國|中|控|股|有|限|公|司

INTERCHINA HOLDINGS CO LTD

Stock Code: 202

ANNUAL REPORT 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lam Cheung Shing, Richard *(Deputy Chairman)*
Mr. Zhu Yongjun *(Deputy Chairman)*
Mr. Wong Hin Shek
Mr. Shen Angang
Mr. Choi Fun Tai, Bosco

Independent Non-executive Directors
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Chi Chi Hung, Kenneth
Mr. Chen Yi, Ethan

AUDIT COMMITTEE

Mr. Ho Yiu Yue, Louis *(Chairman)*
Mr. Ko Ming Tung, Edward
Mr. Chi Chi Hung, Kenneth
Mr. Chen Yi, Ethan

REMUNERATION COMMITTEE

Mr. Ho Yiu Yue, Louis *(Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Chi Chi Hung, Kenneth

NOMINATION COMMITTEE

Mr. Ko Ming Tung, Edward *(Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Ho Yiu Yue, Louis
Mr. Chen Yi, Ethan

COMPANY SECRETARY

Mr. Lau Chi Lok

STOCK CODE

202

WEBSITE

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AUDITORS

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Chartered Accountants
Certified Public Accountants
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Hong Kong

SOLICITOR

Kirkpatrick & Lockhart Gates
44/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

SHARE REGISTRAR

Tricor Tengis Limited
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28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

The board of directors (the "Board") of Interchina Holdings Company Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2012.

RESULTS

The turnover of the Group was HK$657,360,000 for the year, representing an increase of 59% as compared to HK$413,473,000 of the last year. Loss for the year was HK$294,877,000, representing an increase of 255.6% as compared to HK$82,919,000 of the last year.

Analysis of the Group's turnover and profit/(loss) contributed by each business segment during the year are set out below:

	Turnover HK$'000	Profit/(loss) for the year HK$'000
Environmental water treatment operation	373,241	86,455
Property investment operation	20,333	15,161
Securities and financial operation	24,965	(125,668)
Supply and procurement operation	238,821	(6,137)
Natural resources operation	—	(18,150)
Total from major operations	657,360	(48,339)
Other unallocated expenses*		(246,538)
Loss for the year		(294,877)

* Other unallocated expenses mainly consisted of finance costs of HK$164,061,000, loss on disposal of a subsidiary of HK$19,118,000, taxation of HK$17,615,000 and other operating and headquarter expenses of HK$45,744,000.

MANAGEMENT STATEMENT

BUSINESS REVIEW

Environmental Water Treatment Operation

The Group mainly operates the environmental water treatment operation through its wholly-owned subsidiary, Interchina (Tianjin) Water Treatment Company Limited ("Interchina (Tianjin)") and the 53.77% owned Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, listed on the Shanghai Stock Exchange). As at 31 March 2012, the Group's environmental water treatment operation comprised 9 sewage treatment projects, 4 water supply projects and a construction company. The aggregate daily processing capacity of the Group reached approximately 1,337,500 tonnes and is summarised below:

Project	Province	The Group's controlling interest	Daily processing capacity (tonnes)
Project under operation			
Qinhuangdao Sewage Treatment Plant ("Qinhuangdao Project")	Hebei	100%	120,000
Changli Sewage Treatment Plant ("Changli Project")	Hebei	100%	40,000
Zhuozhou Sewage Treatment Plants ("Zhuozhou Project")	Hebei	100%	80,000
Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project")	Shaanxi	100%	110,000
Maanshan Sewage Treatment Plant ("Maanshan Project")	Anhui	100%	60,000
Xiongyue Sewage Treatment Plant ("Qinghai Project")	Qinghai	95%	42,500
Ordos Sewage & Water Treatment Plant ("Ordos Project")	Inn Mongolia	100%	35,000
Dongying Water Supply Plant ("Dongying Project")	Shandong	55.4%	150,000
Taiyuan Haofeng Wastewater Treatment Plant ("Taiyuan Project")	Shanxi	80%	160,000
Sub-total			797,500
Project under construction			
Xiangtan Water Supply Plant ("Xiangtan Water Project")[1]	Hunan	81.8%	300,000
Xiangtan Sewage Plant ("Xiangtan Sewage Project")[2]	Hunan	75.8%	100,000
Hekou Wastewater Treatment Plant ("Hekou Project")[3]	Shandong	100%	40,000
Hanzhong Shimen Water Supply Plant ("Shimen Project")[4]	Shaanxi	80%	100,000
Sub-total			540,000
Total			1,337,500

(1) The construction of Xiangtan Water Project is expected to be completed by the end of 2012.

(2) The construction of Xiangtan Sewage Project is expected to be completed by the mid of 2013.

(3) The construction of Hekou Project is expected to be completed by the end of 2012.

(4) Pending the approval for pipeline connection by the local government.

Analysis of the segment revenue of environmental water treatment operation during the year is set out below:

	2012 HK$'000	2011 HK$'000
Sewage and water treatment income	**239,268**	127,644
Construction service income	**90,865**	187,910
Finance income under service concession arrangement	**43,108**	41,463
Total revenue of this segment	**373,241**	357,017

During the year under review, the Group's aggregate daily processing capacity reached 797,500 tonnes (2011: 607,500 tonnes), representing an increase of 31% from last year. The increase was mainly attributable to the commencement of commercial operation of Dongying Project and Taiyuan Project in July 2011 and August 2011 respectively. In addition, Qinhuangdao Project, Zhuozhou Project and Changli Project have received approval to increase their sewage treatment fees, the latter by almost 50%. As a result, sewage and water treatment income increased by HK$111,624,000 or 87.4% as compare with last year. Due to the completion of Taiyuan Project in August 2011 and most of the new projects currently under construction was at a preliminary stage, construction service income decreased by HK$97,045,000 or 51.6% as compare with last year.

The segment profit of HK$86,455,000 was recorded for the year, representing an increase of HK$50,006,000 or 137.2% as compared with last year.

During the year, the Group has continuously expanded its environmental water treatment operation and successfully obtained Xiangtan Water Project, Xiangtan Sewage Project and Hekou Project with aggregate daily processing capacity of 440,000 tonnes. Details of these projects are set out below:

(i) On 16 May 2011, Heilongjiang Interchina, entered into a joint venture agreement with 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited) ("Xiangtan Jiuhua") in relation to the establishment of Xiangtan Interchina Water Treatment Company Limited ("Xiangtan Water") in the PRC for the construction and operation of water supply projects in the Xiangtan Jiuhua Demonstration Zone. Heilongjiang Interchina will hold 81.8% equity interests in Xiangtan Water. Xiangtan Water will be granted an exclusive right to invest, construct, produce and operate a water supply plant project of the Xiangtan Jiuhua Demonstration Zone with a daily capacity of 300,000 tonnes during the franchise period of 30 years. Xiangtan Water is formally established on 26 August 2011. Detail of the transaction was set out in the Company's announcement dated 18 May 2011.

(ii) On 9 March 2012, Heilongjiang Interchina, entered into a joint venture agreement with Xiangtan Jiuhua and 湘潭市污水處理有限責任公司 (Xiangtan City Sewage Treatment Company Limited) ("Xiangtan City Co") in relation to the establishment of Xiangtan Interchina Sewage Treatment Company Limited ("Xiangtan Sewage") in the PRC for the construction and operation of sewage projects in the Xiangtan Jiuhua Demonstration Zone. Xiangtan Sewage will be owned by Heilongjiang Interchina, Xiangtan Jiuhua and Xiangtan City Co as to 75.8%, 18.2% and 6%. Upon Xiangtan Sewage is formally established, it will be granted an exclusive right to manage, operate and maintain a sewage treatment project of the Xiangtan Jiuhua Demonstration Zone with a daily capacity of 100,000 tonnes for a franchise period of 28 years. Detail of the transaction was set out in the Company's announcement dated 9 March 2012 and circular dated 4 May 2012 respectively.

(iii) On 25 August 2011, Heilongjiang Interchina entered into the franchise agreement with the People's Government of Dongying City, Hekou District. The People's Government of Dongying City, Hekou District has granted franchise to Heilongjiang Interchina for investment, construction and operation, of the sewage treatment project of Shandong Hekou Lanse Economic Development Zone in the PRC with a daily capacity of 40,000 tonnes, for a franchise period of 30 years. Detail of the transaction was set out in the Company's announcement dated 26 August 2011.

To develop core technology and boost its competitive strengths, on 10 February 2012, Heilongjiang Interchina entered into a sale and purchase agreement in relation to the acquisition of an aggregate of 10% equity interest in 北京天地人環保科技有限公司 (Beijing TDR Enviro-Tech Co., Ltd) ("Beijing TDR") and an option agreement for the acquisition of a further of 90% equity interest in Beijing TDR at an aggregate consideration of approximately RMB65,000,000. Pursuant to the option agreement, the aggregate exercise price would amount to RMB495,000,000. Beijing TDR is principally engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose. The acquisition can strength and further consolidate the Group's leading position in the environmental water treatment sector and create a broader platform for the expansion of the Group's environmental water treatment operation. Details of the transactions are set out in the Company's announcement dated 15 February 2012 and 8 May 2012 respectively.

In order to harmonize with the Xian Municipal Government policy in water resources allocation the Group entered into a share transfer agreement (the "Share Transfer Agreement") with 西安閻良航城水務有限公司 (Xian Yanliang Hang Cheng Water Company Limited) ("Hang Cheng Water") in October 2011. Pursuant to the Share Transfer Agreement the Group agreed to sell and Hang Cheng Water agreed to acquire 99% equity interest in Xian Aviation Technology Assets Zone Water Supply Co., Ltd. ("Xian Aviation Water") and sale loan at an aggregate consideration of RMB149,500,000 (equivalent to approximately HK$184,568,000). The major asset of Xian Aviation Water is the water supply project with daily operation capacity of 120,000 tonnes. Detail of the transaction was set out in the Company's announcement dated 28 October 2011.

With the objectives of the "Twelve Five-Year Plan" gradually in shape, energy-saving environmental protection industry becomes the first of China's Seven Strategic Emerging Industries. It is expected that the environmental water treatment operation projects of the Group will also benefit from it. The Group, with the dual listing structure: the Company being listed in Hong Kong Stock Exchange with its subsidiary, Heilongjiang Interchina being listed in Shanghai Stock Exchange, has the ability to raise low-cost capital funding through its listing platform in Hong Kong, invest in environmental and water projects and inject the matured project into A-share Heilongjiang Interchina platform to generate high PE growth. By the way, we can enjoy low investment cost, high PE growth return and remarkable exchange gain brought by the appreciation of Renminbi. We expect that the daily processing capacity of the Heilongjiang Interchina will gradually increase to 4,500,000 tonnes within next two to five years and becoming a leading domestic water business enterprise. In addition, the Group is currently actively seeking opportunity to acquire companies with advanced environmental technology in the Europe and U.S. to strengthen the technology competitiveness of the Group.

Property Investment Operation

The Group's property investment operation, which mainly comprise two investment properties located in the centre of Beijing and Shanghai respectively. This segment recorded revenue of HK$20,333,000 (2011: HK$23,741,000) and profit of HK$15,161,000 (2011: HK$113,633,000). Due to the Shanghai property was under renovation during the year, the segment revenue decreased by HK$3,408,000 or 14.3% as compared with last year. The decrease in segment profit was mainly attributable to the fair value gain on the appreciation of the property values for the year dropped by HK$95,483,000 or 78% as compared with last year.

During the year, the Group has further acquired 32 commercial units and some car parking spaces of the Beijing property with aggregate areas of approximately 9,600 square meters at the consideration of HK$162,000,000. At 31 March 2012, the Beijing property was almost fully let out whereas the Shanghai property was still vacant. Given the Shanghai property comprises four-storey with aggregate area of approximately 18,000 sq. m., it is suitable for developing entertainment centre to provide catering and entertainment facility in the district. The Group is identifying potential tenants having experience in catering and entertainment business to lease the whole operation and management of the Shanghai property in form of contracting, in order to generate a stable income to the Group.

As the Group is optimistic about the prospect of the property market in the PRC, on 25 April 2012, the Group entered into a sale and purchase agreement to acquire 5 residential units with a total gross floor area of approximately 1,748.77 sq. m. located at Above The Bund (白金灣府邸), 18 Hai Ping Road, Hongkou District, Shanghai (the "Properties"), at the aggregate consideration of approximately RMB194,127,000. The developer is contracted to provide a minimum of three years rental income of RMB11,647,000 per annum after the transfer of the title. The Properties is located in the prime area in the north section of The Bund (外灘). Situating in the north, it captures the views of Huangpu River from a southward perspective, as well as the scenes of Lujiazui and The Old Bund. It is expected that the Properties has potential for appreciation and can generate a stable rental income to the Group.

Securities and Financial Operation

The Group's securities and financial operation is mainly comprised of securities dealing and brokerage, money lending and securities investment. During the year, this segment recorded revenue of HK$24,965,000 (2011: HK$32,715,000) and loss of HK$125,668,000 (2011: HK$6,750,000). The increase in the segment loss was mainly attributable to the unrealised loss arising from the drop in fair value of the securities investment of HK$123,346,000 recorded for the year due to recent downturn in the global financial markets and impairment loss of HK$21,767,000 was provided on aged receivables.

As a small size broker firm, the Group was under tremendous pressure and competition from other major securities broker firms and banks in Hong Kong. The recent fluctuation of the securities market has also affected the Group's business plan to this segment. Subsequent to the year ended, the management has decided to cease the Group's securities dealing and brokerage operation as soon as practicable, so as to concentrate the Group's financial resources in the environmental water treatment operation and natural resources operation in long term. Given securities dealing and brokerage operation is not a core business of the Group, it is expected that cessation of this operation would not have any material financial effect to the Group.

Natural Resources Operation

On 2 March 2011, the Group entered into a sale and purchase agreement for the acquisition of the entire equity interest in Universe Glory Limited ("Universe Glory"), for consideration of HK$800,000,000 (the "Universe Glory Acquisition"). Universe Glory has directly interested in 65% equity interest in P.T. Satwa Lestari Permai ("SLP"), a company incorporated in the Republic of Indonesia, which is licensed by the Indonesian Government for exploration, exploitation, refining and processing of manganese ore. The flagship asset of SLP is a mining block of approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggena, Indonesia ("Mining Block") and have rights for exploitation, refining, processing and export in the Mining Block for a period of twenty years.

The Universe Glory Acquisition was completed in January 2012. Based on the technical report prepared by professional geologist, it is estimated that the Mining Block has aggregate resources of approximately 18,200,000 tonnes which consists of measured resources of approximately 3,700,000 tonnes, indicated resources of approximately 4,900,000 tonnes and inferred resources of approximately 9,600,000 tonnes. The Universe Glory Acquisition formed the basis of the natural resources operation segment which principally engaged in the mining, processing, trading and marketing of manganese ore. During the three months since completion of the acquisition, the Mining Block did not contribute revenue to the Group. Segment loss of HK$18,150,000 mainly represented written off the excessive consideration of HK$17,909,000 paid for the acquisition of Universe Glory and administrative expenses of HK$241,000 for natural resources operation in the reporting period.

It is expected that the trading of manganese ores can be commenced by the end of September 2012.

Supply and Procurement Operation

During the year, Interchina Qian Yuan (Shanghai) Co., Ltd, an indirect wholly-owned subsidiary of the Company commenced the supply and procurement of metal minerals and electronic components in Shanghai and recorded a turnover of HK$238,821,000 and segment loss of HK$6,137,000 for the year.

The management has reassessed the possibility of development this segment and the potential risk of this business. It decided to cease the operation as soon as practicable, so as to concentrate the Group's financial resources in the environmental water treatment operation and natural resources operation in long term.

FINANCIAL REVIEW

Operating Results

During the year, the Group recorded a continuing growth in revenue amounted to HK$657,360,000, representing an increase of 59% as compared to last year of HK$413,473,000. The increase was mainly attributable to the revenue of HK$238,821,000 contributed by the Group's newly established supply and procurement business in the PRC during the year and the revenue derived from environmental water treatment operation increased 4.5 % to HK$373,241,000 for the year.

Despite the significant improvements in turnover, the Group still suffered loss of HK$294,877,000, representing an increase of HK$211,958,000 as compared to last year of HK$82,919,000. The loss was mainly attributable to (i) there was an unrealized loss arising on change in fair value of investment in listed securities of HK$123,346,000 for the year as the result of the unstable global economic and investment market conditions comparing to a fair value gain of HK$6,177,000 was recorded in last year; (ii) the increase in finance cost of HK$106,423,000 as a result of increase in bank and other borrowings for the Group's expansions; and (iii) the Group's fair value change in investment properties for the year decreased significantly by HK$95,483,000 from those of HK$122,411,000 in the last year.

Financial Position

At 31 March 2012, the Group's total assets were HK$7,228,609,000 (31 March 2011: HK$6,834,487,000) and the total liabilities were HK$2,500,279,000 (31 March 2011: HK$2,542,459,000), and the equity reached HK$4,728,330,000 (31 March 2011: HK$4,292,028,000). At 31 March 2012, the current ratio of the Group was approximately 1.07 (31 March 2011: 2.76) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 27.6 % (31 March 2011: 27.9%).

Financial Resources and Capital Structure

At 31 March 2012, the Group's cash on hand and deposits in bank was approximately HK$399,065,000 (31 March 2011: HK$1,078,187,000). Around 95.3% of the Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars.

At 31 March 2012, the Group's total borrowings comprising bank borrowings of HK$876,728,000 (31 March 2011: HK$697,406,000), other borrowings of HK$1,116,606,000 (31 March 2011: HK$1,209,766,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$1,866,220,000 repayable within one year, HK$109,213,000 repayable after one year but within five years and HK$17,901,000 repayable after five years. Around 98.9% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

During the year, pursuant to the share option scheme, a total 7,250,000 share options granted were exercised, for which a total of 7,250,000 new shares were issued. The proceeds in the sum of approximately HK$6,473,000 generated from the exercise of share options were used as general working capital of the Group.

