	380	504	380	380
	2,277	2,401	380	380

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**607,714**	348,527
Exchange alignment	**20,956**	36,990
Additions	**44,905**	70,417
Impairment loss recognised	**(182,770)**	–
Transfer from properties, plant and equipment	**–**	151,780
Transfer to assets classified as held for sale	**(490,805)**	–
At end of the year	**–**	607,714

At 31 March 2008, the Group's properties under development for sale are situated on land held under land use rights expiring on 2073 in Changsha, the PRC.

Included in the properties under development for sale is net interest capitalised of approximately HK$2,406,000.

At 31 March 2009, the Group's properties under development for sale situated in Changsha, the PRC were reclassified as assets held for sale as the Group entered into an agreement in relation to disposal of subsidiaries in Changsha, the PRC and details were set out in note 39 to the consolidated financial statements.

The directors of the Company reviewed the carrying amount of the properties under development for sale situated in Changsha, the PRC with reference to current market situation and the estimated selling price of the properties under development for sale provided by RHL Appraisal Limited, an independent professional qualified valuer and considered an impairment loss of approximately HK$182,770,000 was recognised in the consolidated income statement for the year ended 31 March 2009.

24. INVENTORIES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Finished goods	**4,198**	844

At 31 March 2009, all inventories are carried at cost.

25. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2008: 60 days) to its trade customers. Trade receivables that are less than 60 days past due are not considered impaired. The aged analysis of trade receivables is as follow:

	The Group		The Company	
	2009 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000*	2008 *HK$'000*
0 – 30 days	17,263	36,150	–	–
31 – 60 days	588	1,630	–	–
61 – 90 days	588	1,630	–	–
Over 90 days	12,978	9,780	–	–
	31,417	49,190	–	–
Margin clients accounts receivables	1,227	1,227	–	–
Clearing houses, brokers and dealers	3,346	1,502	–	–
Prepayments and deposits	164,370	661,716	2,692	175,273
Other receivables	82,477	22,272	144	6,036
	282,837	735,907	2,836	181,309
Less: Impairment of other receivables	(260)	–	–	–
	282,577	735,907	2,836	181,309

Movement on impairment of other receivables was as follow:

	The Group	
	2009 *HK$'000*	2008 *HK$'000*
At beginning of the year	–	–
Impairment loss recognised	260	–
At end of the year	260	–

25. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired was as follow:

	2009 *HK$'000*	2008 *HK$'000*
Neither past due nor impaired	17,851	37,780
Two to three months past due	588	1,630
Over three months past due	12,978	9,780
	31,417	49,190

Included in the Group's trade receivables balances are debtors with carrying amounts of approximately HK$13,566,000 which were past due for which the Group has not provided for impairment as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

Trade receivables within credit terms relate to a wide range of customers for whom there is no recent history of default. The maximum exposure to credit risk at the reporting date is the fair value. The Group does not hold any collateral over these balances.

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 of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

26. LOAN RECEIVABLES

	The Group	
	2009 *HK$'000*	2008 *HK$'000*
Loan receivables	102,898	61,899

The loan is unsecured, carrying at the prevailing interest rate ranging from 7.50% to 15% per annum with fixed repayment terms. The directors of the Company considered that the amount will be repaid within twelve months from the balance sheet date, and accordingly, the amounts is shown as current.

The loan receivables with a carrying amount of HK$102,898,000 (2007: HK$61,899,000) is not past due and continuous settlement by instalments from borrowers have been received during the year and after the balance sheet date. Therefore, the Group considers no impairment on loan receivables as the Group considers that the amount is recoverable in full.

The credit risk has been mentioned in note 49(b) in determining the recoverability of the loan receivables.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Held for trading:		
Listed equity securities – Hong Kong, at market value	**80**	98

28. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Trust accounts	**6,366**	4,343
Segregated accounts	**957**	3
	7,323	4,346

Trust and segregated accounts earn interest at floating rates based on daily bank deposit rates. At 31 March 2009 and 2008, all trust and segregated accounts are denominated in Hong Kong dollar.

The amount represented bank balances held on behalf of customers for securities trading. The liabilities to customers were included under trade payables under current liabilities.

29. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**34,259**	30,193	**19**	110

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 March 2009, cash and cash equivalents of approximately HK$26,415,000 (2008: HK$7,505,000) are denominated in Renminbi. Renminbi is not freely convertible currency and the remittance of funds out of the PRC and is subject to the exchange restrictions imposed by the PRC government.

30. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Trade payables				
0 – 30 days	**22,588**	8,851	**–**	–
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	**100**	95	**–**	–
Other payables and deposits received	**316,999**	248,403	**11,644**	6,845
	339,687	257,349	**11,644**	6,845

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

31. AMOUNT DUE TO A RELATED COMPANY

The Group and the 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, who has resigned as director of the Company on 11 May 2009.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	2009	2008
	HK$'000	*HK$'000*
Financial liabilities related to the convertible note options	–	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 to grant 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) the other 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 and at 31 March 2008 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 31 March 2009**
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	–
Conversion price	HK$0.1	HK$0.1	–
Risk free rate	4.074%	1.287%	–
Expected exercise period	0.75 years	1.875 years	–
Nature of the option	Call	Call	–
Volatility	34.12%	80.66%	–

32. 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 behavioural consideration.

