Notes to the Financial Statements

For the year ended 31 March 2007

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is 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 environmental protection and water treatment operation, city development and investment operation, property investment operation and securities and financial operation.

2.1 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statement is historical cost as modified for the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, investment properties which are carried at fair value.

The preparation of the financial statements 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 to the consolidated financial statements.

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December, 2005 or 1 January, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segment[2]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – Int 8	Scope of HKFRS 2[4]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – Int 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or amendments will have no material impact on the financial statements of the Company.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

(i) Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

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

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

(ii) Associates

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(ii) Associates (continued)

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

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

Revenue recognition

(i) Sale of properties

Revenue arising from the development of properties for sale are recognised upon the sale of properties or the issue of an occupation permit or a completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities.

(ii) 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.

(iii) Commission and brokerage income

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(v) 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 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 improvement	Over the terms of the leases
Plant and machinery	5%-10%
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 income statement.

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

Investment properties

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

Investment properties are stated at their fair value at balance sheet date. Any gain or loss arising from a change in the fair value of the investment properties is recognised directly in the 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 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.

Interests in leasehold land and land use rights

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Goodwill

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

Goodwill arising on the acquisition of associates is included in the carrying amount of the associates. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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 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 balance sheet.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision

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

Financial Instruments

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

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 sales are 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 set out below.

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Loans and receivables

Loans and receivables (including advance to associates, advance to an investee company, loan receivables, pledged deposits, securities trading receivable and deposits, time deposits, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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 balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arises.

Other financial liabilities

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

Convertible notes

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. 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 embedded call option for the holder to convert the notes into equity, is included in equity (convertible notes – equity reserve).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Convertible notes (continued)

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 – equity reserve until the embedded 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 – equity reserve will be released to the retained profits. No gain or loss is recognised in 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 – equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Equity instruments

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

Financial guarantee contracts

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

Derivative financial instruments that do not qualify for hedge accounting

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition

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

Properties under development for sale

Properties under development for sale is stated at lower of cost and net realisable value, and is classified under current assets. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties.

Assets held under finance leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 income statement over the period of the borrowings using the effective interest method.

Borrowing costs

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

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

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 its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Operating leases

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

The Group as lessor

Rental income from operating leases is recognised in income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs (continued)

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

Related parties

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

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it 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. 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.

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(i) Market risk

(1) Foreign exchange risk

The Group operates mainly in both the People's Republic of China and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Fluctuations in exchange rates between the Renminbi and other currencies in which the Group conducts business may affect its financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

(2) Price risk

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

(ii) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and services are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

(iii) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(iv) 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.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 2.4. 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.

Estimate of fair value of investment properties

As described in note 14, the investment properties were revalued at the balance sheet date on market value existing use basis by independent professional valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

Impairment of properties under development

Included in the consolidated balance sheet at 31 March 2007 are properties under development with an aggregate carrying amount of approximately HK$298 million. Management assessed the recoverability of these amounts based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development and a forecast of future sales. If the actual net realisable values of the underlying properties are more or less than expected as a result of changes in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

Useful lives of property, plant and equipment

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Trade debtors

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

Fair values of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the 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 financial statements.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four (2006: four) operating divisions, namely environmental protection and water treatment operation, city development and investment operation, property investment operation, securities and financial operation. These divisions are on the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

5. SEGMENT INFORMATION (continued)

Business segments (continued)

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

For the year ended 31 March 2007	Environmental protection and water treatment operation HK$'000	City development and investment operation HK$'000	Property investment operation HK$'000	Securities and financial operation HK$'000	Elimination HK$'000	Consolidated total HK$'000
TURNOVER						
External sales	25,218	–	2,968	5,027	–	33,213
Inter-segment sales	–	–	426	–	(426)	–
	25,218	–	3,394	5,027	(426)	33,213
SEGMENT RESULTS	(154)	(19,504)	6,299	(1,301)	–	(14,660)
Interest income and unallocated gains						4,881
Unallocated corporate expenses						(25,190)
Loss from operations						(34,969)
Finance costs						(36,453)
Share of results of associates						(6,164)
Gain on disposal of subsidiaries						48,448
Loss before taxation						(29,138)
Taxation						(2,010)
Loss for the year						(31,148)
Assets/liabilities						
Segment assets	368,983	739,907	50,871	240,508	–	1,400,269
Interests in associates	888	–	76,531	–	–	77,419
Unallocated corporate assets						135,226
Total assets						1,612,914
Segment liabilities	94,799	246,260	3,731	183,803	–	528,593
Unallocated corporate liabilities						276,127
Tax liability						382
Total liabilities						805,102

5. SEGMENT INFORMATION (continued)

Business segments (continued)