Pursuant to the placing agreement dated 13 December 2011, on 30 December 2011, the Company successfully placed 712,000,000 ordinary shares at the price of HK$0.31 per share raising net proceeds of approximately HK$214,800,000. The net proceeds had been used to (i) as to approximately HK$134.9 million for the development of natural resources operation of the Group; (ii) as to approximately HK$52 million for repayment of bank borrowings of the Group and (iii) as to approximately HK$27.9 million for payment of operating expenses of the Group. On 8 May 2012, the Company successfully issued HK$294,500,000 2% convertible notes with a maturity of 3 years due in May 2015. The net proceeds of approximately HK$286,600,000 will be used to (i) as to HK$130 million for repayment of the bank borrowings of the Group; (ii) as to HK$143.3 million for potential investment in new projects in relation to environmental water treatment operation; and (iii) as to HK$13.3 million will be reserved for general working purpose. Details of the placing of shares and convertible notes were set out in the Company's announcement dated 13 December 2011 and circular dated 17 February 2012. All the convertible notes had been converted into share capital on 14 May 2012.

Foreign Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. During the year, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities. The Group will closely manage and monitor foreign currency risks whenever its financial impact is material to the Group.

Significant Acquisition and Disposal

Save as the acquisition and disposal has been described in the "Business Review" section, there was no material acquisition or disposal during the year.

Pledged of Group's Assets

At 31 March 2012, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK$379,531,000, property, plant and equipment with carrying amounts of HK$341,292,000, intangible assets with carrying amounts of HK$464,279,000 and other financial assets with carrying amounts of HK$391,580,000. In addition, certain shares of subsidiary held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Contingent Liability

At 31 March 2012, the Group had no significant contingent liability.

Human Resources and Remuneration Policy

At 31 March 2012, the Group had approximately 890 employees in Hong Kong and the PRC. 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.

MANAGEMENT STATEMENT

PROSPECT

Volatility in global financial markets and concerns over a potential 'soft landing' for the Chinese economy continue to signal challenges for the year ahead. Driven by the current favourable government policies on environmental protection and water treatment industry, we believe that the environmental water treatment operation as the core business of the Group is less influenced by economy volatility. While focusing on its existing environmental protection and water treatment development, the Group will also actively expand natural resources operation as another core business of the Group, so as to strengthen the Group's profit in the long run. Challenges will be abundant in the year 2012. The Group will closely monitor the performance of each business sector and place stronger emphasis on operating cash flow management, stringent control on working capital and cost management. In addition, the Group will continue to look for any potential investment opportunities capable of enhancing the Group's asset portfolio, strengthen the foothold of the Group and maximise shareholders' benefit.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

On behalf of the Board
Lam Cheung Shing, Richard
Director and Chief Executive Officer

Hong Kong, 29 June 2012

EXECUTIVE DIRECTORS

Mr. LAM Cheung Shing, Richard, aged 53, 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 of the Company and was designated as the chairman of the Company during the period from May 2009 to June 2009. He was also the company secretary of the Company from the period from March 2004 to June 2009. Mr. Lam was appointed as an executive director of Kai Yuan Holdings Limited, 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 during the period from July 2008 to November 2008. Mr. Lam was appointed as an executive director of China Pipe Group Limited, 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 was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PriceWaterhouseCoopers, an international accounting firm and 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. ZHU Yongjun, aged 44, has been appointed as an executive Director and deputy chairman in May 2008. He has been the chairman and a director of Heilongjiang Interchina Water Treatment Company Limited, a 53.77% subsidiary of the Company and a company listed on the Shanghai Stock Exchange of the People's Republic of China, since January 2009. Mr. Zhu was also appointed as an executive director of China Pipe Group Limited, 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 of business administration in Peking University after graduated from Hunan University in 1989. He has over 15 years of experience in business planning, management and fund raising.

Mr. Wong Hin Shek, aged 42, has been appointed as an executive Director of the Company in October 2011. He holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is a responsible officer of a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong worked in a number of reputable investment banks and the Listing Division of the Stock Exchange and has extensive experience in finance, operation and strategic investment of listed companies in Hong Kong. He is currently the chairman and an executive director of Hua Yi Copper Holdings Limited (stock code: 559) and the chief executive officer and an executive director of Climax International Company Limited (stock code: 439). Mr. Wong has been involved in management, business development, strategic investment and investor relations in these companies. He was an executive director of China Public Procurement Limited (stock code: 1094) from November 2007 to September 2009 and Kingston Financial Group Limited (stock code: 1031) from February 2005 to April 2011.

Mr. Shen Angang, aged 56, has been appointed as an executive Director of the Company in February 2012. He has been the president and chairman of the board of directors of Shanghai AnShung Group Ltd. since 1995. He has rich experience in areas ranging from finance, investment, real estate and mining resources. Mr. Shen served as the cadre of the Science Committee of Shanghai. He also held the position as the general manager of Shanghai Industry and Trade Department of Shanghai Ocean Helicopter Professional Co., Ltd., and as the general manager of Shanghai Securities Department of Guizhou International Trust & Investment Corporation. At 31 March 2012, Mr. Shen interested in 187,865,000 shares of the Company (representing 4.39% of the issued capital of the Company) within the meaning of part XV of the Securities and Futures Ordinance.

Mr. Choi Fun Tai, Bosco, aged 61, has been appointed as an executive Director of the Company in February 2012. Mr. Choi is an investment consultant on real estate in Hong Kong and has rich experience in statistics and real estate affairs. He worked in the Census and Statistics Department for over twenty years, and was a senior statistical officer with the responsibility of management and compilation of major economic indicators in Hong Kong prior to his departure. Mr. Choi obtained a Certificate in Real Estate Agency from University of British Columbia, Canada and was engaged in real estate transactions for the period from 1990 to 2005. He obtained professional qualifications from the Institute of Statisticians, UK and received a Fellowship Certificate in Statistics from the United Nations.

DIRECTORS PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Yiu Yue, Louis, aged 64 has been 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 Group Limited, the issued shares of which are listed on the main board of the Stock Exchange.

Mr. Ko Ming Tung, Edward, aged 51, has been 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 20 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.

Other than the directorship in the Company, Mr. Ko is also a non-executive director of Harmonic Strait Financial Holdings Limited and an independent non-executive director of Sinofert Holdings Limited and Wai Chun Group Holdings Limited, all of which are companies whose issued shares are listed on the main board of the Stock Exchange. Mr. Ko was previously a non-executive director of New Smart Energy Group Limited and an independent non-executive director of Kai Yuan Holdings Limited all of which are companies whose issued shares are listed on the main board of the Stock Exchange.

Mr. Chi Chi Hung, Kenneth, aged 43, has been appointed as an independent non-executive Director of the Company in October 2011. He has over 20 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive director of Morning Star Resources Limited (stock code: 542), Hua Yi Copper Holdings Limited (stock code: 559), China Grand Forestry Green Resources Group Limited (stock code: 910), and M Dream Inworld Limited (stock code: 8100). He is also an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148), Sam Woo Holdings Limited (Stock code: 2322), Prefect Shape (PRC) Holdings Limited (stock code: 1830) and China Natural Investment Company Limited (stock code: 8250).

Mr. Chen Yi, Ethan, aged 28, has been appointed as an independent non-executive Director of the Company in February 2012. Mr. Chen has profound knowledge in financial instruments and rich experience in the international capital market. He has been the assistant vice president in investment of Wellbo Holdings Limited since 2010. He held the position as an engineering analyst of Kobex Minerals Inc. and International Barytex Resources Ltd in Canada, and as an analyst and assistant vice president of Rongying Investments Limited. He received a bachelor degree in Applied Science on Professional Electric Engineering from University of British Columbia, Vancouver, Canada.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") is committed to attaining and maintaining a high standards of corporate governance to protect the benefits of shareholders and has applied the principles 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") and includes the implementation details for the CG Code and, where appropriate, the Recommended Best Practices.

The Company had complied with the code provisions of the CG Code throughout the year ended 31 March 2012, except for the deviations from Rule A.4.1 and A4.2 as specified with considered reasons for such deviations as explained below. The Board will continually review its corporate governance processes to strive to fully comply with the CG Code.

THE BOARD

Composition of the Board

The Board currently comprises nine directors, including five executive directors and four independent non-executive directors.

Executive Directors

Mr. Lam Cheung Shing, Richard *(Deputy Chairman and CEO)*
Mr. Zhu Yongjun *(Deputy Chairman)*
Mr. Wong Hin Shek
Mr. Shen Angang
Mr. Choi Fun Tai, Bosco

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Chi Chi Hung, Kenneth
Mr. Chen Yi, Ethan

Members of the Board come from a variety of different backgrounds, experience and capabilities. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs. Their biographical details are set out in the "Directors' Profile" section on pages 11 to 12 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.

Responsibilities of the Board

The Board is supported by the Audit, Remuneration and Nomination Committees and is responsible for formulating long term business development strategies, reviewing and monitoring the business and financial performance of the Group, as well as leading and supervising the management to ensure thorough implementation of the Board's resolutions and effective performance of their duties. 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.

Proceedings at Board's meetings

The Board meets regularly and at least four times a year at approximately quarterly intervals to review the financial performance of the Group. Non-regular Board meetings will be convened as and when required by business needs. 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 three 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. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. Drafts and full versions of minutes of meeting will be sent to Directors by the Company Secretary for their comment and records within a reasonable period of time after the meeting are held.

If substantial shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter will not be dealt with by circulation of documents and will be catered for at a regular board meeting for all Directors. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director shall abstain from voting and shall not be counted in the quorum present at the meeting.

There were eleven meetings (including meetings by way of circulation of written resolutions) held during the year, details of attendance are set out below:

	Number of meeting held while being a director	Number of meeting attended
Executive Directors		
Mr. Lam Cheung Shing, Richard	11	11
Mr. Zhu Yongjun	11	11
Mr. Wong Hin Shek (appointed on 4 October 2011)	9	9
Mr. Shen Angang (appointed on 23 February 2012)	2	2
Mr. Choi Fan Tai, Bosco (appointed on 23 February 2012)	2	2
Mr. Zhang Yang (resigned on 10 October 2011)	2	2
Mr. Zhang Chen (resigned on 4 October 2011)	1	1
Independent Non-executive Directors		
Mr. Ho Yiu Yue, Louis	11	11
Mr. Ko Ming Tung, Edward	11	11
Mr. Chi Chi Hung, Kenneth (appointed on 4 October 2011)	9	8
Mr. Chen Yi, Ethan (appointed on 23 February 2012)	2	2
Dr. Fu Tao (resigned on 4 October 2011)	1	1
Ms. Ha Ping (resigned on 4 October 2011)	1	1

At these board meetings, the Board reviewed matters including the Company's annual and half-year financial statements, placing of the Company's shares, issuance of convertible notes, appointment of directors, material acquisitions and investments, material disposal of assets and connected transaction.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Zhang Yang was the Chairman and resigned on 10 October 2011. The post of Chairman has been vacated. Mr. Lam Cheung Shing, Richard has been appointed as the Chief Executive Officer since 16 June 2009.

During the year, the Company has complied with 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

According to the Company's Articles of Association, any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting which is deviated from the code provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Besides, currently all directors of the Company (including independent non-executive directors) are not appointed for specific terms which is deviated from the code provision A.4.1 which stipulates, that non-executive directors should be appointed for a specific term. However, according to the Company's Articles of Association, all directors are subject to retirement by rotation at least once every three years at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Directors appointed during the year, including Mr. Wong Hin Shek, Mr. Shen Angang, Mr. Choi Fan Tai, Bosco, Mr. Chi Chi Hung, Kenneth, Mr. Chen Yi, Ethan will follow the Company's Articles of Association to re-elect themselves at the coming annual general meeting to be held in August 2012. Besides, Mr. Ko Ming Tung, Edward will be retired by rotation in accordance with the Company's Articles of Association and being eligible, has offered himself for re-election at the coming annual general meeting to be held in August 2012.

Pursuant to the requirements of the Listing Rules, the Company has received from each independent non-executive Director a confirmation of his independence pursuant to the independent guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent.

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 2012.

BOARD COMMITTEES

The Board has established the Remuneration Committee, Audit Committee and Nomination Committees. All committees are responsible to the Board, and shall report to the Board on the decisions or advice they made. The term of reference of each committee, which describes the authority and duties was adopted with reference to the CG Code and has been published on the Company's website and the website of the Stock Exchange.

Remuneration Committee

The Company's Remuneration Committee was established on 14 April 2005 and consists of two independent non-executive directors namely Mr. Ho Yiu Yue, Louis, (being the Chairman of the Remuneration Committee), Mr. Chi Chi Hung, Kenneth and an executive director, namely Mr. Lam Cheung Shing, Richard. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules.

The Remuneration Committee is mainly responsible for reviewing the remuneration policy and structure of Directors and senior management of the Company. The Remuneration Committee considers several factors such as the performance, qualification and experience of the individual and the prevailing market condition before determining the remuneration packages of executive directors and senior management. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no director is involved in decision of his own remuneration.

One Remuneration Committee meeting was held during the year ended 31 March 2012. At the meeting, the members of the Audit Committee have executed the major duties and responsibilities described above. Attendance of the committee members is recorded below:

Members	Attendance/Number of Meetings
Mr. Ho Yiu Yue, Louis	1/1
Mr. Lam Cheung Shing, Richard	1/1
Mr. Chi Chi Hung, Kenneth (appointed on 4 October 2011)	1/1
Ms. Ha Ping (resigned on 4 October 2011)	0/0

Audit Committee

The Company's Audit Committee was established on 1 September 2002 and consists of all four independent non-executive Directors namely Mr. Ho Yiu Yue, Louis (being the Chairman of the Audit Committee), Mr. Ko Ming Tung, Edward, Mr. Chi Chi Hung, Kenneth and Mr. Chen Yi, Ethan. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules. All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Company whenever required. In addition, Mr. Ho Yiu Yue, Louis has the appropriate professional qualifications and experience in financial matters. No member of this Committee is a member of the former or existing auditors of the Company.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures including the adequate of resources, qualifications and experience of the Company's staff of accounting and financial reporting function and their training programmes and budget.

Two Audit Committee meetings were held during the year ended 31 March 2012. Matters considered at the meetings included review of the Group's results, audit plans of external auditor and fees, audit work and fees and review of the Company's financial control, internal control, risk management and financial reporting matters. During the year, one meeting was held in the absence of executive directors for the Audit Committee to meet with the auditor. Attendance of the committee members is set out below:

Members	Attendance/Number of Meetings
Mr. Ho Yiu Yue, Louis	2/2
Mr. Ko Ming Tung, Edward	2/2
Mr. Chi Chi Hung, Kenneth (appointed on 4 October 2011)	1/1
Mr. Chen Yi, Ethan (appointed on 23 February 2012)	0/0
Ms. Ha Ping (resigned on 4 October 2011)	0/0
Dr. Fu Tao (resigned on 4 October 2011)	0/0

Nomination Committee

The Company's Nomination Committee was established on 29 March 2012 and consists of three independent non-executive directors, namely Mr. Ko Ming Tung, Edward (being the Chairman of the Nomination Committee), Mr. Ho Yiu Yue, Louis, Mr. Chen Yi, Ethan and an executive director, namely Mr. Lam Cheung Shing, Richard. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules.

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

No Nomination Committee meeting was held during the year since it established on 29 March 2012.

AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng ("HLB") has been the Company's independent auditors since 2006. For the year ended 31 March 2012, the auditors' remuneration (excluding out of pocket and miscellaneous expenses) payable/paid to HLB for audit services is approximately HK$1,720,000 (2011: HK$1,300,000) and approximately HK$180,000 (2011: HK$150,000) for non-audit services which in connection with the review of the Group's interim financial report. In addition, the auditors' remuneration of approximately HK$884,000 was payable/paid to the PRC auditors for auditing the PRC subsidiaries of the Group.

The accounts for the year were audited by HLB whose term of office will expire upon the forthcoming annual general meeting of the Company. In March 2012, the practice of HLB was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the financial statement, which give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows. The external auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the members of the Company as a body and for no other purpose. A statement by the external 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 of the Group to ensure the financial and operational function, compliance control, material control, asset management and risk management functions are in place and functioning effectively. The system can only provide reasonable but not absolute assurance against misstatements or losses. The internal control system has been designed to safeguard the shareholders' investment and assets of the Group. It should provide a basis for the maintenance of proper accounting records and assist in compliance with the relevant rules and regulations.

The Group had perform a review on the effectiveness of internal control system (including financial, operational, compliance controls, risk management functions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and training programmes and budget) of the Group in respect of the financial year ended 31 March 2012 through an independent professional. No major issues but areas of improvement have been identified and concluded that its internal control system is effective and adequate and the Company has complied with the code provisions on internal control of the Code.

All recommendations from the independent professional will be properly followed up to ensure that they are implemented within a reasonable time. 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.

SHAREHOLDERS' RIGHTS

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

Shareholder(s) holding not less than one-twentieth of the issued share capital of the Company have statutory rights pursuant to Section 113 of the Companies Ordinance of Hong Kong to call for EGM and put forward agenda items for consideration shareholders by sending to the Company Secretary at the registered office a written request for such general meetings together with the proposed agenda items.

Notice of the general meeting and related papers are sent to registered shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such notice is also made available on the Company's website and Stock Exchange's website.

Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings and the poll results will be posted on the Company's website and Stock Exchange's website respectively on the same day of the shareholders' meeting.