The changes in fair value of convertible note options during the year ended 31 March 2009 and 2008 are as follows:

	As at 31 March 2008		As at 31 March 2009
	The First Tranche Option	**The Second Tranche Option**	**The Second Tranche Option**
	HK$'000	*HK$'000*	*HK$'000*
Derivative financial instruments			
At beginning of the year	–	–	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)
Derecognition upon expiry of the convertible note options	–	–	(1,079)
At end of the year	–	22,736	–

33. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings, secured	**277,031**	252,210	**–**	–
Bank borrowings, unsecured	**107,841**	47,778	**–**	–
Total bank borrowings	**384,872**	299,988	**–**	–
Other borrowings, secured	**120,000**	–	**120,000**	–
Other borrowings, unsecured	**18,966**	–	**3,000**	
Total other borrowings	**138,966**	–	**123,000**	–
Total borrowings	**523,838**	299,988	**123,000**	–
The maturity profiles are as follows:				
On demand or repayable within one year:				
bank borrowings	**92,936**	100,357	**–**	–
other borrowings	**126,541**	–	**123,000**	–
Portion classified as current liabilities	**219,477**	100,357	**123,000**	–
On demand or repayable in the second year:				
bank borrowings	**55,759**	41,239	**–**	–
other borrowings	**1,816**	–	**–**	–
	57,575	41,239	**–**	–
Bank borrowings repayable:				
in the third to fifth years, inclusive	**170,718**	99,842	**–**	–
after the fifth year	**65,459**	58,550	**–**	–
Other borrowings repayable:				
in the third to fifth years, inclusive	**5,448**	–	**–**	–
after the fifth year	**5,161**	–	**–**	–
Portion classified as non-current liabilities	**304,361**	199,631	**–**	–
Total borrowings	**523,838**	299,988	**123,000**	–

33. BANK AND OTHER BORROWINGS *(Continued)*

The other borrowings bear interest at rates of 7.75% to 36% per annum at 31 March 2009.

The bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi ranging from 2.55% to 8.25% (2008: 5.8% to 7.8%) per annum.

Secured bank borrowings comprise term loans and mortgage loans which bear interest at commercial rates. The term loans are secured by the assets of the Group with carrying values as follow:

	2009 *HK$'000*	2008 *HK$'000*
Interest in leasehold land and land use rights	–	41,938
Intangible assets	293,916	116,873
Other financial assets	334,334	164,288
	628,250	323,099

The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$179,976,000 (2008: HK$62,611,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable in instalments over a period of 1 to 20 years.

Secured other borrowings bear interest at commercial rates. The other borrowings are secured by certain shares of subsidiaries held by the Group.

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

	The Group		The Company	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*
Hong Kong dollars	150,015	27,887	123,000	–
Renminbi	373,823	272,101	–	–
	523,838	299,988	123,000	–

34. CONVERTIBLE NOTES

For the year ended 31 March 2008

(a) On 6 August 2007, the Company issued convertible notes with principal amount of approximately HK$132,677,000 (the "Money Capture CN") for the acquisition of Money Capture. The Money Capture CN was carried interest at 3.5% and will be matured on 5 August 2009. The Money Capture CN are denominated in Hong Kong dollars. The initial conversion price is HK$0.131 per share. The effective interest rate of the liability component is 8.57% per annum. Unless previously converted by the Money Capture CN holder, the Company will redeem the convertible notes on the maturity date at the principal amount of the convertible notes then outstanding.

On 10 August 2007, the Money Capture CN of approximately HK$132,677,000 was converted into 1,012,800,000 ordinary shares of HK$0.131 each of the Company.

(b) During the year ended 31 March 2008, the Group entered into a subscription agreement with the Subscribers 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.

(c) 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 carry 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$0.1 each of the Company. Following the conversion, 6,500,000,000 ordinary shares under the First Tranche Convertible Notes were issued.

For the year ended 31 March 2009

(d) During the year ended 31 March 2009, the Company exercised the Second Tranche Option and issued part of the Second Tranche Convertible Notes with principal amount of HK$300,000,000. The Second Tranche Convertible Notes carry 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 8.57% 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.

34. CONVERTIBLE NOTES *(Continued)*

Reconciliation of the liability component of the convertible notes:

	2009 *HK$'000*	2008 *HK$'000*
Liability component at beginning of the year	–	4,587
Proceeds of issue upon exercise of convertible note options	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 year	–	931
Conversion into ordinary share	(273,001)	(499,926)
Liability component at end of the year	–	–

35. DEFERRED TAXATION

The Group

The followings are the major deferred tax liabilities and assets recognised by the Group and movements thereon:

	Revaluation of properties *HK$'000*	Convertible notes *HK$'000*	Fair value adjustments arising on acquisition of subsidiaries *HK$'000*	Temporary difference on assets under HK (IFRIC)-Int 12 *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2007	2,831	73	–	15,533	–	18,437
Exchange alignment	9	–	–	1,208	–	1,217
Acquisition of subsidiaries	3,874	–	–	–	–	3,874
Charge/(credit) to the consolidated income statement	10,889	(163)	–	6,408	–	17,134
Issue of convertible notes	–	50,447	–	–	–	50,447
Conversion of convertible notes	–	(50,357)	–	–	–	(50,357)