For the year ended 31 March 2007	Environmental protection and water treatment operation HK$'000	City development and investment operation HK$'000	Property investment operation HK$'000	Securities and financial operation HK$'000	Elimination HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation and amortisation	9,128	2,493	206	55	–	11,882
Unallocated amounts						1,296
						13,178
Capital expenditure	101,979	22,580	–	60	–	124,619
Unallocated amounts						1,086
						125,705
Impairment loss recognised in the income statement	–	–	–	–	–	–
Changes in fair value of investment properties	–	–	4,439	–	–	4,439

5. SEGMENT INFORMATION (continued)

Business segments (continued)

For the year ended 31 March 2006	Environmental protection and water treatment operation *HK$'000*	City development and investment operation *HK$'000*	Property investment operation *HK$'000*	Securities and financial operation *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000*
TURNOVER						
External sales	58,268	66,779	3,724	5,969	–	134,740
Inter-segment sales	–	–	1,023	–	(1,023)	–
	58,268	66,779	4,747	5,969	(1,023)	134,740
SEGMENT RESULTS	(3,037)	(36,129)	2,571	(2,694)	–	(39,289)
Interest income and unallocated gains						421
Unallocated corporate expenses						(34,349)
Loss from operations						(73,217)
Finance costs						(26,135)
Share of results of associates						(9,473)
Gain on disposal of subsidiaries						237
Loss before taxation						(108,588)
Taxation						(937)
Loss for the year						(109,525)
Assets/liabilities						
Segment assets	263,767	907,177	107,866	27,940	–	1,306,750
Interests in associates	840	–	82,608	–	–	83,448
Unallocated corporate assets						27,197
Total assets						1,417,395
Segment liabilities	64,544	222,219	4,748	18,031	–	309,542
Unallocated corporate liabilities						398,858
Total liabilities						708,400

5. SEGMENT INFORMATION (continued)

Business segments (continued)

For the year ended 31 March 2006	Environmental protection and water treatment operation HK$'000	City development and investment operation HK$'000	Property investment operation HK$'000	Securities and financial operation HK$'000	Elimination HK$'000	Consolidated total HK$'000
Other segment information						
Depreciation and amortisation	8,846	2,725	298	243	–	12,112
Unallocated amounts						709
						12,821
Capital expenditure	13,369	16,858	1,162	40	–	31,429
Unallocated amounts						1,846
						33,275
Impairment loss recognised in the income statement	–	17,738	–	–	–	17,738
Changes in fair value of investment properties	–	–	1,008	–	–	1,008

5. SEGMENT INFORMATION (continued)

Geographical segments

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

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

	Hong Kong		The PRC		Consolidated total	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	5,567	6,419	27,646	128,321	33,213	134,740
Segment results	(263)	(3,666)	(14,397)	(35,623)	(14,660)	(39,289)
Interest income and unallocated gains					4,881	421
Unallocated corporate expenses					(25,190)	(34,349)
Loss from operations					(34,969)	(73,217)

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

	Hong Kong		The PRC		Consolidated total	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts of segment assets	448,578	194,741	1,164,336	1,222,654	1,612,914	1,417,395
Additions to property, plant and equipment, investment properties, and intangible assets	1,146	1,431	124,559	31,844	125,705	33,275

6. TURNOVER

Turnover represents the amount received and receivable for sale of properties, property rental, management fee, commission income generated from securities and commodities broking, interest income from margin clients, and sewage treatment business for the year, and is analysed as follows:

	2007 *HK$'000*	2006 *HK$'000*
Sale of properties	–	35,836
Sale of land	–	66,779
Property rental and management fee	2,968	3,724
Brokerage commission income	4,024	5,263
Interest income from margin clients	1,003	706
Sewage treatment income	25,218	22,432
	33,213	134,740

7. OTHER REVENUE

	2007 *HK$'000*	2006 *HK$'000*
Dividend income	5	5
Gain on sales of cash coupon	–	58
Water damage insurance claim	–	8
Sundry income	1,863	552
	1,868	623

8. OTHER OPERATING INCOME

	2007 *HK$'000*	2006 *HK$'000*
Compensation from termination of disposal contract	1,448	–

9. STAFF COSTS

	2007 HK$'000	2006 HK$'000
Salaries and allowances (including directors' remuneration)	24,516	30,455
Retirement benefit scheme contributions	1,473	1,824
	25,989	32,279

(a) Directors' emoluments

The Company's Board is currently composed of three executive directors and three independent non-executive directors. The aggregate amount of emoluments payable to the directors of the Company during the year was HK$10,327,000 (2006: HK$11,066,000).