INVESTOR RELATIONS

The Company endeavours to maintain a high level of transparency in communication with shareholders and investors in general. The various channels via which the Company communicates with its investors include interim and annual reports, information on the Stock Exchange's and the Company's website, and general meetings.

Shareholders are encouraged to attend the Company's general meetings where the Chairman and the Executive Directors of the Board are available to answer questions. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

Mr. Lam Cheung Shing, Richard, the deputy chairman of the Company attended and was the chairman of the 2011 annual general meeting of the Company ("2011 AGM") held on 12 August 2011. At least one member of the Audit Committee and Remuneration Committee attended the meeting to answer questions of shareholders. The Company announced the results of the poll in the manner prescribed under the Listing Rules.

FINANCIAL CALENDAR FOR 2012/2013

Events	Dates
Announcement of 2012 annual results	29 June 2012
Annual general meeting	15 August 2012
Announcement of interim results	Late November 2012

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 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 49 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement on page 26.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2012 (2011: 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 111.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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 16 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2012 are set out on page 112 of the annual report.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings as at 31 March 2012 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 44 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 2012, 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.

REPORT OF DIRECTORS

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:

Mr. Lam Cheung Shing, Richard
Mr. Zhu Yongjun
Mr. Wong Hin Shek (appointed on 4 October 2011)
Mr. Shen Angang (appointed on 23 February 2012)
Mr. Choi Fun Tai, Bosco (appointed on 23 February 2012)
Mr. Zhang Yang (resigned on 10 October 2011)
Mr. Zhang Chen (resigned on 4 October 2011)

Independent non-executive directors:

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Chi Chi Hung, Kenneth (appointed on 4 October 2011)
Mr. Chen Yi, Ethan (appointed on 23 February 2012)
Dr. Fu Tao (resigned on 4 October 2011)
Ms. Ha Ping (resigned on 4 October 2011)

In accordance with the Company's Articles of Association, Mr. Wong Hin Shek, Mr. Shen Angang, Mr. Choi Fan Tai, Bosco, Mr. Chi Chi Hung, Kenneth and Mr. Chen Yi, Ethan shall subject to re-election at the forthcoming annual general meeting and Mr. Ko Ming Tung, Edward shall retire by rotation at the forthcoming annual general 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

At 31 March 2012, 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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in shares and underlying shares

Name of Director	Number of shares and underlying shares held, capacity and nature of interest: Beneficial owner	Equity derivatives (Note 1)	Total interest	Approximate percentage of the issued share capital of the Company (Note 2)
Lam Cheung Shing, Richard	7,700,000	42,200,000	49,900,000	1.17%
Zhu Yongjun	—	47,200,000	47,200,000	1.10%
Shen Angang	187,865,000	—	187,865,000	4.39%
Ho Yiu Yue, Louis	—	3,500,000	3,500,000	0.08%

Notes:

(1) These represent the interests in share options granted to the Directors as beneficial owner under a share option scheme of the Company adopted on 2 September 2002.

(2) The calculation of percentages is based on 4,274,669,363 shares of the Company in issue as at 31 March 2012.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed above, as at 31 March 2012, 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 "2002 Share Option Scheme") which was adopted on 2 September 2002 was terminated in 2011 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 12 August 2011.

During the year, no option had been granted under either the 2002 Share Option Scheme or New Share Option Scheme by the Company. Details of movements in the share option and the share option scheme are set out in note 38 to the consolidated financial statement.

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 2012, 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 of shareholder	Interest in shares	Nature of interest	Percentage of the Company's issued share capital
Rich Monitor Limited (Note 1)	1,033,300,000	Direct beneficial owner	24.17%
Chu Yuet Wah	1,033,300,000 (Note 1)	Interest in controlled corporation	24.17%

Note:

(1) Rich Monitor Limited is legally and beneficially wholly-owned by Mrs. Chu Yuet Wah. Thus, Mrs. Chu Yuet Wah is deemed to be interested in 1,033,300,000 shares pursuant to the SFO.

Save as disclosed above, as at 31 March 2012, 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.

CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transaction is set out in note 45(a) to the consolidated financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transaction as set out in note 45(a) to the consolidated financial statements and confirmed that these continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the Master Agreement and governing them respectively on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed the continuing connected transaction as set out in note 45(a) to the financial statements and confirmed that these continuing connected transactions: (i) have received the approval of the Board; (ii) have been entered into in accordance with the Master Agreement governing the transactions; and (iii) have not exceeded the relevant annual caps under the Master Agreement.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 45(b) and (c) to the consolidated financial statements.

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.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 50 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 25%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 7%.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases during the year was 52%. The percentage of purchase attributable to the Group's largest supplier to the total purchase during the year was 21%.

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 13 to 18.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting of the Company. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Lam Cheung Shing, Richard
Director and Chief Executive Officer

Hong Kong, 29 June 2012

INDEPENDENT AUDITORS' REPORT

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

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 26 to 110, which comprise the consolidated and company statement of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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 about 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 of consolidated financial statements that give a true and fair view 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 2012, 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 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7	**657,360**	413,473
Cost of sales		**(432,785)**	(247,451)
Other income and gain, net	8	**116,643**	125,352
Staff costs	9	**(56,018)**	(52,853)
Amortisation and depreciation		**(47,555)**	(31,216)
Administrative costs		**(148,987)**	(226,836)
Other operating expenses		**(86,214)**	(190)
Share-based payment expenses	9	**—**	(91,064)
Fair value change in financial assets at fair value through profit or loss		**(123,346)**	6,177
Fair value change in investment properties	15	**26,928**	122,411
(Loss)/profit from operations	10	**(93,974)**	17,803
Finance costs	11	**(164,061)**	(57,638)
Share of result of an associate	22	**(109)**	(44)
Loss on disposal of a subsidiary	39	**(19,118)**	(22)
Loss before taxation		**(277,262)**	(39,901)
Taxation	12	**(17,615)**	(43,018)
Loss for the year		**(294,877)**	(82,919)
Attributable to:			
Owners of the Company		**(356,726)**	(101,699)
Non-controlling interests		**61,849**	18,780
		(294,877)	(82,919)
Loss per share for loss attributable to the owners of the Company	13		
— Basic and diluted		**(HK9.535 cents)**	(HK2.846 cents)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Loss for the year	**(294,877)**	(82,919)
Other comprehensive income		
Exchange differences on translation of overseas subsidiaries	**67,343**	85,561
Reclassification adjustments upon disposal of a subsidiary	**(2,293)**	(246)
Total comprehensive (loss)/income for the year	**(229,827)**	2,396
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(301,220)**	(27,048)
Non-controlling interests	**71,393**	29,444
	(229,827)	2,396

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Non-current assets			
Investment properties	15	**951,247**	746,881
Property, plant and equipment	16	**404,295**	299,878
Prepaid lease payments	17	**102,315**	15,781
Mining rights	19	**1,232,400**	—
Intangible assets	20(a)	**1,065,905**	1,051,305
Other financial assets	20(b)	**494,408**	483,996
Goodwill	21	**439,927**	426,017
Interest in an associate	22	**1,104**	1,122
Available-for-sale financial assets	23	**69,136**	1,190
Other non-current assets	24	**88,451**	97,515
		4,849,188	3,123,685
Current assets			
Prepaid lease payments	17	**3,436**	—
Inventories	25	**21,613**	6,511
Trade and other receivables and prepayments	26	**1,500,628**	2,239,489
Loan receivables	27	**316,278**	223,768
Financial assets at fair value through profit or loss	28	**73,985**	162,771
Derivative financial instruments	29	**62,889**	—
Tax recoverable		**1,527**	76
Bank balances — trust and segregated accounts	30	**314**	5,202
Cash and cash equivalents	31	**398,751**	1,072,985
		2,379,421	3,710,802
Total assets		**7,228,609**	6,834,487
Equity			
Share capital	36	**427,467**	355,542
Share premium and reserves		**2,953,961**	3,104,884
Equity attributable to owners of the Company		**3,381,428**	3,460,426
Non-controlling interests		**1,346,902**	831,602
Total equity		**4,728,330**	4,292,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Bank borrowings — due after one year	33	**127,114**	198,000
Other borrowings — due after one year	33	**—**	822,976
Deferred tax liabilities	35	**147,267**	175,923
		274,381	1,196,899
Current liabilities			
Trade and other payables and deposits received	32	**349,269**	444,414
Tax payable		**10,409**	14,950
Bank borrowings — due within one year	33	**749,614**	499,406
Other borrowings — due within one year	33	**1,116,606**	386,790
		2,225,898	1,345,560
Total liabilities		**2,500,279**	2,542,459
Total equity and liabilities		**7,228,609**	6,834,487
Net current assets		**153,523**	2,365,242
Total assets less current liabilities		**5,002,711**	5,488,927

Approved by the Board of Directors on 29 June 2012 and signed on its behalf by:

Lam Cheung Shing, Richard
Director

Zhu Yongjun
Director

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

STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	**31 March 2012 HK$'000**	31 March 2011 HK$'000
Non-current assets			
Interests in subsidiaries	18(a)	**1,129,888**	1,129,809
Other non-current assets	24	**380**	380
		1,130,268	1,130,189
Current assets			
Trade and other receivables and prepayments	26	**495**	99,601
Financial assets at fair value through profit or loss	28	**73,985**	162,706
Amounts due from subsidiaries	18(b)	**2,344,842**	1,985,801
Cash and cash equivalents	31	**437**	264,514
		2,419,759	2,512,622
Total assets		**3,550,027**	3,642,811
Equity			
Share capital	36	**427,467**	355,542
Share premium and reserves	37	**2,291,744**	2,263,892
		2,719,211	2,619,434
Current liabilities			
Trade and other payables and deposits received	32	**4,222**	32,155
Amounts due to subsidiaries	18(b)	**819,494**	918,122
Other borrowings — due within one year	33	**7,100**	73,100
Convertible notes	34	**—**	—
		830,816	1,023,377
Total liabilities		**830,816**	1,023,377
Total equity and liabilities		**3,550,027**	3,642,811
Net current assets		**1,588,943**	1,489,245
Total assets less current liabilities		**2,719,211**	2,619,434

Approved by the Board of Directors on 29 June 2012 and signed on its behalf by:

Lam Cheung Shing, Richard
Director

Zhu Yongjun
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

The Group	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	Equity attributable to owners of the Company												
At 1 April 2010	2,324,219	405,557	571,996	–	–	50,443	211,162	115	1,762	(1,441,303)	2,123,951	234,168	2,358,119
Exchange differences on translation of overseas subsidiaries	–	–	–	–	–	–	74,897	–	–	–	74,897	10,664	85,561
Reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	(246)	–	–	–	(246)	–	(246)
Net loss for the year	–	–	–	–	–	–	–	–	–	(101,699)	(101,699)	18,780	(82,919)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	74,651	–	–	(101,699)	(27,048)	29,444	2,396
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–	11,360	(11,360)	–	–	–
Capital reorganisation													
– Capital reduction	(2,091,797)	–	–	2,091,797	–	–	–	–	–	–	–	–	–
– Set off against accumulated loss	–	–	–	(749,320)	–	–	–	–	–	749,320	–	–	–
Placement of shares	44,000	242,000	–	–	–	–	–	–	–	–	286,000	–	286,000
Transaction cost on placement of shares	–	(19,525)	–	–	–	–	–	–	–	–	(19,525)	–	(19,525)
Deemed disposal of a subsidiary	–	–	–	–	365,160	–	–	–	–	–	365,160	487,194	852,354
Reorganisation with Heilongjiang Interchina Water Treatment Company Limited	–	–	–	–	(76,156)	–	–	–	–	–	(76,156)	76,156	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4,640	4,640
Issue of share options	–	–	–	–	–	91,064	–	–	–	–	91,064	–	91,064
Exercise of share options	22,120	252,912	–	–	–	(72,937)	–	–	–	–	202,095	–	202,095
Lapse of share options	–	–	–	–	–	(1,201)	–	–	–	1,201	–	–	–
Issue of convertible notes	–	–	–	–	–	–	–	17,594	–	–	17,594	–	17,594
Recognition of deferred tax for convertible notes	–	–	–	–	–	–	–	(2,903)	–	–	(2,903)	–	(2,903)
Conversion of convertible notes	57,000	458,000	–	–	–	–	–	(14,806)	–	–	500,194	–	500,194
At 31 March 2011 and 1 April 2011	355,542	1,338,944	571,996	1,342,477	289,004	67,369	285,813	–	13,122	(803,841)	3,460,426	831,602	4,292,028
Exchange differences on translation of overseas subsidiaries	–	–	–	–	–	–	57,776	–	–	–	57,776	9,567	67,343
Reclassification adjustment upon disposal of a subsidiary	–	–	–	–	–	–	(2,270)	–	–	–	(2,270)	(23)	(2,293)
Net loss for the year	–	–	–	–	–	–	–	–	–	(356,726)	(356,726)	61,849	(294,877)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	55,506	–	–	(356,726)	(301,220)	71,393	(229,827)
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–	13,288	(13,288)	–	–	–
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	(3,409)	(3,409)	(16,479)	(19,888)
Placement of shares	71,200	149,520	–	–	–	–	–	–	–	–	220,720	–	220,720
Transaction cost on placement of shares	–	(5,518)	–	–	–	–	–	–	–	–	(5,518)	–	(5,518)
Reorganisation with Heilongjiang Interchina Water Treatment Company Limited	–	–	–	–	3,956	–	–	–	–	–	3,956	(3,956)	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	432,844	432,844
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(2,205)	(2,205)
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	33,703	33,703
Exercise of share options	725	7,994	–	–	–	(2,246)	–	–	–	–	6,473	–	6,473
Lapse of share options	–	–	–	–	–	(9,948)	–	–	–	9,948	–	–	–
At 31 March 2012	**427,467**	**1,490,940**	**571,996**	**1,342,477**	**292,960**	**55,175**	**341,319**	**–**	**26,410**	**(1,167,316)**	**3,381,428**	**1,346,902**	**4,728,330**

Share premium
The application of is governed by Section 48B of the Hong Kong Companies Ordinance.

Special reserve
The special reserve represented the difference between the nominal value of shares of Burlingame International Company 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.

Contributed surplus
Pursuant to a special resolution by the shareholders of the Company at a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK$0.10 to HK$0.01 by cancelling the Company's paid up capital to the extent of HK$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated loss of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the bye-laws of the Company and all applicable laws.

Other reserve
The other reserve comprised of the following:

(i) During the year ended 31 March 2012, Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina"), an indirect non-wholly owned subsidiary of the Company, acquired a company from an indirect wholly-owned subsidiary of the Company at a consideration of approximately HK$94,420,000. The increase in equity attributable to the owners of the Company was due to the difference between the net carrying amount of the acquired company and the consideration received in connection with the reorganisation of Heilongjiang Interchina. This reorganisation is treated as transaction with non-controlling interests and accordingly the effect of changes on equity attributable to the owners of the Company of the consideration received in excess of the equity interests of the acquired company is recorded in reserve for reorganisation with Heilongjiang Interchina. Details of the transaction were set out in note 41(a).

(ii) During the year ended 31 March 2011, pursuant to completion of issuing of shares of Heilongjiang Interchina, an indirect non-wholly owned subsidiary of the Company to seven independent third parties, the Group's interest in Heilongjiang Interchina have been decreased from 70.21% to 53.77%. The increase in non-controlling interests was recorded in other reserve as equity transaction. Details of the transaction were set out in note 41(c).

(iii) During the year ended 31 March 2011, Heilongjiang Interchina, acquired four companies from an indirect wholly-owned subsidiary of the Company at a consideration of approximately HK$259,583,000. The decrease in equity attributable to the owners of the Company was due to the shortfall between the net carrying amount of the four companies and the consideration received in connection with the reorganisation of Heilongjiang Interchina. This reorganisation is treated as transaction with non-controlling interests and accordingly the effect of changes in equity attributable to the owners of the Company of the respective equity interests of the four companies in excess of the consideration received is recorded in reserve for reorganisation with Heilongjiang Interchina. Details of the transaction were set out in note 41(d).

Share option reserve
The share option reserve comprises the fair value of share options granted and vested which are yet to be exercised. The reserve is dealt with in accordance with the accounting policy of equity-settled share-based payment transactions set out in note 4.The amount will either to be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

Exchange reserve
Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in note 4.

Convertible notes reserve

Under Hong Kong Accounting Standard 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 redeemed (in which case it is released directly to accumulated losses.)