35. DEFERRED TAXATION *(Continued)*

The Group *(Continued)*

	Revaluation of properties	Convertible notes	Fair value adjustments arising on acquisition of subsidiaries	Temporary difference on assets under HK (IFRIC)-Int 12	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2008 and 1 April 2008	17,603	–	–	23,149	–	40,752
Exchange alignment	3	–	–	702	–	705
Acquisition of subsidiaries	–	–	81,819	–	(76)	81,743
Charge/(credit) to the consolidated income statement	(17,606)	–	–	6,532	76	(10,998)
Effect of change in tax rate	–	–	–	(5,612)	–	(5,612)
Issue of convertible notes	–	5,284	–	–	–	5,284
Conversion of convertible notes	–	(5,284)	–	–	–	(5,284)
At 31 March 2009	**–**	**–**	**81,819**	**24,771**	**–**	**106,590**

At 31 March 2009, the Group had unused estimated tax losses of approximately HK$1,504,631,000 (2008: HK$740,135,000 as restated) available for offset against future profits. A reduction in deferred tax liabilities has been recognised in respect of fair value loss on investment properties of approximately HK$70,424,000 and no deferred tax asset has been recognised in respect of the remaining fair value loss on investment properties of approximately HK$66,531,000 due to unpredictability of future profit stream.

The Company

No deferred tax asset has been recognised in respect of estimated tax losses of approximately HK$392,995,000 (2008: HK$388,247,000) due to the unpredictability of future profit streams.

36. SHARE CAPITAL

Ordinary shares of HK$0.10 each	Number of shares 2009	2008	Nominal value 2009 HK$'000	2008 HK$'000
Authorised (Note a)	40,000,000,000	10,000,000,000	4,000,000	1,000,000
Issued and fully paid:				
At beginning of the year	17,286,193,632	6,651,903,632	1,728,619	665,190
Issuance of new shares (Note b)	–	2,700,000,000	–	270,000
Exercise of share options (Note c)	–	371,490,000	–	37,149
Conversion of convertible notes (Note d, e and f)	3,000,000,000	7,562,800,000	300,000	756,280
At end of the year	20,286,193,632	17,286,193,632	2,028,619	1,728,619

All shares issued by the Company rank pari passu with the then existing shares in all respects.

Notes:

For the year ended 31 March 2008

(a) 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 of 30,000,000,000 new ordinary shares of HK$0.10 each.

(b) 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.

(c) 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.

(d) The holders of part of convertible notes issued in 2007 (the "2007 CN") and the First Tranche Convertible Notes with 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.

(e) The holders of 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 year ended 31 March 2009

(f) The holder of the Second Tranche Convertible Notes with principal amounts of HK$300,000,000 were converted into shares at conversion price of HK$0.10 per share. 3,000,000,000 ordinary shares were issued upon the conversion of the Second Tranche Convertible Notes.

37. SHARE PREMIUM AND RESERVES

	Share premium *HK$'000*	Exchange reserve *HK$'000*	Convertible notes reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
The Company						
At 1 April 2007	282,741	(1,454)	590	–	(213,262)	68,615
Exchange alignment	–	(3,336)	–	–	–	(3,336)
Issue of convertible notes	–	–	288,269	–	–	288,269
Recognition of deferred tax for convertible notes	–	–	(90)	–	–	(90)
Conversion of convertible notes	40,108	–	(288,769)	–	–	(248,661)
Issue of share options	–	–	–	32,986	–	32,986
Exercise of share options	43,605	–	–	(26,516)	–	17,089
Loss for the year	–	–	–	–	(155,501)	(155,501)
At 31 March 2008 and 1 April 2008	366,454	(4,790)	–	6,470	(368,763)	(629)
Exchange alignment	–	(345)	–	–	–	(345)
Issue of convertible notes	–	–	32,027	–	–	32,027
Recognition of deferred tax for convertible notes	–	–	(5,284)	–	–	(5,284)
Conversion of convertible notes	5,028	–	(26,743)	–	–	(21,715)
Loss for the year	–	–	–	–	(286,596)	(286,596)
At 31 March 2009	**371,482**	**(5,135)**	**–**	**6,470**	**(655,359)**	**(282,542)**

The Company did not have any reserves available for distribution to shareholders at 31 March 2009 (2008: Nil).

38. SHARE OPTIONS

Details of the share option schemes adopted by the Group are as follows:

(a) Old Share Option Scheme

The share option scheme of the Company (the "Old Share Option Scheme") that was adopted on 25 July 2000 was terminated on 2 September 2002 and was substituted by a new option scheme.

No option under the Old Share Option Scheme remained outstanding at 31 March 2009 and 31 March 2008.

38. SHARE OPTIONS *(Continued)*

(b) New Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), terminated the Old Share Option Scheme and adopted a new share option scheme (the "New Share Option Scheme"), as approved by the shareholders of the Company at the annual general meeting held on 2 September 2002.

The New Share Option Scheme permits the Company to grant options to a wider category of participants as defined in the Company's circular issued on 30 July 2002 (the "Participants"), and not just the eligible grantees as under the Old Share Option Scheme (the "Eligible Grantees"). Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Board to provide incentive to the Participant during such period. This discretion, couple with the power of the Board to impose any performance target as it considers appropriate before any option can be exercised, enable the Group to provide incentives to the Participants to use their best endeavours in assisting the growth and development of the Group. Although the New Share Option Scheme does not provide for the granting of options with right to subscribe for the shares of the Company ("Shares") at a discount to trading price of the Shares on the Stock Exchange, the directors of the Company are of the view that the flexibility given to the Board in granting options to the Participants, other than the Eligible Grantees and to impose minimum period for which the options have to be held and performance targets that have to be achieved before the options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group as whole, than the Old Share Option Scheme.