Statutory surplus reserve

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the Group's entities which are registered in the PRC has been transferred to the statutory surplus reserve fund which is restricted as to use. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised, upon approval of the relevant authority, to offset prior year's losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at least 25% of capital after such usage.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(277,262)**	(39,901)
Adjustments for:			
Depreciation of property, plant and equipment	16	**15,051**	8,247
Amortisation of interests in leasehold land and intangible assets	17, 20(a)	**56,620**	22,969
Fair value gain on investment properties	15	**(26,928)**	(122,411)
Fair value gain on derivative financial instruments	29	**(50,543)**	—
Impairment loss recognised in respect of trade and other receivables and prepayments	26	**55,998**	190
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	26	**(1,340)**	—
Impairment loss recognised in respect of loan receivables	27	**2,764**	—
Impairment loss recognised in respect of other non-current assets	24	**9,065**	—
Gain on derivative financial instruments	29	**—**	(66)
Loss on disposal of property, plant and equipment		**44**	1,332
Loss on disposal of a subsidiary	39(a)	**19,118**	22
Share-based payment expenses		**—**	91,064
Share of result of an associate	22	**109**	44
(Gain)/loss from sale of financial assets at fair value through profit or loss		**(1,488)**	28,482
Fair value loss/(gain) on financial assets at fair value through profit or loss		**123,346**	(6,177)
Interest income	8	**(4,046)**	(1,678)
Dividend income	8	**—**	(498)
Interest expenses	11	**164,061**	57,638
Operating cash flows before movements in working capital		**84,569**	39,257
Increase in other financial assets		**(10,412)**	(31,838)
Increase in intangible assets	20(a)	**(294,157)**	(224,217)
(Increase)/decrease in inventories		**(15,418)**	682
Increase in loan receivables		**(95,274)**	(223,768)
Increase in trade and other receivables and prepayments		**(34,748)**	(1,058,709)
Increase in financial assets at fair value through profit or loss		**(33,072)**	(41,530)
Decrease in bank trust and segregated accounts		**4,888**	22,532
(Decrease)/increase in trade and other payables and deposits received		**(73,635)**	221,272
Cash used in operating activities		**(467,259)**	(1,296,319)
Profits tax paid		**(15,534)**	(35,259)
Interest received	8	**4,046**	1,678
Net cash used in operating activities		**(478,747)**	(1,329,900)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	**(106,891)**	(262,410)
Purchase of investment properties	15	**—**	(7,220)
Purchase of leasehold land	17	**(86,146)**	(16,325)
Purchase of derivative financial instruments	29	**(12,346)**	—
Capital contribution from non-controlling shareholders		**33,703**	—
Increase in assets of a disposal group classified as held for sale		**—**	(1,236)
Acquisition of subsidiaries	40	**(293,892)**	(79,100)
Purchase of available-for-sales financial assets	23	**(67,946)**	(1,190)
Investment in other non-current assets		**(1)**	(95,232)
Dividend income	8	**—**	498
Step acquisition of subsidiaries	41	**(19,888)**	—
Proceeds on disposal of subsidiaries	39(a)	**154,704**	1,115
Net cash used in investing activities		**(398,703)**	(461,100)
FINANCING ACTIVITIES			
Interest paid	11	**(164,061)**	(57,638)
New bank and other borrowings raised		**1,369,646**	1,422,017
Repayment of bank and other borrowings		**(1,238,524)**	(512,561)
Proceed from issue of convertible notes	34	**—**	495,000
Placement of shares		**220,720**	286,000
Issue cost on placement of shares		**(5,518)**	(19,525)
Issue of new shares under the share options		**6,473**	202,095
Proceeds from deemed disposal of a subsidiary		**—**	852,354
Net cash generated from financing activities		**188,736**	2,667,742
Net (decrease)/increase in cash and cash equivalents		**(688,714)**	876,742
Cash and cash equivalents at beginning of the year		**1,072,985**	129,140
Effect of change in foreign exchange rate		**14,480**	67,103
Cash and cash equivalents at end of the year		**398,751**	1,072,985
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**399,065**	1,078,187
Less: Bank balances — trust and segregated accounts	30	**(314)**	(5,202)
		398,751	1,072,985

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is 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 water treatment operation, (ii) property investment operation, (iii) securities and financial operation; (iv) supply and procurement operation and (v) natural resources operation. Details of the principal activities of its subsidiaries are set out in note 49 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 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 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 4.

The preparation of the 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 5 to the consolidated financial statements.

Certain comparative figures of prior year have been re-presented to conform with the current year's presentation.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied the following new standards, amendments and interpretations issued by the HKICPA which are effective for the current accounting periods.

HKFRS (Amendments)	Improvement to HKFRSs 2010
HKFRS 1(Amendments)	Limited Exemption from Comparative HKFRS 7 — Disclosure for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) - Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement
HK(IFRIC) - Int 19 (Amendments)	Extinguishing Financial Liabilities with Equity Instruments

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Other than as further explained below regarding the impact of HKAS 24 (Revised), amendment to HKFRS 3, HKAS 1 and HKAS 27 included in the improvement to HKFRSs 2010, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements. The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) Improvement to HKFRSs 2010

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 Business Combinations: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the consolidated statement of changes in equity.

- HKAS 27 Consolidated and Separate Financial Statements: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation Removal of Fixed Dates for First-time Adopter[1]
HKFRS 1 (Amendments)	Government Loans[4]
HKFRS 7 (Amendments)	Amendment to HKFRS 7 Financial Instruments Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 7 (Amendments)	Amendment to HKFRS 7 Financial Instruments Disclosures — Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Amendments to HKAS 1 Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Amendment to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investment in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRS. The Group will apply these new and revised HKFRSs when respective annual periods are effective.

4. 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 entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Unrealised profits arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

(i) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

Basis of consolidation *(Continued)*

(i) ***Business combination*** *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

Basis of consolidation *(Continued)*

(ii) Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(iii) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an interest in an associate or a jointly controlled entity.

Goodwill

Goodwill arising from an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in the reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, 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 profit or loss in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

Interests in 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. Interests in associates are accounted by the equity method of accounting. The Group's interest in an associate includes goodwill (net of any impairment losses) identified in acquisition.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

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.

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

Revenue recognition *(Continued)*

(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) Sales of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

(vi) Finance income

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

(vii) Interest income

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

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	3%–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.

4. 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 the end of reporting 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

(i) Consideration given by the grantor

A financial asset (receivable under service concession arrangement) 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.

(ii) Construction or upgrade services

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

(iii) Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" above. Costs relating to operating services are expensed in the period in which they are incurred.

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

Service concession arrangements *(Continued)*

(iv) 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 arrangement. 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 Build, Operation, Transfer ("BOT") arrangements. The intangible asset is stated in the consolidated statement of financial position 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 (the service concession period). Both the period and method of amortisation are reviewed annually.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the unit of production method.

Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period 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).

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

Impairment of non-financial assets *(Continued)*

(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.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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.

(i) 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 the end of each reporting period 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 trade and other receivables, 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 financial reporting 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.

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

Financial instruments *(Continued)*

(i) Financial assets *(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 the end of each reporting period 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 the end of each reporting period 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.

(ii) 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.

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 financial reporting 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.

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

Financial instruments *(Continued)*

(ii) Financial liabilities and equity *(Continued)*

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 directly attributable 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.

Other financial liabilities

Other financial liabilities including trade and other payables and deposits received are subsequently measured at amortised cost, using the effective interest rate method.

(iii) 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.

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

Financial instruments *(Continued)*

(iv) Equity instruments

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

(v) 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".

(vi) 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.

Impairment of financial assets

The Group assesses at the end of each reporting period 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.

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.

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

Impairment of financial assets *(Continued)*

(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.

Derecognition of financial instruments

(i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payables is recognised in the consolidated income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

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

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 financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position 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.

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 the end of each reporting period 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities (loans and borrowings)" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 statement of financial position.

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 end of reporting period 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.

Art works and jade

Art works and jade are stated at cost less accumulated impairment loss.

Art works and jade are derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

4. 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting period. 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 recognised 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 end of reporting period, 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 exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

Leased assets *(Continued)*

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

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. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 the end of each reporting period, 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 statement of financial position 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.

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

5. 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 4. 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.

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

Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), with adjustments to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Useful lives and impairment of property, plant and equipment

In accordance with HKAS 16, the Group's management 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.

In considering the impairment losses that may be required for the Group's property, plant and equipment, the Group has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of the asset can be supported by the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

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

Mineral reserves

Engineering estimates of the Group's mineral resources are inherently imprecise and represent only approximate amounts because of the assumptions involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven" and "probable". Proven and probable mineral reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost level change from year to year, the estimate of proven and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation/amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation/amortisation expenses and impairment losses. Depreciation/amortisation rates of the mining structures and mining rights are determined based on the proven and probable mineral reserve quantity (the denominator) and capitalised costs of the mining structures or mining rights (the numerator). The capitalised cost of mining structures and mining rights are depreciated and amortised based on the units produced.

Impairment of the mining rights

In determining whether there is an impairment of the mining rights, it is required to assess whether there is any impairment indicator which indicates that there is impairment on the mining rights including (a) the period for which the Indonesia subsidiary has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) the mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Indonesia subsidiary has decided to discontinue such activities in the specific area; and (c) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the mining rights is unlikely to be recovered in full from successful development or by sale.

Trade and other receivables

The aged debt profile of receivables are reviewed on a regular basis to ensure that the receivables 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 receivables 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 receivables and past collection 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 income statement. Changes in the collectibility of receivables for which provisions are not made could affect the results of operations.

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

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.

Construction contracts

The Group recognises revenue for construction work and service contracts according to the percentage of completion of the individual contract of construction or service work. The Group's management estimates the percentage of completion of construction and service work based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction and service contracts, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract and service contract as the contract progresses.

Service concession arrangements

Classification of service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, expected future sewage treatment volume of the relevant sewage treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial assets and intangible assets under service concession arrangement

The Group's management determines the provision for impairment of receivables under service concession arrangements. This estimate is based on the evaluation of collectibility and aged analysis of accounts and on management's estimation in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor and the provision is applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. Management reassesses the adequacy of provision on a regular basis. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact on the carrying values of receivables and the impairment of receivables recognised in the periods in which such estimates have been changed.

6. SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The operating segments are identified by Senior Management who is designated as "Chief Operating Decision Maker" to make decisions about resources allocation to the segments and assess their performance.

Particulars of the Group's reportable operating segments are summarised as follows:

Environmental water treatment operation	—	Construction of sewage and water treatment plants and other related infrastructural facilities, sewage treatment, water treatment and distribution, and the provision of consultancy services in the PRC
Property investment operation	—	Leasing of rental property in the PRC and Hong Kong
Securities and financial operation	—	Securities investment provision of financial service
Supply and procurement operation	—	Supply and procurement of metal minerals and electronic components
Natural resources operation	—	Mining and production of manganese products including principally, through the Group's integrated processes, the beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese

(a) Segment revenue and results

The following is an analysis of the segment revenue and results:

	Environmental water treatment operation		Property investment operation		Securities and financial operation		Supply and procurement operation		Natural resources operation		Consolidated total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**373,241**	357,017	**20,333**	23,741	**24,965**	32,715	**238,821**	–	**–**	–	**657,360**	413,473
Segment results	**86,455**	36,449	**15,161**	113,633	**(125,668)**	(6,750)	**(6,137)**	–	**(18,150)**	–	**(48,339)**	143,332
Interest income and unallocated (loss)/gain											**(9,801)**	1,744
Administrative costs											**(35,834)**	(36,209)
Share-based payment expenses											**–**	(91,064)
(Loss)/profit from operations											**(93,974)**	17,803
Finance costs											**(164,061)**	(57,638)
Share of result of an associate											**(109)**	(44)
Loss on disposal of a subsidiary											**(19,118)**	(22)
Loss before taxation											**(277,262)**	(39,901)
Taxation											**(17,615)**	(43,018)
Loss for the year											**(294,877)**	(82,919)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year. (2011: Nil)

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the result generated from each segment without allocation of central administration costs including directors' salaries, finance costs, share of result of an associate, loss on disposal of a subsidiary and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Environmental water treatment operation		Property investment operation		Securities and financial operation		Supply and procurement operation		Natural resources operation		Consolidated total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets/liabilities												
Segment assets	**4,251,845**	4,038,150	**1,155,059**	1,116,452	**476,542**	636,476	**15,881**	–	**1,240,076**	–	**7,139,403**	5,791,078
Unallocated corporate assets											**87,679**	1,043,333
Tax recoverable											**1,527**	76
Total assets											**7,228,609**	6,834,487
Segment liabilities	**132,655**	378,959	**59,725**	49,789	**587**	78,050	**8,753**	–	**14,335**	–	**216,055**	506,798
Unallocated corporate liabilities											**2,273,815**	2,020,711
Tax payable											**10,409**	14,950
Total liabilities											**2,500,279**	2,542,459

For the purposes of monitoring segment performance and allocating resource between segments, all assets and liabilities are allocated to reportable segments other than corporate assets and liabilities.

(c) Other segment information

	Environmental water treatment operation		Property investment operation		Securities and financial operation		Supply and procurement operation		Natural resources operation		Consolidated total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information												
Amortisation and depreciation	**45,762**	29,592	**809**	785	**21**	28	**111**	–	**–**	–	**46,703**	30,405
Unallocated amounts											**852**	811
											47,555	31,216
Capital expenditure	**482,301**	486,627	**843**	7,220	**–**	–	**1,064**	–	**1,725**	–	**485,933**	493,847
Unallocated amounts											**1,261**	–
											487,194	493,847
Fair value gain on investment properties	**–**	–	**26,928**	122,411	**–**	–	**–**	–	**–**	–	**26,928**	122,411
Gain/(loss) from sale of financial assets at fair value through profit or loss	**–**	–	**–**	–	**1,488**	(28,482)	**–**	–	**–**	–	**1,488**	(28,482)
Fair value (loss)/gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**(123,346)**	6,177	**–**	–	**–**	–	**(123,346)**	6,177
Fair value gain on derivative financial assets	**50,543**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50,543**	–
Excessive consideration paid for acquisition of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–	**17,909**	–	**17,909**	–
Impairment loss of non-current assets	**9,065**	–	**–**	–	**–**	–	**–**	–	**–**	–	**9,065**	–
Impairment loss of trade receivables, other receivables and prepayments	**23,555**	190	**10,676**	–	**21,767**	–	**–**	–	**–**	–	**55,998**	190
Reversal of impairment loss of trade receivables, other receivables and prepayments	**–**	–	**–**	–	**(1,340)**	–	**–**	–	**–**	–	**(1,340)**	–
Impairment loss of loan receivables	**–**	–	**–**	–	**2,764**	–	**–**	–	**–**	–	**2,764**	–

6. SEGMENT INFORMATION *(Continued)*

(d) Geographical information

The following table sets out information about the geographical location of the Group's revenue from continuing operations from external customers and the Group's investment properties, property, plant and equipment, intangible assets and other financial assets ("Specified Non-current Assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties, interest in leasehold lands and land use rights and property, plant and equipment; the location of the operation to which they are allocated, in the case of service concession assets.

	Revenue from external customer		Specified Non-current Assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**24,965**	32,716	**23,086**	4,735
The PRC	**632,395**	380,757	**3,593,702**	3,118,950
The Republic of Indonesia (the "Indonesia")	**—**	—	**1,236,362**	—
	657,360	413,473	**4,853,150**	3,123,685

(e) Information about major customers

Included in revenues arising from environmental water treatment operation of HK$373,241,000 (2011: HK$357,017,000) are revenues of approximately HK$44,527,000 (2011: HK$93,645,000) which arose from sales to the Group's largest customer.

7. TURNOVER

Turnover represents (i) sewage treatment and tap water supply services income; (ii) construction service income; (iii) property rental and management fee; (iv) commission income generated from securities and commodities brokering; (v) interest income from margin clients and (vi) trading of metal minerals and electronic components, and is analysed as follow:

	Year ended 31 March	
	2012	2011
	HK$'000	HK$'000
Sewage and water treatment operation*	**282,376**	169,107
Sewage and water treatment construction service income	**90,865**	187,910
Property rental and management fee	**20,333**	23,741
Brokerage commission income	**1,283**	12,687
Interest income from margin clients	**23,682**	20,028
Supply and procurement	**238,821**	—
	657,360	413,473

* Finance income on other financial assets under service concession arrangements of approximately HK$43,108,000 (2011: HK$41,462,000) is included in the revenue derived from "Sewage and water treatment operation" disclosed above.

8. OTHER INCOME AND GAIN, NET

	Year ended 31 March	
	2012	2011
	HK$'000	HK$'000
Bank interest income	**4,046**	1,678
Dividend income	**—**	498
Consultancy service income	**38,738**	40,068
Government subsidies (note 46)	**10,195**	73,891
Gain on derivative financial instruments (note 29)	**50,543**	66
Net foreign exchange gain	**2,907**	—
Reversal of impairment loss of trade and other receivables and prepayments (note 26)	**1,340**	—
Sundry income	**8,874**	9,151
	116,643	125,352

9. STAFF COSTS

	Year ended 31 March	
	2012	2011
	HK$'000	HK$'000
Salaries and allowances (including directors' emoluments)	**54,140**	51,432
Retirement benefit scheme contributions	**1,878**	1,421
	56,018	52,853
Share-based payment expenses (note 38)	**—**	91,064
	56,018	143,917

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments

The emoluments paid or payable to each director were as follows:

Name of directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors										
Lam Cheung Shing, Richard	**315**	360	**3,840**	3,072	**108**	120	**–**	6,191	**4,263**	9,743
Zhu Youngjun	**315**	360	**1,963**	1,938	**12**	12	**–**	7,603	**2,290**	9,913
Wong Hin Shek[1]	**132**	–	**606**	–	**4**	–	**–**	–	**742**	–
Shen Angang[2]	**19**	–	**–**	–	**–**	–	**–**	–	**19**	–
Choi Fun Tai, Bosco[2]	**19**	–	**–**	–	**–**	–	**–**	–	**19**	–
Zhang Yang[3]	**120**	51	**1,794**	897	**6**	3	**–**	–	**1,920**	951
Zhang Chen[4]	**183**	278	**946**	1,498	**6**	8	**–**	5,872	**1,135**	7,656
Zhang Jack Jiyei[5]	**–**	82	**–**	835	**–**	3	**–**	5,647	**–**	6,567
	1,103	1,131	**9,149**	8,240	**136**	146	**–**	25,313	**10,388**	34,830
Independent non-executive directors										
Ho Yiu Yue, Louis	**315**	360	**–**	–	**–**	–	**–**	706	**315**	1,066
Ko Ming Tung, Edward	**315**	360	**–**	–	**–**	–	**–**	706	**315**	1,066
Chi Chi Hung, Kenneth[1]	**132**	–	**–**	–	**–**	–	**–**	–	**132**	–
Chen Yi, Ethan[7]	**19**	–	**–**	–	**–**	–	**–**	–	**19**	–
Ha Ping[6]	**183**	360	**–**	–	**–**	–	**–**	706	**183**	1,066
Fu Tao[6]	**183**	360	**–**	–	**–**	–	**–**	706	**183**	1,066
	1,147	1,440	**–**	–	**–**	–	**–**	2,824	**1,147**	4,264
	2,250	2,571	**9,149**	8,240	**136**	146	**–**	28,137	**11,535**	39,094

1 Appointed on 4 October 2011
2 Appointed on 23 February 2012
3 Appointed on 10 January 2011 and resigned on 10 October 2011
4 Appointed on 23 June 2010 and resigned on 4 October 2011
5 Resigned on 22 June 2010
6 Resigned on 4 October 2011
7 Appointed on 23 February 2012

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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2012 and 2011 were all directors whose emoluments are reflected in note (a) above.

10. (LOSS)/PROFIT FROM OPERATIONS

	Year ended 31 March	
	2012	2011
	HK$'000	HK$'000
(Loss)/profit from operations has been arrived at after charging/(crediting):		
Depreciation (note 16)	**15,051**	8,247
Amortisation of prepaid lease payments and intangible assets (note 17 and 20(a))	**56,620**	22,969
Auditors' remuneration	**2,604**	1,762
Excessive consideration paid for acquisition of subsidiaries (note 40(b))	**17,909**	—
Impairment loss recognised in respect of trade and other receivables and prepayments (note 26)	**55,998**	190
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments (note 26)	**(1,340)**	—
Impairment loss recognised in respect of loan receivables (note 27)	**2,764**	—
Impairment loss recognised in respect of non-current assets (note 24)	**9,065**	—
Operating lease rentals in respect of premises	**9,913**	6,189
Net foreign exchange (gain)/loss	**(2,907)**	632
(Gain)/loss from sale of financial assets at fair value through profit or loss	**(1,488)**	28,482
Gain on derivative financial instruments (note 29)	**—**	(66)
Fair value loss/(gain) on financial assets at fair value through profit or loss	**123,346**	(6,177)
Fair value gain on derivative financial instruments (note 29)	**(50,543)**	—
Fair value gain on investment properties (note 15)	**(26,928)**	(122,411)
Gross rental income from investment properties	**(17,452)**	(13,483)
Less: direct operating expenses from investment properties that generated rental income during the year	**2,617**	2,618

11. FINANCE COSTS

	Year ended 31 March	
	2012	2011
	HK$'000	HK$'000
Interests on:		
Bank borrowings and overdrafts wholly repayable:		
— within five years	**143,079**	39,156
— over five years	**19,139**	3,551
Other borrowings	**1,843**	13,862
Convertible notes (note 34)	**—**	1,069
	164,061	57,638

12. TAXATION

	Year ended 31 March 2012 HK$'000	2011 HK$'000
Current tax		
Hong Kong Profits Tax	**1,185**	3,654
The PRC Enterprise Income Tax	**9,329**	9,849
	10,514	13,503
Under/(over) provision in prior year:		
Hong Kong Profits Tax	**4**	(3,240)
	10,518	10,263
Deferred tax (note 35)	**7,097**	32,755
	17,615	43,018

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits of the Company and certain subsidiaries established in Hong Kong for the year.

At 31 March 2012, the Group had unused estimated tax losses of approximately HK$39,184,000 (2011: HK$31,753,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams.

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are either subject to the PRC Enterprise Income Tax, which has been provided based on either the statutory enterprise income tax rate or preferential enterprise income tax rate of the assessable income of each company during the years ended 31 March 2012 and 2011, as determined in accordance with the relevant PRC income tax rules and regulations.

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 took effect on 1 January 2008. According to the New Tax Law, the applicable tax rate of the Company's subsidiaries established in the PRC are unified at 25% with effect from 1 January 2008.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in the Indonesia was 25% during the year.

No Indonesia Corporate Tax was recognised as there was no estimated assessable profits of the subsidiary in the Indonesia for the year.

12. TAXATION *(Continued)*

Reconciliation between tax expenses and accounting profit at applicable tax rates

	The Group	
	2012	2011
	HK$'000	HK$'000
Loss before taxation	**(277,262)**	(39,901)
Tax calculated at the domestic rates applicable in the country concerned	**(39,961)**	(3,806)
Tax effect of share of results of an associate	**(13)**	(11)
Tax effect of expenses not deductible for tax purpose	**32,260**	18,338
Tax effect of income not taxable for tax purpose	**(35,290)**	(31,311)
Under/(over) provision in prior year	**4**	(3,240)
Tax effect of tax losses not recognised	**127,782**	31,753
Utilisation of tax losses previously not recognised	**(60,070)**	—
Tax effect of unrecognised temporary difference	**(7,097)**	31,295
Tax charge for the year	**17,615**	43,018

13. LOSS PER SHARE

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

	Year ended 31 March	
	2012	2011
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**356,726**	101,699

	At 31 March	
Number of shares	**2012**	2011
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,741,051,194**	3,573,192,975

The calculation of diluted loss per share for the year ended 31 March 2012 and 2011 has not assumed the exercise of the share options as these potential ordinary shares would have anti-dilutive effect.

14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 March 2012, the consolidated loss attributable to owners of the Company includes a loss of approximately HK$121,770,000 (2011: HK$125,739,000) which has been dealt with in the financial statements of the Company (note 37).

15. INVESTMENT PROPERTIES

	The Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**746,881**	609,722
Exchange alignment	**15,271**	7,528
Additions	**—**	7,220
Acquisition of subsidiaries (note 40(a))	**162,167**	—
Fair value change	**26,928**	122,411
At end of the year	**951,247**	746,881

The fair value of the Group's investment properties at 31 March 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by Messrs. Jointgoal Surveyors Limited, Cushman & Wakefield Valuation Advisory Services (HK) 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 locations.

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**22,000**	20,000
Investment properties outside Hong Kong, held on:		
Medium-term leases	**929,247**	726,881
	951,247	746,881

Investment properties with the carrying amount of approximately HK$379,531,000 (2011: HK$316,550,000) have been pledged to secure banking facilities granted to the Group.

The Group's investment properties, amounting to approximately HK$535,420,000 (2011: HK$317,500,000) are rented out under operating leases.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties under development HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost							
At 1 April 2010	–	–	8,783	–	13,434	19,781	41,998
Exchange alignment	–	–	411	–	551	1,460	2,422
Acquisition of subsidiaries (note 40(c))	–	25,404	–	–	–	864	26,268
Additions	–	491	2,276	244,966	6,180	8,497	262,410
Disposals	–	–	–	–	–	(3,208)	(3,208)
At 31 March 2011 and 1 April 2011	–	25,895	11,470	244,966	20,165	27,394	329,890
Exchange alignment	914	1,013	249	6,173	460	702	9,511
Acquisition of subsidiaries (note 40(a) and (b))	3,962	–	–	–	–	35	3,997
Disposal of a subsidiary (note 39(a))	–	–	–	–	–	(10,916)	(10,916)
Additions	1,725	–	827	94,782	1,980	7,577	106,891
Disposals	–	–	–	–	–	(1,162)	(1,162)
At 31 March 2012	6,601	26,908	12,546	345,921	22,605	23,630	438,211
Accumulated depreciation							
At 1 April 2010	–	–	1,594	–	8,457	12,872	22,923
Exchange alignment	–	–	68	–	358	292	718
Charge for the year	–	559	3,648	457	1,404	2,179	8,247
Elimination upon disposals	–	–	–	–	–	(1,876)	(1,876)
At 31 March 2011 and 1 April 2011	–	559	5,310	457	10,219	13,467	30,012
Exchange alignment	–	41	93	11	222	440	807
Charge for the year	–	544	2,225	6,153	2,697	3,432	15,051
Elimination upon disposal of a subsidiary (note 39(a))	–	–	–	–	–	(10,836)	(10,836)
Elimination upon disposals	–	–	–	–	–	(1,118)	(1,118)
At 31 March 2012	–	1,144	7,628	6,621	13,138	5,385	33,916
Carrying amount							
At 31 March 2012	**6,601**	**25,764**	**4,918**	**339,300**	**9,467**	**18,245**	**404,295**
At 31 March 2011	–	25,336	6,160	244,509	9,946	13,927	299,878

Assets pledged as securities

Plant and machinery, furniture and fixtures and equipment, motor vehicle and others with carrying amounts of approximately HK$336,808,000, HK$133,000 and HK$4,351,000 respectively (2011: approximately HK$244,509,000, HK$30,000 and HK$1,542,000 respectively) have been pledged to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Cost		
At beginning of the year	**16,325**	—
Exchange alignment	**4,402**	—
Additions	**86,146**	16,325
At the end of the year	**106,873**	16,325
Accumulated amortisation		
At beginning of the year	**544**	—
Exchange alignment	**14**	—
Charge for the year	**564**	544
At the end of the year	**1,122**	544
Carrying amount		
At 31 March	**105,751**	15,781
The Group's prepaid lease payments comprises:		
Land outside Hong Kong — Medium term lease	**105,751**	15,781
Analysed for reporting purposes as:		
Non-current assets	**102,315**	15,781
Current assets	**3,436**	—
	105,751	15,781

18. INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**1,154,782**	1,155,853
Reversal of impairment loss	**1,150**	—
Impairment loss recognised	**(26,044)**	(26,044)
	1,129,888	1,129,809

Details of the Company's principal subsidiaries at 31 March 2012 are set out in note 49.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

(b) Amounts due from/(to) subsidiaries

	The Company	
	2012	2011
	HK$'000	HK$'000
Amounts due from subsidiaries	**2,344,842**	1,985,801

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.

19. MINING RIGHTS

	The Group
	HK$'000
Cost	
At 1 April 2011	–
Acquisition of subsidiaries (note 40(b))	**1,232,400**
At 31 March 2012	**1,232,400**
Accumulated amortisation and impairment	
At 1 April 2011	–
Charge for the year	–
At 31 March 2012	–
Carrying amount	
At 31 March 2012	**1,232,400**

The mining rights was acquired through the acquisition of Universe Glory Limited and its subsidiary ("Universe Glory Group"). The mining rights represents the rights to conduct mining activities in East Nusa Tenggara, Kupang, Indonesia.

The mining rights is amortised using the unit-of-production methods based on the total proven and probable mineral reserves, under the assumption that the initial granted period is 20 years, till all proven and probable mineral reserves have been mined. No amortisation was provided for the year ended 31 March 2012 as commercial production of the mine has not yet commenced during the year.

The Group is required to assess any indication of impairment at the end of each reporting period. The Group has completed its annual impairment test for the mining rights by comparing the recoverable amount of the mining rights to its carrying amount as at 31 March 2012. No impairment loss was recognised during the year ended 31 March 2012.

20. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into a number of service concession arrangements with certain governmental authorities in the PRC on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its sewage treatment and water supply 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 4 to the consolidated financial statements.

20. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

The following is the summarised information of the Group's service concession arrangements under sewage treatment and water supply operations:

(a) Intangible assets

	Concession intangible assets HK$'000
Cost	
At 1 April 2010	733,373
Exchange alignment	25,060
Additions	224,217
Acquisition of subsidiaries (note 40(c))	125,284
At 31 March 2011 and 1 April 2011	1,107,934
Exchange alignment	50,630
Additions	294,157
Disposal of a subsidiary (note 39(a))	(319,897)
At 31 March 2012	1,132,824
Accumulated amortisation	
At 1 April 2010	30,572
Exchange alignment	3,632
Charge for the year	22,425
At 31 March 2011 and 1 April 2011	56,629
Exchange alignment	1,428
Elimination upon disposal of a subsidiary (note 39(a))	(47,194)
Charge for the year	56,056
At 31 March 2012	66,919
Carrying amount	
At 31 March 2012	**1,065,905**
At 31 March 2011	1,051,305

(b) Other financial assets

	2012 **HK$'000**	2011 HK$'000
Receivables under service concession arrangements	**494,408**	483,996

20. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

(c) Notes to the service concession arrangements

At 31 March 2012, the Group, including Heilongjiang Interchina and its subsidiaries (collectively referred to as the "Heilongjiang Interchina Group"), have entered into a number of service concession arrangements with certain governmental authorities in the PRC on BOT or TOT basis in respect of sewage treatment and water distribution businesses. A summary of the 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責任公司	Xining, the PRC	西寧市水務局	TOT	25 years from 2005 to 2030
Interchina (Hanzhong) Water Supply Company Limited	Hanzhong, the PRC	漢中市漢台區人民政府建設局	TOT	30 years from 2008 to 2038
Zhuozhou Zhongke Guoyi Water Treatment Company Limited ("Zhuozhou Zhongke")	Zhuozhou, the PRC	涿洲市人民政府	TOT	25 years from 2006 to 2031
Interchina (Maanshan) Sewage Treatment Company Limited ("Interchina (Maanshan)")	Maanshan, the PRC	馬鞍山市市政管理處	BOT	22 years from 2006 to 2028
Interchina (Changli) Sewage Treatment Company Limited ("Interchina (Changli)")	Changli, the PRC	秦皇島市昌黎人民政府	BOT	30 years from 2005 to 2035
Interchina (Qinhuangdao) Sewage Treatment Company Limited ("Interchina (Qinhuangdao)")	Qinhuangdao, the PRC	秦皇島市人民政府	BOT	20 years from 2002 to 2022
Taiyuan Haofeng Sewage Treatment Company Limited ("Taiyuan Haofeng")	Taiyuan, the PRC	太原市市政管理局	TOT	20 years from 2009 to 2029
Ordos Interchina Water Treatment Company Limited ("Ordos Interchina")	Ordos, the PRC	內蒙古自治區鄂爾多斯市達拉特旗政府	BOT	30 years from 2008 to 2038
國中(漢中)石門供水有限公司	Hanzhong, the PRC	漢中市城鄉建設管理局	BOT	30 years from 2004 to 2034

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 lands, 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.

20. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

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

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

	2012 HK$'000	2011 HK$'000
Intangible assets	**464,279**	424,080
Other financial assets	**391,580**	331,961
	855,859	756,041

The receivables under service concession arrangements were mainly due from governmental authorities in the PRC as grantors in respect of the Group's sewage treatment and water distribution businesses. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. GOODWILL

	The Group HK$'000
Cost	
At 1 April 2010	398,594
Additions (note 40(c))	29,416
Exchange alignment	9,269
At 31 March 2011 and 1 April 2011	437,279
Additions (note 40(a))	18,069
Disposal of a subsidiary (note 39(a))	(4,589)
Exchange alignment	430
At 31 March 2012	451,189
Impairment	
At 1 April 2011 and 31 March 2012	11,262
Carrying amount	
At 31 March 2012	**439,927**
At 31 March 2011	426,017

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

	2012 HK$'000	2011 HK$'000
Environmental water treatment operation	**421,858**	426,017
Property investment operation	**18,069**	—
	439,927	426,017

21. GOODWILL *(Continued)*

Impairment tests for CGU containing goodwill

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors of the Company estimate discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment tests for CGU containing goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period and cash flows beyond the five-year period are extrapolated using a growth rate of 2.37% per annum. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Discount rate of 7.12% was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to the CGU.

22. INTEREST IN AN ASSOCIATE

	The Group	
	2012	2011
	HK$'000	HK$'000
Cost of investment	**1,140**	1,140
Share of post-acquisition result of an associate	**(153)**	(44)
Exchange alignment	**117**	26
	1,104	1,122

On 23 August 2010, the Group made an investment in 天津煉達中科環保技術有限公司 ("天津煉達") via investment in Beijing Zhongke amounted to approximately HK$1,140,000, which represented 49% equity interest in 天津煉達 (note 40(c)).

Details of the Group's interest in an associate are as follows:

Name of associate	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/ registered capital held by the Group Indirectly	Principal activity
天津煉達	The PRC	RMB2,000,000	49%	Provision of consultancy service in relation to water treatment

22. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Turnover	**–**	–
Loss for the year	**(223)**	(89)
Loss attributable to the Group	**(109)**	(44)
Total assets	**26,507**	13,395
Total liabilities	**(24,355)**	(11,106)
Net assets	**2,152**	2,289
Net assets attributable to the Group	**1,055**	1,122

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2012 HK$'000	2011 HK$'000
Unlisted securities	**69,136**	1,190

At 31 March 2012, the Group indirectly held 8.33% equity interest in 北京清環同盟環境發展股份有限公司 ("北京清環同盟").

During the year ended 31 March 2012, the Group acquired 10% equity interest in 北京天地人環保科技有限公司 (Beijing TDR Enviro-Tech Co., Ltd) ("Beijing TDR"). As the Group is not able to exercise significant influence over 北京清環同盟 and Beijing TDR, both of them are classified as available-for-sale financial assets accordingly.

The unlisted equity securities are measured at cost less impairment because they do not have a quoted market in an active market and hence, in the opinion of the directors, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 March 2012, the Group assessed whether there was any objective evidence that the unlisted equity securities were impaired and the management determined that no impairment loss has been made.

24. OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Art works and jade (note i)	**86,173**	95,238	**–**	–
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	**1,501**	1,500	**–**	–
Club membership (note ii)	**380**	380	**380**	380
	88,451	97,515	**380**	380

24. OTHER NON-CURRENT ASSETS *(Continued)*

Notes:

(i) The amounts represents the aggregate cost of art works and jade held by the Group. In the opinion of the directors of the Company, with reference to professional valuation reports, the carrying amount of the art works and jade exceeds the residual value at the end of the reporting period. Therefore, an impairment loss of approximately HK$9,065,000 is recognised for the year.

(ii) The club membership is stated at cost less impairment at the end of each reporting period and directors of the Company reassessed the recoverable amount of the club membership and considered no impairment was made for the years ended 31 March 2012 and 2011.

25. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Finished goods	**21,613**	6,511

At 31 March 2012 and 2011, all inventories are carried at cost.

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2011: 60 days) to its trade customers. The aged analysis of trade receivables is as follow:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
0 – 30 days	**206,360**	385,223	**—**	—
Over 90 days	**—**	10,622	**—**	—
	206,360	395,845	**—**	—
Margin clients accounts receivables	**91,889**	9,222	**—**	—
Clearing houses, brokers and dealers	**274**	1,075	**—**	—
Prepayments and deposits	**1,200,611**	1,726,522	**445**	98,443
Other receivables	**58,465**	109,138	**50**	1,158
	1,557,599	2,241,802	**495**	99,601
Less: Impairment of trade and other receivables and prepayments	**(56,971)**	(2,313)	**—**	—
	1,500,628	2,239,489	**495**	99,601

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

Movement on impairment of trade and other receivables and prepayments were as follow:

	The Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**2,313**	2,123
Impairment loss reversed	**(1,340)**	—
Impairment loss recognised	**55,998**	190
At end of the year	**56,971**	2,313

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

	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**206,360**	385,223
Over three months past due	**—**	10,622
	206,360	395,845

Trade receivables that were past due but not impaired relate to a number of independent customers that either have a good track record with the Group or are in negotiation with the Group over the amounts or terms of repayment. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances 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 that were 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.

The Group's prepayments and deposits as at 31 March 2012 and 2011, inter alia, are as follows:

(i) deposits of approximately HK$198,765,000 (2011:HK$292,007,000) paid for acquisition of certain investment properties in the PRC;

(ii) deposits of approximately HK$306,914,000 (2011:HK$292,952,000) paid for acquisition of several potential water plant projects in the PRC;

(iii) prepayments of approximately HK$602,102,000 (2011:HK$349,149,000) to various contractors for construction of environmental water treatment projects in the PRC; and

(iv) deposits of approximately HK$504,762,000 paid as at 31 March 2011 for acquisition of companies principally engaged in the exploration, mining, processing and sale of Manganese resources in the Indonesia. The acquisition was completed in December 2011 and details of the acquisition were set out in note 40(b) and the Company's announcement dated 2 March 2011.

27. LOAN RECEIVABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Loan receivables	**319,042**	223,768
Less: Impairment loss recognised	**(2,764)**	—
	316,278	223,768

The loan receivables were unsecured, carrying at the prevailing interest rate ranging from 9.6% to 15% per annum with fixed repayment terms.

During the year, an impairment loss of approximately HK$2,764,000 (2011: HK$Nil) was recognised in respect of an individual debtor who was in financial difficulties and management assessed that only a portion of the receivable is expected to be recovered. The Group does not hold any collateral over these balances.

The remaining balance of loan receivables relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances 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.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Listed equity securities — Hong Kong, at fair value	**73,985**	162,771	**73,985**	162,706

29. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial assets related to the purchase option	**62,889**	—

For the year ended 31 March 2012

On 10 February 2012, the Group entered into a purchase option agreement, in respect of an option (the "Option") granted by seven independent third parties to the Group that enable to acquire an aggregate of 90% equity interest in Beijing TDR at a consideration of RMB495,000,000. The consideration of the Option was amounted to RMB10,000,000. The Option will be expired within 3 months from the date of the option agreement. On 8 May 2012, the Group further entered into a supplementary option agreement which the option period was extended to 9 July 2012. On 21 June 2012, the Group exercised the option and entered into the sale and purchase agreement. Details of the Option were set out in the Company's announcement dated 8 May 2012 and 27 June 2012 (note 50(g)).

29. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

For the year ended 31 March 2012 *(Continued)*

The fair value of the Option was assessed by Ascent Partners Transaction Service Limited, a firm of independent valuers, using the Binomial Option Pricing Model. The significant inputs into the model included the value of the equity interest at the date of grant and at the end of the reporting period, exercise price, expected life of the option, annual risk-free rate and expected volatility which was based on the statistical analysis of volatility of weekly share prices of comparable companies over the past years before the the date of grant and at the end of the reporting period. Details of the inputs into the model were as follows:

	At the date of issue	At 31 March 2012
Spot price	RMB495,000,000	RMB495,000,000
Conversion price	RMB495,000,000	RMB495,000,000
Expected exercise period	0.25 year	0.11 year
Nature of the option	Call	Call
Volatility	51.68%	51.68%

The movement of the Option during the year ended 31 March 2012 are as follows:

	HK$'000
At initial recognition	12,346
Fair value gain on derivative financial instruments (note 8)	50,543
At end of the year	62,889

For the year ended 31 March 2011

In July 2009, the Company entered into a subscription agreement with Mr. Yao Kangda ("Mr. Yao") in relation to (i) issue convertible notes with principal amount of HK$120,000,000 (the "First Tranche Convertible Notes") to Mr. Yao; (ii) grant of a convertible note option (the "Convertible Note Option") to Mr. Yao at a premium of HK$2,500,000, being an option for Mr. Yao to subscribe for the convertible notes in the principal amount of HK$250,000,000 (the "Second Tranche Convertible Notes") at conversion price of HK$0.1 per share. Details of which were set out in the Company's announcement dated 27 July 2009.

In August 2009, the First Tranche Convertible Notes were fully converted into shares of the Company and in December 2009, Mr. Yao exercised the Convertible Note Option that HK$90,000,000 of the Second Tranche Convertible Notes were issued of which HK$70,000,000 of it were exercised.

Upon expiry of the Convertible Note Option on 30 April 2010, the remaining unissued Second Tranche Convertible Notes amounted to HK$160,000,000 have been forfeited and a gain on derivative financial instruments of approximately HK$66,000 was recognised in the consolidated income statement for the year ended 31 March 2011.

30. BANK BALANCES — TRUST AND SEGREGATED ACCOUNTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Trust accounts	**114**	4,647
Segregated accounts	**200**	555
	314	5,202

From the Group's ordinary business of securities and futures dealing, it receives and holds money from clients and other institutions in the course of conducting its regulated activities. These client's monies are maintained in one or more trust and segregated bank accounts. The Group has recognised the corresponding trade payables to respective clients and other institutions.

Trust and segregated accounts earn interest at floating rates based on daily bank deposit rates. At 31 March 2012 and 2011, all trust and segregated accounts are denominated in Hong Kong dollars.

31. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**398,751**	1,072,985	**437**	264,514

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

At 31 March 2012, cash and cash equivalents of approximately HK$380,147,000 (2011: HK$741,523,000) are denominated in Renminbi. Renminbi is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

32. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
0 – 30 days	**38,451**	152,735	**—**	—
Over 90 days	**—**	3,795	**—**	—
	38,451	156,530	**—**	—
Accounts payables arising from the business of dealing in securities and equity options:				
Margin clients	**493**	1,732	**—**	—
Other payables and deposits received	**310,325**	286,152	**4,222**	32,155
	349,269	444,414	**4,222**	32,155

32. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED *(Continued)*

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.

33. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings, secured	**615,370**	545,648	**—**	—
Bank borrowings, unsecured	**261,358**	151,758	**—**	—
Total bank borrowings	**876,728**	697,406	**—**	—
Other borrowings, secured	**1,109,506**	1,136,666	**—**	—
Other borrowings, unsecured	**7,100**	73,100	**7,100**	73,100
Total other borrowings	**1,116,606**	1,209,766	**7,100**	73,100
Total borrowings	**1,993,334**	1,907,172	**7,100**	73,100
The maturity profiles are as follows:				
On demand or repayable within one year:				
bank borrowings	**749,614**	499,406	**—**	—
other borrowings	**1,116,606**	386,790	**7,100**	73,100
Portion classified as current liabilities	**1,866,220**	886,196	**7,100**	73,100
Repayable in the second years, inclusives				
bank borrowings	**38,843**	84,490	**—**	—
other borrowings	**—**	822,976	**—**	—
	38,843	907,466	**—**	—
Repayable in the third to fifth years, inclusives				
bank borrowings	**70,370**	77,200	**—**	—
	70,370	77,200	**—**	—
Repayable after the fifth year				
bank borrowings	**17,901**	36,310	**—**	—
	17,901	36,310	**—**	—
Portion classified as non-current liabilities				
bank borrowings	**127,114**	198,000	**—**	—
other borrowings	**—**	822,976	**—**	—
	127,114	1,020,976	**—**	—
Total borrowings	**1,993,334**	1,907,172	**7,100**	73,100

33. BANK AND OTHER BORROWINGS *(Continued)*

The other borrowings bear interest at rates of 9% to 12% per annum for the year ended 31 March 2012 (2011: 5.31% to 9% per annum).

The other borrowings are secured by certain shares of a subsidiary of the Company, Heilongjiang Interchina, which its shares are listed in Shanghai Stock Exchange.

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 ("HIBOR") plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi ranging from 5.47% to 9.00% (2011: 5.31% to 7.83%) 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:

	2012	2011
	HK$'000	HK$'000
Intangible assets	**464,279**	424,080
Other financial assets	**391,580**	331,961
	855,859	756,041

The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$379,531,000 (2011: HK$316,550,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable by instalments over a period of 1 to 20 years.

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

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**21,027**	92,165	**7,100**	73,100
Renminbi	**1,972,307**	1,815,007	**—**	—
	1,993,334	1,907,172	**7,100**	73,100

34. CONVERTIBLE NOTES

For the year ended 31 March 2011

(a) In September 2010, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed amongst other things, on a best effort basis, to procure places to subscribe in cash for convertible notes issued by the Company up to the principal amount of HK$495,000,000 (the "2010 Convertible Notes"). In October 2010, the placing conditions precedent for the placing of the 2010 Convertible Notes under the placing agreement were fulfilled and that the placing of the 2010 Convertible Notes has been issued to more than six independent parties.

The 2010 Convertible Notes carries interest at 5% per annum and will be matured in 2012. The 2010 Convertible Notes are denominated in Hong Kong dollars. The initial conversion price is HK$0.90 per share. The effective interest rate of the liability component of the 2010 Convertible Note is 6.86% per annum. Details of which were set out in the Company's announcement dated 16 September 2010.

On 11 October 2010 and 12 October 2010, an aggregate of HK$414,000,000 of the 2010 Convertible Notes were converted at an initial conversion price of HK$0.90 each into 460,000,000 ordinary shares of the Company at HK$0.10 each.

On 18 November 2010, the remaining HK$81,000,000 of the 2010 Convertible Notes were converted at an initial conversion price of HK$0.90 each into 90,000,000 ordinary shares of the Company at HK$0.10 each.

(b) On 18 November 2010, the remaining issued Second Tranche Convertible Notes with principal amount of HK$20,000,000 were converted at an adjusted conversion price of HK$1.00 each into 20,000,000 ordinary shares of the Company at HK$0.10 each. Following sanction from the High Court of Hong Kong for the capital reorganisation of the Company in April 2010, the conversion price of the Second Tranche Convertible Notes granted during the year ended 31 March 2010 were adjusted accordingly. Details of adjustment on the conversion price were set out in the Company's announcement dated 9 April 2010.

Reconciliation of the liability component of the convertible notes

	2012 **HK$'000**	2011 HK$'000
Liability component at beginning of the year	**–**	19,881
Proceeds of issue of convertible notes	**–**	495,000
Equity component	**–**	(17,594)
Imputed interest recognised for the year (note 11)	**–**	1,069
Interest expenses paid and payable	**–**	(826)
Conversion into ordinary shares	**–**	(497,530)
Liability component at end of the year	**–**	–

35. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities 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 2010	23,867	21	81,148	31,873	29	136,938
Exchange alignment	369	—	664	280	—	1,313
Acquisition of subsidiaries (note 40(c))	—	—	4,938	—	—	4,938
Issue of convertible notes	—	2,903	—	—	—	2,903
Conversion of convertible notes	—	(2,924)	—	—	—	(2,924)
Charge to the consolidated income statement (note 12)	30,178	—	—	2,577	—	32,755
At 31 March 2011 and 1 April 2011	54,414	—	86,750	34,730	29	175,923
Exchange alignment	2,218	—	(388)	452	—	2,282
Acquisition of subsidiaries (note 40(a))	17,669	—	—	—	—	17,669
Disposal of a subsidiary	—	—	(55,675)	—	(29)	(55,704)
Charge to the consolidated income statement (note 12)	99	—	—	6,998	—	7,097
At 31 March 2012	**74,400**	**—**	**30,687**	**42,180**	**—**	**147,267**

The Company

Reconciliation of the movement of the deferred tax of the convertible notes

	HK$'000
At 1 April 2010	21
Issue of convertible notes	2,903
Conversion of convertible notes	(2,924)
At 31 March 2011, 1 April 2011 and 31 March 2012	—

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. The Group did not recognise deferred tax liabilities on withholding tax arising from undistributed profit in the PRC of approximately HK$239,995,000 as at 31 March 2012 (2011: HK$150,082,000) as in the opinion of the directors, it is not probable that these subsidiaries will distribute all of the earnings in the foreseeable future.

36. SHARE CAPITAL

	Number of shares 2012	2011	Nominal value 2012 HK$'000	2011 HK$'000
Ordinary shares of HK$0.10 each				
Authorised				
At beginning of the year	**10,000,000,000**	40,000,000,000	**1,000,000**	4,000,000
Capital reduction (note d)	**—**	—	**—**	(3,600,000)
Share consolidation (note d)	**—**	(36,000,000,000)	**—**	—
Increase in authorised share capital (note d)	**—**	6,000,000,000	**—**	600,000
At end of the year	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**3,555,419,363**	23,242,193,632	**355,542**	2,324,219
Capital reduction (note d)	**—**	—	**—**	(2,091,797)
Share consolidation (note d)	**—**	(20,917,974,269)	**—**	—
Placement of shares (note c, e)	**712,000,000**	440,000,000	**71,200**	44,000
Exercise of share options (note a, b, f)	**7,250,000**	221,200,000	**725**	22,120
Conversion of convertible notes (note g)	**—**	570,000,000	**—**	57,000
At end of the year	**4,274,669,363**	3,555,419,363	**427,467**	355,542

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

For the year ended 31 March 2012

(a) In April, May and July 2011, the Company allotted and issued in aggregated of 4,250,000 new shares of HK$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK$0.89 per share.

(b) In April 2011, the Company allotted and issued in aggregated of 2,000,000 and 1,000,000 new shares of HK$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK$0.83 and HK$1.03 per share respectively.

(c) On 13 December 2011, the Company allotted and issued an aggregate of 712,000,000 new shares of HK$0.10 each by way of placing to independent investors at a price of HK$0.31 per share. The net proceeds from the placing was approximately HK$215,202,000.

36. SHARE CAPITAL *(Continued)*

For the year ended 31 March 2011

(d) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 18 September 2009, the High Court of Hong Kong issued an order on 1 April 2010 to grant and with allow the Company to undergo the following changes to the share capital of the Company with effective from 9 April 2010:

(i) Reduction of the share capital of the Company by cancelling the issued and paid up capital to the extent of HK$0.09 on each of the share in issued and by reducing the nominal value of all issued and unissued shares from HK$0.10 each to HK$0.01 each;

(ii) Reduction of the authorised share capital of the Company from HK$4,000,000,000 divided into 40,000,000,000 shares to HK$400,000,000 divided into 40,000,000,000 shares by cancelling the issued and paid up capital to the extent of HK$0.09 on each of the share and by reducing the nominal value of all issued and unissued shares from HK$0.10 each to HK$0.01 each;

(iii) Consolidation of every ten reduced shares into one consolidated share; and

(iv) Increase in the authorised share capital of the Company from 4,000,000,000 consolidated shares to 10,000,000,000 consolidated shares by creation of an additional 6,000,000,000 consolidated shares.

(e) On 19 May 2010, the Company allotted and issued an aggregate of 440,000,000 new shares of HK$0.10 each by way of placing to independent investors at a price of HK$0.65 per share. The net proceeds from the placing was approximately HK$278,000,000.

(f) During the year ended 31 March 2011, the Company issued 221,200,000 new shares of HK$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise prices ranged from 0.83 to 0.89 per share.

(g) (i) In October 2010 and November 2010, HK$495,000,000 of the 2010 Convertible Notes were converted at initial conversion price of HK$0.90 each into 550,000,000 ordinary shares of the Company at HK$0.10 each.

(ii) In November 2010, the remaining issued the Second Tranche Convertible Notes with principal amount of HK$20,000,000 were converted at adjusted conversion price of HK$1.00 each into 20,000,000 ordinary shares of the Company at HK$0.10 each.

37. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company							
At 1 April 2010	405,557	–	50,443	(5,021)	115	(1,104,357)	(653,263)
Exchange alignment	–	–	–	(302)	–	–	(302)
Capital reorganisation							
– Capital reduction	–	2,091,797	–	–	–	–	2,091,797
– Set off against accumulated loss	–	(749,320)	–	–	–	749,320	–
Placement of shares	242,000	–	–	–	–	–	242,000
Transaction cost on placement of shares	(19,525)	–	–	–	–	–	(19,525)
Issue of share options	–	–	91,064	–	–	–	91,064
Exercise of share options	252,912	–	(72,937)	–	–	–	179,975
Lapse of share options	–	–	(1,201)	–	–	1,201	–
Issue of convertible notes	–	–	–	–	17,594	–	17,594
Recognition of deferred tax for convertible notes	–	–	–	–	(2,903)	–	(2,903)
Conversion of convertible notes	458,000	–	–	–	(14,806)	–	443,194
Loss for the year	–	–	–	–	–	(125,739)	(125,739)
At 31 March 2011 and 1 April 2011	1,338,944	1,342,477	67,369	(5,323)	–	(479,575)	2,263,892
Exchange alignment	–	–	–	(128)	–	–	(128)
Placement of shares	149,520	–	–	–	–	–	149,520
Transaction cost on placement of shares	(5,518)	–	–	–	–	–	(5,518)
Exercise of share options	7,994	–	(2,246)	–	–	–	5,748
Lapse of share options	–	–	(9,948)	–	–	9,948	–
Loss for the year	–	–	–	–	–	(121,770)	(121,770)
At 31 March 2012	**1,490,940**	**1,342,477**	**55,175**	**(5,451)**	**–**	**(591,397)**	**2,291,744**

The Company did not have any reserves available for distribution to shareholders at 31 March 2012 (2011: Nil).