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue (the "Individual Limited"). Any further grant of options in excess of the Individual Limited in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

38. SHARE OPTIONS *(Continued)*

(b) New Share Option Scheme *(Continued)*

The following share options were outstanding under the Option Scheme during the year:

	Number of share options									
Name of category of participant	Outstanding as at 1 April 2007	Granted during the year	Exercised during the year	Outstanding as at 31 March 2008	Granted during the year	Exercised during the year	Outstanding as at 31 March 2009	Date of grant	Exercise period	Exercise price HK$
Director										
Mr. Zhang Yang	–	77,000,000	(77,000,000)	–	–	–	–	28-08-2007	29-08-2007 to 02-09-2012	0.146
Mr. Chan Wing Yuen, Hubert	–	77,000,000	(77,000,000)	–	–	–	–	28-08-2007	29-08-2007 to 02-09-2012	0.146
Mr. Lam Cheung Shing, Richard	–	77,000,000	(77,000,000)	–	–	–	–	28-08-2007	29-08-2007 to 02-09-2012	0.146
Mr. Wong Hon Sum	–	5,000,000	–	5,000,000	–	–	5,000,000*	28-08-2007	29-08-2007 to 02-09-2012	0.146
Ms. Ha Ping	–	5,000,000	–	5,000,000	–	–	5,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Dr. Tang Tin Sek	–	5,000,000	–	5,000,000	–	–	5,000,000*	28-08-2007	29-08-2007 to 02-09-2012	0.146
Consultants										
In aggregate	–	58,000,000	(25,000,000)	33,000,000	–	–	33,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Employees										
In aggregate	–	155,490,000	(115,490,000)	40,000,000	–	–	40,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
	–	459,490,000	(371,490,000)	88,000,000	–	–	88,000,000			

* Lapsed on 1 April 2009

38. SHARE OPTIONS *(Continued)*

(b) New Share Option Scheme *(Continued)*

(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

(3) The number of share options and exercised price had been adjusted following the completion of open offer. The fair values of the share options granted during the year ended 31 March 2008 were calculated, using the Binomial Option Pricing Model, by Savills Valuation and Professional Services Limited. The inputs into the model at the date of grant of options were as follows:

Date of grant:	28 August 2007
Total number of share options:	459,490,000
Option value:	HK$0.070891 (employees)
	HK$0.078000 (consultants)
Valuables	
– Maturity date	2 September 2012
– Annual risk free rate*	4.4%
– Stock price at the date of grant	HK$0.146
– Exercise price	HK$0.146
– Expected life	5 years
– Expected volatility	66%
– Expected ordinary dividend	Nil

* Risk free rate was interpolated from the yields to maturity of respective Hong Kong Exchange Fund Note with respective terms as at the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group did not recognise any share-based payment expenses for the year ended 31 March 2009 (2008: HK$32,986,000) in relation to share options granted by the Company.

At 31 March 2009, the Company had 88,000,000 share options (2008: 88,000,000) 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$0.1 each of the Company.

39. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 10 December 2008, the Company entered into a conditional sale and purchase agreement with 上海方華實業發展有限公司 (Shanghai Fanghua Shiye Development Limited), relating to the sale of (i) 100% equity interest in 國中（長沙）體育新城投資項目管理有限公司 (Interchina (Changsha) Investments and Management Company Limited) ("ICIM"), (ii) 38.9% equity interest in 長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited) ("CIC") and (iii) a non-interest bearing loan due from ICIM to the Company (collectively referred to as the "Disposal"), at a consideration of approximately RMB330,000,000. The consideration will be satisfied in cash. ICIM and CIC were principally engaged in city development and investment operation in Changsha, the PRC. Details of the Disposal were set out in the Company's announcement dated 12 December 2008 and 27 April 2009.

The major class of assets and liabilities classified as held for sale were as follows:

	HK$'000
Assets of disposal group classified as held for sale	
Interest in leasehold land and land use rights	42,760
Property, plant and equipment	243,249
Other non-current assets	106
Properties under development for sale	490,805
Other receivables and prepayments	28,784
Cash and cash equivalents	276
	805,980
Remeasurement to fair value less costs to sell (Note)	(216,300)
	589,680
Liabilities of disposal group classified as held for sale	
Other payables	210,370

Note: The amount of HK$216,300,000 represented the loss on remeasurement to fair value less cost to sell, which is calculated based on the difference between the aggregate net asset value of ICIM and CIC as at 31 March 2009 and the cash consideration of RMB330,000,000 approximately HK$379,310,000.

40. DISCONTINUED OPERATION

Upon the completion of the Disposal as detailed in note 39, ICIM and CIC will cease to be subsidiaries of the Company and the business of city development and investment operation which is solely carried out by ICIM and CIC will become a discontinued operation to the Group.