38. SHARE OPTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company adopted a share option scheme pursuant to an extraordinary resolution passed on 2 September 2002 (the "2002 Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 August 2011, the Company adopted a new share option scheme (the "New Share Option Scheme") and terminated the 2002 Share Option Scheme. No further share options shall be offered under the 2002 Share Option Scheme but the options which had been granted, during the life of the 2002 Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect. The New Share Option Scheme became effective for a period of 10 years commencing on 12 August 2011 and the 2002 Share Option Scheme was terminated on the same date. Under the New Share Option Scheme, the Board is authorised, at their discretion, invite a wider category of participants as defined in the Company's circular issued on 18 July 2011 (the "Participants"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

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)*

Details of the movements in the share options during the year ended 31 March 2012 under the 2002 Share Option Scheme and the New Share Option Scheme were set out below:

(a) 2002 Share Option Scheme

The following share options were outstanding under the 2002 Share Option Scheme during the year:

	Number of share options											
Name of category of participant	Outstanding as at 1 April 2010	Adjusted for capital reorganisation	Granted during the year	Exercised during the year	Lapse during the year	Outstanding as at 31 March 2011	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2012	Date of grant	Exercise period	Exercise price HK$
Director												
Lam Cheung Shing, Richard	202,000,000	(181,800,000)	–	–	–	20,200,000	–	–	20,200,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	7,000,000	–	–	7,000,000	–	–	7,000,000	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	15,000,000	–	–	15,000,000	–	–	15,000,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Zhang Chen	–	–	20,000,000	–	–	20,000,000	–	(20,000,000)	–	05-07-2010	05-07-2010 to 02-09-2012	0.86
Zhu Yongjun	202,000,000	(181,800,000)	–	–	–	20,200,000	–	–	20,200,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	7,000,000	–	–	7,000,000	–	–	7,000,000	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	20,000,000	–	–	20,000,000	–	–	20,000,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Wing Man Yi	202,000,000	(181,800,000)	–	(20,200,000)	–	–	–	–	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
Ha Ping	5,000,000	(4,500,000)	–	–	–	500,000	–	(500,000)	–	28-08-2007	29-08-2007 to 02-09-2012	1.46
	20,000,000	(18,000,000)	–	–	–	2,000,000	–	(2,000,000)	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	2,500,000	–	–	2,500,000	–	(2,500,000)	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Ho Yiu Yue, Louis	10,000,000	(9,000,000)	–	–	–	1,000,000	–	–	1,000,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	2,500,000	–	–	2,500,000	–	–	2,500,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Ko Ming Tung, Edward	10,000,000	(9,000,000)	–	–	–	1,000,000	(1,000,000)	–	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	2,500,000	–	–	2,500,000	(2,500,000)	–	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Fu Tao	10,000,000	(9,000,000)	–	–	–	1,000,000	–	(1,000,000)	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	2,500,000	–	–	2,500,000	–	(2,500,000)	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Consultants												
In aggregate	33,000,000	(29,700,000)	–	–	–	3,300,000	–	–	3,300,000	28-08-2007	29-08-2007 to 02-09-2012	1.46
	20,000,000	(18,000,000)	–	–	–	2,000,000	–	–	2,000,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	10,000,000	–	–	10,000,000	–	–	10,000,000	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	175,000,000	(148,000,000)	–	27,000,000	(1,750,000)	–	25,250,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Employees												
In aggregate	40,000,000	(36,000,000)	–	(2,000,000)	(500,000)	1,500,000	–	–	1,500,000	28-08-2007	29-08-2007 to 02-09-2012	1.46
	176,000,000	(158,400,000)	–	(9,000,000)	(1,000,000)	7,600,000	–	–	7,600,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	2,000,000	–	–	2,000,000	(2,000,000)	–	–	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	56,000,000	(42,000,000)	(3,000,000)	11,000,000	–	(3,000,000)	8,000,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
	930,000,000	(837,000,000)	322,000,000	(221,200,000)	(4,500,000)	189,300,000	(7,250,000)	(31,500,000)	150,550,000			
Weighted average exercise price	HK$0.107	HK$1.066	HK$0.883	HK$0.914	HK$0.984	HK$0.935	HK$0.893	HK$0.893	HK$0.946			

38. SHARE OPTIONS *(Continued)*

(a) 2002 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 options 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 fair values of the share options granted during the year ended 31 March 2008, 2010 and 2011 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	30 July 2009	5 July 2010	26 July 2010	25 August 2010
Total number of share options:	459,490,000	1,568,000,000	20,000,000	26,000,000	276,000,000
Option value: – (directors)	–	–	HK$0.294	HK$0.279	HK$0.282
– (consultants)	HK$0.078	HK$0.049	–	HK$0.279	HK$0.282
– (employees)	HK$0.071	HK$0.049	–	HK$0.279	HK$0.282
Valuables					
– Maturity date	2 September 2012	2 September 2012	2 September 2012	2 September 2012	2 September 2012
– Annual risk free rate*	4.4%	0.100%~0.984%	0.47%~0.6951%	0.36%~0.5448%	0.20%~0.37%
– Stock price at the date of grant	HK$0.146	HK$0.103	HK$0.86	HK$0.83	HK$0.89
– Exercise price	HK$1.46#	HK$1.03#	HK$0.86	HK$0.83	HK$0.89
– Expected life	approximately 5 years	approximately 3 years	approximately 2 years	approximately 2 years	approximately 2 years
– Expected volatility	66%	93%~113%	65.61%~88.95%	95.53%~113.33%	57.49%~90.17%
– Expected ordinary dividend	Nil	Nil	Nil	Nil	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.

\# The exercise prices were adjusted due to the Capital Reorganisation of the Company in 1 April 2010.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 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.

There are no share-based payment expenses was recognised for the year ended 31 March 2012 (2011: HK$91,064,000) in relation to share options granted by the Company.

Following sanction from the High Court of Hong Kong for the capital reorganisation of the Company in April 2010, the exercise prices of share options granted during the year ended 31 March 2008 and 2010 were adjusted accordingly. Details of the adjustment were set out in the Company's announcement dated 9 April 2010.

At 31 March 2012, the Company had 150,550,000 share options (2011: 189,300,000) 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 150,550,000 additional ordinary shares of HK$0.1 each of the Company.

(b) New Share Option Scheme

No share options have been granted pursuant to the New Share Option Scheme since its adoption.

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2012

(a) In October 2011, the Group entered into a conditional sale and purchase agreement with 西安閻良航城水務有限公司 (Xian Yanliang Hang Cheng Water Co., Ltd.) relating to the disposal of (i) 99% equity interest in 西安航空科技產業園供排水有限公司 (Xian Aviation Technology Asset Zone Water Supply Co., Ltd.) ("Xian Aviation Water Supply"); and (ii) a non-interest bearing loan due from Xian Aviation Water Supply to the Group at consideration of RMB149,500,000 (equivalent to approximately HK$184,568,000). The consideration was satisfied by cash. Xian Aviation Water Supply has entered into a service concession agreement with 西安閻良國家航空高技術產業基地發展中心 (Development Center of Xian Yanliang National Aviation Hi-tech Industrial Base) to transfer, operate and transfer a water supply plant in Xian Aviation Asset Zone, Yanliang, Xian, the PRC. The disposal was completed in November 2011. The assets and liabilities of Xian Aviation Water Supply at the disposal date were as follows:

	HK$'000
Intangible assets (note 20(a))	272,703
Property, plant and equipment (note 16)	80
Inventories	316
Trade receivables, prepayments and other receivables	70,283
Cash and cash equivalents	3,707
Trade payables	(5,101)
Amount due to the Group	(26,157)
Other payables	(13,812)
Tax payables	(976)
Bank borrowings — due within one year	(67,901)
Deferred tax liabilities	(55,704)
	177,438
Disposal of 99% equity interests	175,233
Goodwill (note 21)	4,589
Amount due to the Group assigned to the purchaser	26,157
Release of exchange reserves	(2,293)
Loss on disposal of a subsidiary	(19,118)
Total consideration	184,568
Satisfied by:	
Cash consideration	158,411
Assignment of loan to the purchaser	26,157
	184,568
Net cash inflow arising from the disposal	
Cash consideration received	158,411
Cash and cash equivalents disposed of	(3,707)
	154,704

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2011

(b) Following the Group entered into a conditional sale and purchase agreement with 漢中萬邦置業發展有限公司 in November 2009 relating to the sale of 100% equity interest in 漢中國中酒店管理有限公司, the disposal was completed in December 2010 at consideration of RMB36,620,000 (equivalent to approximately HK$42,582,000). The assets and liabilities of 漢中國中酒店 at the disposal date were as follows:

	HK$'000
Interest in leasehold land and land use rights	40,625
Property, plant and equipment	2,225
Amount due to the Group	(41,467)
	1,383
Amount due to the Group assigned to the purchaser	41,467
Release of exchange reserves	(246)
Loss on disposal of a subsidiary	(22)
Total consideration	42,582
Satisfied by:	
Cash consideration	1,115
Settlement of other payable on behalf of the Group	41,467
	42,582
Net cash inflow arising from the disposal	
Cash consideration received	1,115

40. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2012

(a) In July 2011, the Group entered into sales and purchase agreements with several independent third parties to acquire the entire equity interest in External Fame Limited and its subsidiaries (the "External Fame Group") at consideration of approximately HK$162,000,000. The consideration was satisfied by cash. The External Fame Group are principally engaged in properties investment in the PRC and the fair value of its identified assets and liabilities at the date of acquisition were as follows:

	Fair value HK$'000
Investment properties (note 15)	162,167
Property, plant and equipment (note 16)	35
Trade receivables	185
Cash and cash equivalents	65
Trade and other payables and deposit received	(852)
Deferred tax liabilities (note 35)	(17,669)
	143,931
Goodwill (note 21)	18,069
Consideration	162,000
Satisfied by:	
Trade receivables	10,622
Prepayments and deposits	100,000
Other receivables	51,378
	162,000
Net cash inflow on acquisition of subsidiaries	
Cash and cash equivalents acquired	65

Had the acquisitions taken place at beginning of the year, the turnover and loss of the Group for the year ended 31 March 2012 would have been approximately HK$4,265,000 and HK$60,743,000 respectively.

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2012 *(Continued)*

(b) In March 2011, the Group entered into sales and purchase agreements with Mr. Zhou Yuning to acquire entire equity interest in Universe Glory Limited at consideration of HK$800,000,000. Universe Glory Limited directly holds 65% equity interest in an Indonesia subsidiary, P.T. Satwa Lestari Permai. The consideration was satisfied by cash. Further details of the acquisition were set out in the Company's announcement dated 2 March 2011. The acquisition was completed in December 2011. The Universe Glory Group are principally engaged in exploration and mining of manganese in the Republic of Indonesia.

Universe Glory Group has not carried out any significant business transactions on acquisition date. In the opinion of the directors of the Company, the acquisition has been accounted for as acquisition of assets through acquisition of a subsidiary and not accounted for as a business combination in accordance with the requirements of HKFRS 3 Business Combinations.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment (note 16)	3,962
Mining rights (note 19)	1,232,400
Cash and cash equivalents	1,281
Other payables	(22,708)
	1,214,935
Less: Non-controlling interests	(432,844)
	782,091
Excessive consideration paid	17,909
Consideration	800,000
Satisfied by:	
Prepayments and deposits	504,762
Cash	295,238
	800,000
Net cash outflow on acquisition of subsidiaries	
Cash consideration paid	(295,238)
Cash and cash equivalents acquired	1,281
	(293,957)

As the revenue and result of the Universe Glory Group before the acquisition were not significant to the Group, the total Group revenue and result, as if the acquisition had been completed on 1 April 2011, are not disclosed as the information does not give additional value.

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2011

(c) In August 2010, the Group entered into sales and purchase agreements with several independent third parties to acquire 85% equity interest in Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited ("Beijing Zhongke") and 100% equity interest in Zhuozhou Zhongke at considerations of RMB34,850,000 and RMB44,650,000 respectively. The considerations were satisfied by cash. Further details of the acquisitions were set out in the Company's announcement dated 17 August 2010. The acquisitions were completed in August 2010. The fair value of the identified assets and liabilities of Beijing Zhongke and Zhuozhou Zhongke at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Acquirees' carrying amount immediately before acquisition HK$'000	Adjustment HK$'000	Fair value HK$'000
Investment in an associate (note 22)	1,140	—	1,140
Property, plant and equipment (note 16)	15,516	10,752	26,268
Intangible assets (note 20(a))	125,284	—	125,284
Inventories	4,115	—	4,115
Trade and other receivables and prepayments	26,583	—	26,583
Cash and cash equivalents	15,971	—	15,971
Trade payables	(15,221)	—	(15,221)
Other payables	(19,370)	—	(19,370)
Deferred tax liabilities (note 35)	(2,831)	(2,107)	(4,938)
Bank borrowings — due within one year	(89,537)	—	(89,537)
	61,650	8,645	70,295
Less: Non-controlling interests			(4,640)
Goodwill (note 21)			29,416
Consideration			95,071
Net cash outflow on acquisition of subsidiaries			
Cash consideration paid			95,071
Cash and cash equivalents acquired			(15,971)
			79,100

Beijing Zhongke and Zhuozhou Zhongke acquired in the year contributed approximately HK$32,490,000 and HK$8,119,000 to the Group's turnover for the period between the completion date of the acquisitions and 31 March 2011.

Beijing Zhongke and Zhuozhou Zhongke acquired in the year contributed profit of approximately HK$4,181,000 and HK$2,573,000 to the Group's loss before taxation for the period between the completion date of the acquisitions and 31 March 2011.

Had the acquisitions taken place at beginning of the year, the turnover and loss of the Group for the year ended 31 March 2011 would have been approximately HK$74,316,000 and HK$14,927,000 respectively.

41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 31 March 2012

(a) Reorganisation with Heilongjiang Interchina

Pursuant to the transfer agreement (the "Reorganisation") entered into between Heilongjiang Interchina and Interchina Water Treatment Company Limited ("Interchina Water Treatment"), an indirect wholly owned subsidiary of the Company, dated 3 March 2010, Interchina Water Treatment agreed to transfer its (i) 75% equity interest in Interchina (Qinhuangdao); (ii) 100% equity interest in Interchina (Changli); (iii) 100% equity interest in Interchina (Maanshan); (iv) 100% equity interest in Ordos Interchina (collectively referred to as the "2011 Transferred Assets") and (v) 100% equity interest in Taiyuan Haofeng (the "2012 Transferred Assets"), to Heilongjiang Interchina.

The consideration of the exchange of the 2012 Transferred Assets and the 2011 Transferred Assets between Heilongjiang Interchina and Interchina Water Treatment was determined based on the valuation of the respective assets as at 31 December 2009.

For the 2012 Transferred Assets, the Reorganisation was approved by China Securities Regulatory Committee ("CSRC") on 13 January 2011 and completed on 24 August 2011. Heilongjiang Interchina paid a cash consideration of approximately HK$94,420,000 to Interchina Water Treatment.

The Reorganisation with Heilongjiang Interchina is treated as transaction with non-controlling interests. The consideration paid by Heilongjiang Interchina and the carrying amounts of the 2012 Transferred Assets on the completion date of the Reorganisation were approximately HK$94,420,000 and HK$83,722,000 respectively. Considering the non-controlling interests increased from 20% to 56.98% before and after the Reorganisation and the consideration received by the Group in excess of the carrying amounts of the 2012 Transferred Assets, the Group recognised a decrease in non-controlling interests of approximately HK$3,956,000 and an increase in equity attributable to the owners of the Company of approximately HK$3,956,000. The effect of changes of the equity attributable to the owners of the Company and the non-controlling interests as at the completion date of the Reorganisation is summarised as follow:

	HK$'000
Carrying amount of the 2012 Transferred Assets	83,722
Consideration received from Heilongjiang Interchina	(94,420)
Excess of consideration received	(10,698)
Multiply: percentage of non-controlling interests	36.98%
Effect of changes on the equity attributable to owners of the Company	3,956
Effect of changes in non-controlling interests	3,956

(b) Acquisition of non-controlling interests

(i) Acquisition of 5% equity interests in Beijing Zhongke

In November 2011, the Group further acquired 5% equity interests of Beijing Zhongke from which increasing the Group's shareholding in Beijing Zhongke from 85% to 90%. The consideration paid by the Group and the carrying amount of Beijing Zhongke on the completion date of acquisition were approximately HK$3,208,000 and HK$48,781,000 respectively. The Group recognised a decrease in non-controlling interests of approximately HK$2,439,000 and a decrease in equity attributable to the owners of the Company of approximately HK$769,000.

41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

For the year ended 31 March 2012 *(Continued)*

(b) Acquisition of non-controlling interests *(Continued)*

(ii) Acquisition of 29% equity interests in Regent Victor Development Limited ("Regent Victor")

In July 2011, the Group further acquired 29% equity interest of Regent Victor from 71% to 100%. The consideration paid by the Group and the carrying amounts of Regent Victor on the completion date of acquisition were approximately HK$16,680,000 and HK$48,414,000 respectively. The Group recognised a decrease in non-controlling interests of approximately HK$14,040,000 and an decrease in equity attributable to the owners of the Company of approximately HK$2,640,000.