Loss for the year from city development and investment operation is presented below:

	2009 *HK$'000*	2008 *HK$'000*
Interest income	5	8
Cost of sales	–	(3,564)
Staff cost	(2,650)	(1,878)
Amortisation and depreciation	(1,079)	(1,208)
Selling costs	–	(9,961)
Administrative costs	(5,484)	(5,143)
Impairment loss for property under development	(182,770)	–
Finance costs	(4,589)	(4,960)
	(196,567)	(26,706)
Loss on remeasurement to fair value less costs to sell	(216,300)	–
Loss for the year from discontinued operation	(412,867)	(26,706)
Taxation	–	–
	(412,867)	(26,706)
Loss per share, basic and diluted	HK(2.047 cents)	HK(0.270 cents)

The net cash flows incurred by city development and investment operation are presented below:

	2009 *HK$'000*	2008 *HK$'000*
Operating activities	53,473	109,785
Investing activities	(132)	(83,095)
Financing activities	(56,188)	(32,859)
	(2,847)	(6,169)

41. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2009

(a) In January 2009, the Group completed the acquisition of the Black Dragon Group. The acquisition was satisfied by cash. The fair value of the identifiable assets and liabilities of the Black Dragon Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Adjustment** *HK$'000*	**Fair value** *HK$'000*
Investment properties	489	–	489
Property, plant and equipment	2,306	–	2,306
Intangible assets	287,455	273,198	560,653
Other financial assets	65,567	23,149	88,716
Deferred tax assets	76	–	76
Inventories	2,874	–	2,874
Trade and other receivables and prepayments	189,848	–	189,848
Cash and cash equivalents	14,715	–	14,715
Trade and other payables and deposits received	(135,006)	–	(135,006)
Tax payable	(32,516)	–	(32,516)
Bank borrowings	(130,909)	–	(130,909)
Deferred tax liabilities	(7,732)	(74,087)	(81,819)
	257,167	222,260	479,427
Minority interests			(146,123)
Goodwill			387,557
Consideration			720,861
Satisfied by:			
Cash			708,012
Transaction cost directly attributable to the acquisition			12,849
			720,861
Net cash outflow arising from acquisition:			
Cash consideration paid			377,549
Deposit paid			330,463
Transaction cost directly attributable to the acquisition			12,849
Cash and cash equivalents acquired			(14,715)
			706,146

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2009 *(Continued)*

(a) (Continued)

The Black Dragon Group acquired during the year ended 31 March 2009 contributed HK$20,073,000 and HK$6,361,000 to the Group's turnover and profit for the period between the date of acquisition and 31 March 2009.

Had the acquisition taken place at beginning of the year, the turnover and loss of the Group for the year ended 31 March 2009 would have been HK$221,598,000 and HK$730,803,000 respectively.

For the year ended 31 March 2008

(b) On 30 April 2007, the Company further acquired 4.67% equity interest in Interchina (Tianjin) and its subsidiaries (the "Interchina (Tianjin) Group"). The fair value of the identifiable assets and liabilities of the Interchina (Tianjin) Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Adjustment** *HK$'000*	**Fair value** *HK$'000*
Investment properties	12,835	–	12,835
Properties under development	234,070	–	234,070
Property, plant and equipment	97,835	–	97,835
Trade receivables	2,343	–	2,343
Deposits, prepayments and other receivables	167,340	–	167,340
Amount due from ultimate holding company	201,518	–	201,518
Amounts due from fellow subsidiaries	35,517	–	35,517
Cash and bank balances	43,092	–	43,092
Other payables	(60,546)	–	(60,546)
Amount due to ultimate holding company	(833)	–	(833)
Amounts due to fellow subsidiaries	(212,783)	–	(212,783)
Borrowings	(224,467)	–	(224,467)
Deferred tax liabilities	(114)	–	(114)
Minority interests	(282,310)	–	(282,310)
	13,497	–	13,497
Goodwill			1,043
Consideration			14,540
Satisfied by:			
Cash			14,540
Net cash outflow arising from acquisition:			
Cash consideration paid			14,540

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2008 *(Continued)*

(b) (Continued)

The Interchina (Tianjin) Group acquired during the year ended 31 March 2008 contributed HK$40,170,000 and HK$5,346,000 to the Group's turnover and profit for the period between the date of acquisition and 31 March 2008.

As the revenue and results of the Interchina (Tianjin) Group before the acquisition were not significant to the Group, the total group revenue and results as if the acquisition had been completed on 1 April 2007, are not disclosed as the information does not give additional value.

(c) On 11 June 2007, the Company further acquired 60% equity interest in Money Capture and its subsidiaries (the "Money Capture Group"). The fair value of the identifiable assets and liabilities of the Money Capture Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Acquiree's carrying amount before combination *HK$'000*	Adjustment *HK$'000*	Fair value *HK$'000*
Investment properties	313,131	–	313,131
Property, plant and equipment	1,879	–	1,879
Inventories	924	–	924
Prepayment, deposit and other receivables	11,085	–	11,085
Cash and bank balances	62,279	–	62,279
Amounts due from fellow subsidiaries	62,989	–	62,989
Other payables	(8,908)	–	(8,908)
Amount due to a related company	(251,380)	–	(251,380)
	191,999	–	191,999
Reclassify from the Group's interest in associate			(76,800)
Goodwill			3,682
Consideration			118,881
Satisfied by:			
Fair value of convertible notes			118,881
Net cash inflow arising from acquisition:			
Cash and bank balances acquired			62,279

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2008 *(Continued)*

(c) (Continued)

The Money Capture Group acquired during the year ended 31 March 2008 contributed HK$13,040,000 and HK$35,559,000 to the Group's turnover and profit for the period between the date of acquisition and 31 March 2008.

Had the acquisition taken place at beginning of the year, the turnover and loss of the Group for the year ended 31 March 2008 would have been HK$75,259,000 and HK$47,212,000 respectively.

(d) On 5 October 2007, the Group acquired 100% equity interest in Success Flow and its subsidiaries (the "Success Flow Group"). The fair value of the identifiable assets and liabilities of the Success Flow Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Acquiree's carrying amount before combination *HK$'000*	Adjustment *HK$'000*	Fair value *HK$'000*
Investment properties	152,211	15,497	167,708
Cash and bank balances	1,713	–	1,713
Trade payables	(1,280)	–	(1,280)
Other payables and accruals	(702)	–	(702)
Amount due to a shareholder	(141,219)	–	(141,219)
Deferred tax liabilities	–	(3,874)	(3,874)
	10,723	11,623	22,346
Goodwill			3,435
Consideration			25,781
Consideration satisfied by:			
Cash			167,000
Shareholder's loan			(141,219)
			25,781
Net cash outflow arising from acquisition:			
Cash consideration paid			167,000
Cash and bank balances acquired			(1,713)
			165,287

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2008 *(Continued)*

(d) (Continued)

The Success Flow Group acquired during the year ended 31 March 2008 contributed HK$1,824,000 and HK$8,708,000 to the Group's turnover and profit for the period between the date of acquisition and 31 March 2008.

As the revenue and results of the Success Flow Group before the acquisition were not significant to the Group, the total group revenue and results, as if the acquisition had been completed on 1 April 2007, are not disclosed as the information does not give additional value.

(e) On 12 March 2008, the Group acquired 100% equity interest in Wee On Development Limited ("Wee On").

The fair value of the identifiable assets and liabilities of Wee On as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition was as follow:

	Carrying amount and fair value *HK$'000*
Net assets acquired:	
Prepayment and deposits	1,291
Discount on acquisition	(443)
Consideration	848
Satisfied by cash	848

Wee On did not have any contribution to the Group's turnover and profit for the period between the date of acquisition and 31 March 2008.

As the revenue and results of Wee On before the acquisition were not significant to the Group, the total group revenue and results, as if the acquisition had been completed on 1 April 2007, are not disclosed as the information does not give additional value.

42. DISPOSAL OF A SUBSIDIARY

On 27 April 2007, the Company disposed of 93% interests in Interchina Aihua (Tianjin) Municipal & Environmental Engineering Company Limited ("Interchina Aihua") at an aggregate consideration of HK$34,848,000, which was satisfied by cash.

The net assets of Interchina Aihua at the date of disposal were as follows:

	HK$'000
Interests in associates	1,010
Property, plant and equipment	886
Deposits, prepayments and other receivables	18,971
Cash and bank balances	3,427
Amount due from ultimate holding company	3,998
Other creditors and accruals	(84)
Minority interests	(1,720)
Net assets disposed of	26,488
Gain on disposal	8,360
Total consideration	34,848
Satisfied by:	
Cash	34,848
Net cash inflow arising from the disposal:	
Cash consideration received	34,848
Less: Cash and bank balances disposed	(3,427)
	31,421

During the year ended 31 March 2008, the above subsidiary was engaged in environmental protection and water treatment operation and had not contributed any turnover and profit to the Group.

43. CAPITAL COMMITMENTS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: – acquisition of property, plant and equipment and properties under development for sale	**109,087**	110,375

44. COMMITMENTS

(a) At 31 March 2009 and 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 commitment of the Group was as follow:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**9,674**	5,073
In the second to fifth year, inclusive	**14,569**	29,042
After five years	**14,369**	18,628
	38,612	52,743

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

(b) At 31 March 2009, the Group had 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 (2008: HK$61,175,000).

45. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2009 and 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:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**2,920**	2,906
In the second to fifth year, inclusive	**5,208**	5,086
After five years	**11,930**	12,581
	20,058	20,573

Operating lease payments represent rentals payable by the Group for certain of its office properties and land use rights in the PRC. Leases for the office properties are negotiated for an average term of three years. Lease for land use rights in the PRC is negotiated for 20 years.

45. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$18,211,000 (2008: HK$18,107,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2009, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**9,647**	9,341
In the second to fifth year inclusive	**14,342**	20,627
After five years	**1,046**	–
	25,035	29,968

46. RETIREMENT BENEFITS SCHEMES

(a) The Group operates Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. The MPF Scheme comprises statutory and voluntary contribution. The Company contributes 5% of eligible employees' relevant aggregate income. No forfeited contributions (2008: Nil) are used to reduce the contributions for the year ended 31 March 2009. The contributions are charged to income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund. The Group's employer contributions vest ranging from 30% to 100% with the employees according to the years of employment except those employer contributions which are under the statutory requirement.

(b) The employees of subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

47. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties during the year:

(a) Transactions with related parties

(i) The Group paid interest amounted to approximately HK$56,000 (2008: HK$5,295,000) to a related company of the Company.

(ii) The Group received rental income amounted to approximately HK$540,000 (2008: HK$540,000) from a director of the Company.

(iii) The Group entered into an acquisition agreement with Maxable International Enterprises Limited, which is a company wholly-owned by Ms. Wing, the wife of the brother-in-law of Mr. Zhang Yang ("Mr. Zhang"), a director of the Company, for the acquisition of 29.52% of the issued share capital of China Pipe at a consideration of HK$296,000,000. Details of the transactions are set out in the Company's announcement and circular dated 18 December 2007 and 17 May 2008 respectively.