For the year ended 31 March 2011

(c) Deemed disposal of Heilongjiang Interchina

Pursuant to a revised share increase proposal submitted by Heilongjiang Interchina to the Shanghai Stock Exchange, the PRC, in March 2010, Heilongjiang Interchina proposed to issue up to 115,000,000 shares to several independent third parties. The revised share increase proposal was approved by CSRC on 13 January 2011 and completed on 14 February 2011, in which 100,000,000 shares of Heilongjiang Interchina were issued to seven independent institutional investors at RMB7.5 each (the "Share Increase"). The net proceeds of approximately RMB724,500,000 were raised accordingly. Following completion of the Share Increase, the Group's interest in Heilongjiang Interchina was diluted from 70.21% to 53.77%. Considering the equity interest of 53.77% in Heilongjiang Interchina, the excess of the net proceeds from the Share Increase over the carrying amount of equity interest in the Heilongjiang Interchina Group disposed of on the date of completion of the Share Increase was recognised in owners equity and non-controlling interests. The effect of changes of the equity attributable to the owners of the Company and the non-controlling interests as at the completion date of the Share Increase is summarised as follow:

	HK$'000
Consideration received from non-controlling interests under the Share Increase	852,354
Less: Carrying amount of equity interests disposed of from deemed disposal	(487,194)
Net effect of changes in equity	365,160

41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

For the year ended 31 March 2011 *(Continued)*

(d) Reorganisation with Heilongjiang Interchina

As mentioned in note 41(a) above, in respect of the Reorganisation of the 2011 Transferred Assets, it was approved by CSRC on 13 January 2011 and completed on 14 February 2011. Heilongjiang Interchina paid a cash consideration of HK$259,583,000 to Interchina Water Treatment.

The reorganisation with Heilongjiang Interchina is treated as transaction with non-controlling interests. The consideration paid by Heilongjiang Interchina and the carrying amounts of the 2011 Transferred Assets on the completion date of the Reorganisation were approximately HK$259,583,000 and HK$424,315,000 respectively. Considering the 46.23% of non-controlling interests in Heilongjiang Interchina, the Group recognised an increase in non-controlling interests of approximately HK$76,156,000 and a decrease in equity attributable to the owners of the Company of approximately HK$76,156,000. The effect of changes of the equity attributable to the owners of the Company and the non-controlling interests as at the completion date of the Reorganisation is summarised as follow:

	HK$'000
Carrying amount of the 2011 Transferred Assets	424,315
Consideration received from Heilongjiang Interchina	(259,583)
Excess of carrying amount	164,732
Multiply: percentage of non-controlling interests	46.23%
Effect of changes on the equity attributable to owners of the Company	76,156
Effect of changes in non-controlling interests	76,156

42. CAPITAL COMMITMENTS

	The Group	
	2012	2011
	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	**236,978**	332,720
— acquisition of subsidiaries	**679,012**	295,238
— acquisition of investment properties	**44,926**	—

43. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2012 and 2011, 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	
	2012	2011
	HK$'000	HK$'000
Within one year	**8,113**	7,060
In the second to fifth year inclusive	**9,308**	9,719
After five years	**8,991**	10,109
	26,412	26,888

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.

The Group as lessor

Property rental income earned during the year was approximately HK$17,452,000 (2011: HK$13,483,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2012, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**15,516**	14,903
In the second to fifth year inclusive	**23,498**	26,953
After five years	**15,121**	19,632
	54,135	61,488

44. 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 (2011: Nil) are used to reduce the contributions for the year ended 31 March 2012. The contributions are charged to the consolidated income statements 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.

45. CONTINUING CONNECTED TRANSACTIONS AND 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) On 6 January 2012, the Company entered into a master agreement ("the Master Agreement") with Kingston Capital Asia Limited ("KCA"), pursuant to which the Company may engage KCA and its subsidiaries (the "KCA Group") to provide financial services, which including securities placement, underwriting or sub-underwriting, brokerage, margin financing and corporate financial advisory services and other ancillary services, to the Company for a fixed term commencing on the date of Master Agreement up to 31 March 2014. KCA is a direct wholly-owned subsidiary of Kingston Financial Group Limited. Mrs. Chu Yuet Wah ("Mrs. Chu"), a substantial shareholder in the Company, has controlling interests in Kingston Financial Group Limited. Therefore, the KCA Group is an associate of Mrs. Chu, a connected person of the Company. The annual caps for the three months ended 31 March 2012 and for each of the two years ending 31 March 2014 determined under the Master Agreement were HK$28,000,000, HK$30,000,000 and HK$30,000,000 respectively. Further details of the transaction were set out in the announcement of the Company dated 6 January 2012 and circular of the Company dated 17 February 2012.

During the three months ended 31 March 2012, the Company had not paid any financial services fee to the KCA Group pursuant to the Master Agreement.

45. CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS *(Continued)*

(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:

	2012 **HK$'000**	2011 HK$'000
Salaries and other short-term benefits	**11,399**	10,811
Pension scheme contributions	**136**	146
Share-based payment expenses	**—**	28,137
	11,535	39,094

Further details of directors' emoluments are included in note 9 to the consolidated financial statements.

(c) Balance with related parties

Included in other receivables was an amount advanced to directors of a subsidiary amounted to approximately HK$2,040,000 (2011: HK$5,798,000).

46. GOVERNMENT SUBSIDIES

During the year, the Group received government subsidies of approximately HK$10,195,000 (2011: HK$73,891,000) for its operations in Dongying, Beijing and Hanzhong, the PRC. The amount has been included in other revenue for the year (note 8).

47. 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, derivative financial instruments and convertible notes. 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.

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Categories of financial instruments

	The Group 2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,146,462**	1,816,819
Available-for-sales financial assets	**69,136**	1,190
Financial assets at fair value through profit or loss	**73,985**	162,771
Derivative financial instruments	**62,889**	—
Financial liabilities		
Amortised cost	**2,342,603**	2,351,586

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.

(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 2012, if there is a 5% increase or decrease in exchange rate of Hong Kong dollars against the RMB with all other variables held constant, the Group's exchange reserve would be increased or decreased by approximately HK$16,783,000 (2011: HK$72,462,000)

(ii) Price risk

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

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

***(a) Market risk** (Continued)*

(ii) Price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

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$3,699,000 (2011: loss decreased/increased by approximately HK$7,177,000) 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 statement of financial position. 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 the end of the reporting period 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.

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.

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

***(c) Liquidity risk** (Continued)*

The following table details the remaining contractual maturities at the end of the reporting period 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 HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2012						
Continuing operations						
Non-derivative financial liabilities						
Trade and other payables and deposits received	**—**	**349,269**	**—**	**—**	**349,269**	**349,269**
Bank and other borrowings	**9.89%**	**2,041,492**	**129,259**	**19,666**	**2,190,417**	**1,993,334**
		2,390,761	**129,259**	**19,666**	**2,539,686**	**2,342,603**
At 31 March 2011						
Continuing operations						
Non-derivative financial liabilities						
Trade and other payables and deposits received	—	444,414	—	—	444,414	444,414
Bank and other borrowings	9.09%	950,321	1,091,433	38,872	2,080,626	1,907,172
		1,394,735	1,091,433	38,872	2,525,040	2,351,586

(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 end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel 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 2012 would increase/decrease by approximately HK$9,967,000 (2011: HK$9,536,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value estimation

HKFRS 7 (Amendment) "Financial Instruments — Disclosures" requires disclosure of fair value measurements for financial instruments by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2012

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 March 2012				
Financial assets at fair value through profit or loss	73,985	—	—	73,985
Derivative financial instruments	—	—	62,889	62,889
As at 31 March 2011				
Financial assets at fair value through profit or loss	162,771	—	—	162,771

There have been no significant transfers between level 1, 2 and 3 in the reporting period.

The fair value of the Group's derivative financial instruments as classified under level 3 has been estimated using a valuation technique based on assumptions and significant input. The assumptions and relevant inputs and the reconciliation were set out in note 29 to the consolidated financial statements.

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.

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's overall strategy remains unchanged from prior year.

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 less cash and cash equivalent divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Capital risk management *(Continued)*

The gearing ratios at the end of the reporting period are as follows:

	2012 HK$'000	2011 HK$'000
Total borrowings (note 33)	**1,993,334**	1,907,172
Less: Cash and cash equivalents (note 31)	**(398,751)**	(1,072,985)
	1,594,583	834,187
Total equity	**3,381,428**	3,460,426
Gearing ratio	**47%**	24%

48. MAJOR NON-CASH TRANSACTIONS

Apart from the transactions detailed in notes 39(b), 40(a), 40(b), 41(a), 41(c) and 41(d) to the consolidated financial statements, the Group had no major non-cash transactions of investing and financing activities during the years ended 31 March 2012 and 2011.

49. 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
Action Investments Limited	Hong Kong	100	100	—	Property letting
Burlingame International Company Limited	Hong Kong	425,019,668	100	—	Investment holding
Interchina Corporate Services Limited	Hong Kong	10,000	100	—	Management
Interchina (Tianjin) Water Treatment Company Limited @	PRC	RMB900,000,000	100	—	Environmental protection
國中(漢中)石門供水有限公司 #	PRC	RMB50,000,000	—	80	Water supply
Interchina Futures Limited	Hong Kong	8,500,000	30	70	Commodities Brokerage
Interchina Securities Limited	Hong Kong	300,000,000	5	95	Securities brokerage

49. 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
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision of financial services
Best Plain Trading Limited	Hong Kong	310,000,000	–	100	Property letting
Interchina Water Treatment Limited	BVI	US$10,000	–	100	Investment holding
Interchina (Changli) (國水(昌黎)污水處理有限公司)	PRC	RMB41,000,000	–	53.77	Sewage treatment
Interchina (Maanshan) (國水(馬鞍山)污水處理有限公司)	PRC	RMB52,655,215	–	53.77	Sewage treatment
Interchina (Qinhuangdao)	PRC	US$4,091,003	–	65.33	Sewage treatment
Success Flow International Limited	BVI	US$1	100	–	Investment holding
Long Bao Property 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
Money Capture Investments Limited	BVI	US$1	100	–	Investment holding
Shanghai Interchina Club Company Limited	PRC	US$769,210	–	100	Provision of entertainment services
Equal Smart Profits Limited	BVI	US$1	–	100	Property investment
Heilongjiang Interchina (黑龍江國中水務股份有限公司)	PRC	RMB427,225,000	–	53.77	Investment holding
漢中市國中自來水有限公司	PRC	RMB60,000,000	–	53.77	Water supply
漢中市漢江供水實業有限責任公司	PRC	RMB5,026,000	–	53.77	Water facilities construction
漢中市漢江水業發展有限責任公司	PRC	RMB910,000	–	53.77	Distilled water supply
青海雄越環保科技有限責任公司	PRC	RMB20,900,000	–	51.08	Sewage treatment

49. 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		Principal activity
		HK$ (unless Otherwise stated)	Directly %	Indirectly %	
Beijing Zhongke (北京中科國益環保工程有限公司)	PRC	RMB10,000,000	—	48.39	Environmental protection engineering service
Zhuozhou Zhongke (涿州中科國益水務有限公司)	PRC	RMB58,000,000	—	53.77	Sewage treatment
東營國中水務有限公司	PRC	RMB110,000,000	—	29.82	Water supply
Taiyuan Haofeng (太原豪峰污水處理有限公司)	PRC	RMB90,930,000	—	43.02	Sewage treatment
Ordos Interchina (鄂爾多斯國中水務有限公司)	PRC	RMB154,000,000	—	53.77	Sewage treatment
湘潭國中水務有限公司	PRC	RMB150,000,000	—	43.98	Water supply
Interchina Qian Yuan (Shanghai) Co., Ltd.	PRC	US$10,000,000	—	100	Supply and procurement of metal minerals and electronic components
P.T. Satwa Lestari Permai	Indonesia	RP5,000,000,000	—	65.00	Exploration mining, processing and sale of manganese resources

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

50. EVENTS AFTER THE REPORTING PERIOD

(a) On 9 March 2012, the Group entered into a joint venture agreement with 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited) ("Xiangtan Jiuhua") and 湘潭市污水處理有限責任公司 (Xiangtan City Sewage Treatment Company Limited) ("Xiangtan City Co"), in relation to establish of 湘潭國中污水處理有限公司 (Xiangtan Interchina Sewage Treatment Company Limited) (the "Xiangtan Sewage"), which will be owned as to 75.8% by Heilongjiang Interchina, as to 18.2% by Xiangtan Jiuhua and as to 6% by Xiangtan City Co.

Upon establishment of the Xiangtan Sewage, it will enter into a franchise agreement (the "Franchise Agreement") to be entered into between the Xiangtan Sewage and 湘潭九華示範區管理委員會 (the Management Committee of the Xiangtan Jiuhua Demonstration Zone). Pursuant to the Franchise Agreement, among others, Xiangtan Sewage will be granted an exclusive right to manage, operate and maintain a sewage treatment plant in Xiangtan in return for sewage treatment fees payable by the Management Committee. The Franchise Agreement was signed on 7 March 2012. Details of the joint venture were set out in the Company's announcement dated 9 March 2012 and circular dated 4 May 2012.

50. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) On 29 March 2012, the Group entered into a placing agreement with the placing agent for the purpose of placing of the Company's shares of maximum of 854,000,000 placing shares at placing price of HK$0.42 each. On 18 June 2012, the Company and the placing agent, after arm's length negotiations, entered into a supplemental placing agreement, pursuant to which (i) the placing price be amended from HK$0.42 to HK$0.34; and (ii) the long-stop date of the placing agreement be extended from 29 June 2012 to 15 August 2012 or such later date as to be agreed between the Company and the placing agent. Details were set out in the Company's announcement dated 29 March 2012 and 18 June 2012 respectively.

(c) On 25 April 2012, the Group entered into a sale and purchase agreement to acquire 5 units of properties located at Above The Bund (白金灣府邸), 18 Hai Ping Road, Hongkou District, Shanghai, the PRC, at the aggregate cash consideration of approximately RMB194,127,000. The acquisition was completed in May 2012 and the details were set out in the Company's announcement dated 26 April 2012.

(d) On 8 May 2012, the Group completed the placing of convertible notes in the maximum aggregate principle amount of HK$294,500,000 pursuant to a conditional placing agreement dated 13 December 2011 entered into between the Company and the placing agent. Details of the placing of the convertible notes were set out in the Company's announcement dated 13 December 2011 and 8 May 2012 respectively.

(e) On 31 May 2012, Heilongjiang Interchina, a subsidiary of the Company whose A Shares are listed on the Shanghai Stock Exchange of the PRC, has entered into the Strategic Cooperation Framework Agreement with the Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences. Both parties have agreed to jointly invest in and incorporate the Interchina CAS Ecological Scientific Innovation Co. Ltd. for the management and implementation of actual operations involved in the incubation of technological innovation and industrialisation. Details of the agreement were set out in the Company's announcement dated 31 May 2012.

(f) On 21 June 2012, the board of directors of Heilongjiang Interchina, a subsidiary of the Company with its shares listed on the Shanghai Stock Exchange, the PRC approved a proposal in respect of the issue of maximum of 160,000,000 Heilongjiang Interchina new shares at the price of RMB8.03 each to not more than ten subscribers. The details were set out in the Company's announcement dated 25 June 2012.

(g) On 21 June 2012, Heilongjiang Interchina has exercised the option and entered into the sale and purchase agreement with seven independent third parties in relation to the acquisition of 90% equity interest in Beijing TDR. The aggregate consideration is RMB495,000,000. Beijing TDR is principally engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose. As at the date of approval of these consolidated financial statements, the management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. The details were set out in the Company's announcement dated 8 May 2012 and 27 June 2012 (note 29).

(h) On 28 June 2012, Universe Glory Limited, an indirect wholly-owned subsidiary of the Company entered into a memorandum of understanding agreement to acquire 35% of issued share capital of P.T. Satwa Lestari Permai. As at the date of approval of these consolidated financial statements, the management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. The details were set out in the Company's announcement dated 28 June 2012.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2012.

	For the year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Results					
Turnover	**657,360**	413,473	234,770	116,182	103,007
(Loss)/profit from ordinary activities before taxation	**(277,262)**	(39,901)	126,277	(365,869)	7,105
Taxation	**(17,615)**	(43,018)	(56,661)	14,491	(21,120)
(Loss)/profit for the year from continuing operations	**(294,877)**	(82,919)	69,616	(351,378)	(14,015)
Loss for the year from discontinued operation	**—**	—	(9,247)	(412,867)	(26,706)
(Loss)/profit for the year	**(294,877)**	(82,919)	60,369	(764,245)	(40,721)
Owners of the Company	**(356,726)**	(101,699)	63,293	(764,496)	(39,762)
Non-controlling interests	**61,849**	18,780	(2,924)	251	(959)
(Loss)/profit for the year	**(294,877)**	(82,919)	60,369	(764,245)	(40,721)

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Assets and liabilities					
Total assets	**7,228,609**	6,834,487	3,673,173	3,065,296	2,833,986
Total liabilities	**(2,500,279)**	(2,542,459)	(1,315,054)	(1,190,145)	(701,686)
Non-controlling interests	**(1,346,902)**	(831,602)	(234,168)	(155,686)	(9,312)
Shareholders' fund	**3,381,428**	3,460,426	2,123,951	1,719,465	2,122,988

PARTICULARS OF MAJOR PROPERTIES

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
Retail portion on basement Level 1, Level 1 to Level 2 and 88 office units from Level 3 to Level 12 and 164 carparking spaces on basement Level 2 and 3 situated at Interchina Commercial Building 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