(iv) The Company entered into a subscription agreement with Mr. Zhang, a director of the Company, in relation to share subscription and 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 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.

(b) Compensation of key management personnel

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

	2009 *HK$'000*	2008 *HK$'000*
Salaries and other short-term benefits	9,813	10,755
Pension scheme contributions	463	660
Share-based payment expenses	–	16,377
	10,276	27,792

Further details of directors' emoluments are included in note 10 to the consolidated financial statements.

48. GOVERNMENT SUBSIDIES

During the year, the Group received indirectly government subsidies of HK$5,172,000 for the contribution towards the Black Dragon Group's business in Xian, the PRC. The amount has been included in other revenue for the year.

49. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash and cash equivalents, loan receivables, financial assets at fair value through profit or loss, trade and other payables, amount due to a related company, bank and other borrowings and derivative financial instruments. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**441,232**	384,604
Financial assets at fair value through profit or loss	**80**	98
Financial liabilities		
Financial liabilities at fair value through profit or loss	**–**	22,736
Amortised cost	**1,073,896**	667,583

Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk, which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in both the PRC and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. It results the Group exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. At 31 March 2009, if there is a 5% increase or decrease in the Hong Kong dollars against the RMB with all other variables held constant, the Group's translation reserve would be increased or decreased by approximately HK$54,141,000 (2008: HK$53,820,000).

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the balance sheet date.

If the prices of the respective equity instruments have been 5% higher/lower, loss before taxation for the Group would be decreased/increased by approximately HK$4,000 (2008: decreased/increased by approximately HK$5,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has policies in place in determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significant reduced.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and considering of obtaining banking facilities to support the Group's short, medium and long-term funding and liquidity management requirements. In addition, the management of the Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on weighted average effective interest rates) and the earliest date the Group can be required to pay:

	Weighted average effective interest rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flow	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2009						
Continuing operations						
Trade and other payables	–	295,977	39,458	4,252	339,687	339,687
Bank and other borrowings	12.73%	242,654	272,934	76,813	592,401	523,838
Discontinued operation						
Other payables	–	210,370	–	–	210,370	210,370
		749,001	312,392	81,065	1,142,458	1,073,895
At 31 March 2008						
Trade and other payables	–	159,579	93,843	3,927	257,349	257,349
Derivative financial instruments	–	22,736	–	–	22,736	22,736
Amount due to a related company	6.0%	83,271	–	–	83,271	78,564
Bank and other borrowings	6.6%	107,166	140,446	63,874	311,486	299,988
		372,752	234,289	67,801	674,842	658,637

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2009 would increase/decrease by approximately HK$2,019,000 (2008: HK$5,018,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Capital risk management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to maximise returns to stakeholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or sell assets to reduce debts.

The Group monitors its capital on the basis of the gearing ratio of borrowings over total equity. This ratio is calculated as borrowings divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios at the balance sheet date are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Total borrowings (note 33)	523,838	299,988
Less: Cash and cash equivalents	(34,259)	(30,193)
	489,579	269,795
Total equity	1,719,465	2,122,988
Gearing ratio	28%	13%

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* *HK$ (unless otherwise stated)*	Percentage of issued ordinary shares/registered capital held by the Company Directly *%*	 Indirectly *%*	Principal activity
Interchina (Tianjin) Water Treatment Company Limited	PRC	*RMB900,000,000	100	–	Environmental protection
Interchina Water Treatment Limited	BVI	US$10,000	–	100	Investment holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* *HK$ (unless otherwise stated)*	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
黑龍江國中水務股份有限公司##(黑龍江黑龍股份有限公司)	PRC	*RMB327,225,000	–	70.21	Investment holding
漢中市國中自來水有限公司	PRC	*RMB60,000,000	–	70.21	Water supply
漢中市漢江供水實業有限責任公司	PRC	*RMB5,026,000	–	70.21	Water facilities construction
漢中市漢江水業發展有限責任公司	PRC	*RMB910,000	–	70.21	Distilled water supply
西安航空科技產業園供排水有限公司	PRC	*RMB40,000,000	–	69.51	Water supply
青海雄越環保科技有限責任公司	PRC	*RMB20,900,000	–	66.70	Sewage treatment
漢中市石門城市供水有限公司#	PRC	*RMB50,000,000	–	80	Water supply
Interchina (Qinhuangdao) Sewage Treatment Company Limited @	PRC	*US$4,091,003	–	100	Sewage treatment
國水(馬鞍山)污水處理有限公司@	PRC	*50,660,000	–	100	Sewage treatment
國水(昌黎)污水處理有限公司@	PRC	*RMB26,000,000	–	100	Sewage treatment
Money Capture Investments Limited	BVI	US$100	100	–	Investment holding
Equal Smart Profits Limited	BVI	US$1	–	100	Property letting

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital*	Percentage of issued ordinary shares/registered capital held by the Company Directly	Indirectly	Principal activity
		HK$ (unless otherwise stated)	%	%	
Shanghai Interchina Club Company Limited#	PRC	*US$769,210	–	100	Provision of club services
Success Flow International Limited	BVI	US$1	100	–	Investment holding
Guo Xin (China) Limited	Hong Kong	100	–	100	Investment holding
北京龍堡物業管理有限公司	PRC	*RMB45,000,000	–	100	Property management
Action Investments Limited	Hong Kong	100	100	–	Property letting
Interchina (Changsha) Investment & Management Company Limited @	PRC	*US$18,080,000	100	–	Property development
長沙國中星城置業有限公司#	PRC	*RMB90,000,000	38.89	61.11	Property development
湖南泛星國際企業管理有限公司@	PRC	*RMB20,000,000	–	100	Property management
Interchina City Development & investment Limited	The British Virgin Islands ("BVI")	US$10,000	100	–	Investment holding
Interchina Securities Limited	Hong Kong	300,000,000	5	95	Securities brokerage
Interchina Futures Limited	Hong Kong	8,500,000	30	70	Commodities Brokerage
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision of financial services
Burlingame International Company Limited	Hong Kong	425,019,668	100	–	Investment holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital*	Percentage of issued ordinary shares/registered capital held by the Company Directly	Indirectly	Principal activity
		HK$ (unless otherwise stated)	*%*	*%*	
Best Plain Trading Limited	Hong Kong	310,000,000	–	100	Property letting
Interchina Corporate Services Limited	Hong Kong	10,000	100	–	Management services

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Sino foreign equity joint venture
@ Wholly-owned foreign enterprise
Listed joint stock limited company

51. SUBSEQUENT EVENT

On 9 April 2009, Black Dragon, an indirect owned subsidiary of the Company whose shares were listed on the Shanghai Stock Exchange ("SSE"), obtained approval from SSE for resuming the Black Dragon's shares on SSE. Trading in the shares of Black Dragon was resumed on 17 April 2009.

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 May 2009.

FIVE YEAR FINANCIAL SUMMARY
31 March 2009

RESULTS

	For the year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover	**116,182**	103,007	131,995	146,594	89,422
(Loss)/profit from ordinary activities before taxation	**(365,869)**	7,105	(7,734)	(83,698)	(30,269)
Taxation	**14,491**	(21,120)	(9,073)	(9,150)	(1,100)
Loss for the year from continuing operations	**(351,378)**	(14,015)	(16,807)	(92,848)	(31,369)
Loss for the year from discontinued operation	**(412,867)**	(26,706)	–	–	–
Loss for the year	**(764,245)**	(40,721)	(16,807)	(92,848)	(31,369)
Attributable to:					
Ordinary equity holders of the Company	**(764,496)**	(39,762)	(18,252)	(92,803)	(26,300)
Minority interests	**251**	(959)	1,445	(45)	(5,069)
Loss for the year	**(764,245)**	(40,721)	(16,807)	(92,848)	(31,369)

ASSETS AND LIABILITIES

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**3,065,296**	2,833,986	1,694,083	1,476,926	1,614,957
Total liabilities	**(1,190,145)**	(701,686)	(810,821)	(709,275)	(828,086)
Minority interests	**(155,686)**	(9,312)	(25,488)	(22,872)	(25,449)
Shareholders' funds	**1,719,465**	2,122,988	857,774	744,779	761,422

INVESTMENT PROPERTIES

Location	Use	Lease term
Flat No. 17 on 27/F, Apartment Tower, Western Side of Convention Plaza, Wan Chai, Hong Kong	Residential premises for rental	Long-term lease
Units B01, B02, B03, B04, B05, B06, B07, B08, B09, B10, B11, B12, 101, 102, 103, 104A, 104B, 105, 106, 107, 108,109A, 109B, 110, 201, 202, 203A, 203B, 204, 205, 206, 207, 208, 209, 210A, 210B, 211, 212, 213, 214 303B, 401, 412B, 416, 510A, 511, 517, 518, 526A, 607, 615, 616, 715, 722, 726B, 810A, 818, 825, 827, 819A, 910A, 912B, 916, 1005, 1010, 1003B, 1017, 1112B, 1116, 1126B, 1202, 402, 415, 523A, 516, 609, 801, 803A, 803B, 828, 903A, 912A, 1028, 1115, 1128, 1203B, 1023A, 1012B, 國中商業大廈 33, Dengshikou Street, Dong Cheng District, Beijing, PRC	Commercial premises for rental	Medium-term lease
Basements 1 to 2 and Levels 1 to 2, Guozhong Club, No. 1546 Dalian Road, Yangpu District, Shanghai, PRC	Commercial premises for rental	Medium-term lease
Units 12, 13, 14, 15 North Comprehensive Building Taibai Lu Zhong Duan Dao Han Tai District, Hanzhong, PRC	Commercial premises for rental	Medium-term lease

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Wing Man Yi *(Chairman)*
Mr. Lam Cheung Shing, Richard *(Deputy Chairman)*
Mr. Zhu Yongjun *(Deputy Chairman)*
Dr. Mu Simon Xinming

Independent Non-executive Directors

Ms. Ha Ping
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Dr. Fu Tao

AUDIT COMMITTEE

Mr. Ho Yiu Yue, Louis *(Chairman)*
Ms. Ha Ping
Mr. Ko Ming Tung, Edward
Dr. Fu Tao

REMUNERATION COMMITTEE

Mr. Ho Yiu Yue, Louis *(Chairman)*
Ms. Ha Ping
Mr. Lam Cheung Shing, Richard

COMPANY SECRETARY

Mr. Lau Chi Lok

PRINCIPAL OFFICE IN HONG KONG

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

AUDITORS

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

SOLICITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS

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

STOCK CODE

0202