The remuneration of every director of the Company for the year ended 31 March 2007 and 31 March 2006 is shown as below:

Name of directors	Directors' Fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Executive directors								
Zhang Yang	200	200	3,900	3,900	120	120	4,220	4,220
Chan Wing Yuen, Hubert	200	200	2,746	2,455	120	66	3,066	2,721
Lam Cheung Shing, Richard	200	200	1,831	1,635	90	90	2,121	1,925
	600	600	8,477	7,990	330	276	9,407	8,866
Non-executive director								
Hui Ho Ming, Herbert (Retired on 26 August 2006)	250	600	–	–	–	–	250	600
	850	1,200	8,477	7,990	330	276	9,657	9,466

9. STAFF COSTS (continued)

(a) Directors' emoluments (continued)

Name of directors	Directors' Fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Independent non-executive directors								
Lee Peng Fei, Allen (Resigned on 1 March 2006)	–	600	–	–	–	–	–	600
Wu Wai Chung, Michael (Retired on 26 August 2006)	150	600	–	–	–	–	150	600
Wong Hon Sum	200	200	–	–	–	–	200	200
Ha Ping	200	200	–	–	–	–	200	200
Tang Tin Sek (Appointed on 26 August 2006)	120	–	–	–	–	–	120	–
	670	1,600	–	–	–	–	670	1,600
	1,520	2,800	8,477	7,990	330	276	10,327	11,066

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

9. STAFF COSTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2006: three) directors whose emoluments are reflected in note (a) above and amounted to HK$9,407,000 (2006: HK$8,866,000). The emoluments payable to the remaining two (2006: two) individuals during the year were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Salaries and other benefits	1,159	1,122
Retirement benefit scheme contributions	38	42
	1,197	1,164

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	2007	2006
Nil to HK$1,000,000	2	2

10. LOSS FROM OPERATIONS

	2007 *HK$'000*	2006 *HK$'000*
Loss from operations has been arrived at after charging (crediting):		
Depreciation		
– Owned assets	11,451	11,174
– Assets held under finance leases	52	52
Amortisation of leasehold land and land use rights	1,675	1,595
	13,178	12,821
Gross rents from investment properties	(2,968)	(3,724)
Auditors' remuneration	700	750
Loss on disposal of property, plant and equipment	153	40
Operating lease rentals in respect of premises	4,120	5,528
Net foreign exchange loss	139	3,508

11. FINANCE COSTS

	2007 *HK$'000*	2006 *HK$'000*
Interests on:		
Bank loans and overdrafts and other loans wholly repayable:		
within five years	**12,032**	9,037
over five years	**10,267**	9,636
Other borrowings	**17,054**	8,359
Interest on obligations under finance leases	**10**	12
Interest on convertible notes	**301**	282
	39,664	27,326
Less: Amounts capitalised	**(3,211)**	(1,191)
	36,453	26,135

12. TAXATION

	2007 *HK$'000*	2006 *HK$'000*
Current tax:		
Hong Kong	**786**	520
Provision for deferred tax liabilities	**1,224**	417
	2,010	937

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. TAXATION (continued)

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax (expense) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

THE GROUP – Year Ended 31 March 2007

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	8,919	–	20,219	–	29,138	–
Tax at the statutory tax rate	1,561	17.5	6,672	33.0	8,233	28.3
Tax effect of expenses not deductible for tax purpose	(2,302)	(25.8)	(3,611)	(17.9)	(5,913)	(20.3)
Tax effect of income not taxable for tax purpose	9,599	107.6	–	–	9,599	32.9
Tax effect of tax losses/deferred tax assets not recognised	(9,858)	(110.5)	(3,945)	(19.5)	(13,803)	(47.4)
Over-provision for previous year	(126)	(1.4)	–	–	(126)	(0.4)
Tax charge for the year	(1,126)	(12.6)	(884)	(4.4)	(2,010)	(6.9)

THE GROUP – Year Ended 31 March 2006

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	63,893	–	44,695	–	108,588	–
Tax at the statutory tax rate	11,181	17.5	14,749	33.0	25,930	23.9
Tax effect of expenses not deductible for tax purpose	(1,765)	(2.8)	(5,661)	(12.7)	(7,426)	(6.8)
Tax effect of income not taxable for tax purpose	111	0.2	–	–	111	0.1
Tax effect of tax losses/deferred tax assets not recognised	(10,464)	(16.4)	(9,088)	(20.3)	(19,552)	(18.0)
Tax charge for the year	(937)	(1.5)	–	–	(937)	(0.8)

13. LOSS PER SHARE

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

	2007 *HK$'000*	2006 *HK$'000*
Loss attributable to ordinary equity holders for the purpose of basic loss per share	31,590	108,312

Number of shares	2007	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	5,655,988,454	5,000,348,290

	HK cents	*HK cents*
Basic	0.559	2.166

Diluted loss per share amount for the year ended 31 March 2007 has not been presented as the convertible notes outstanding during the year ended had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2007.

No diluted loss per share has been presented for the year ended 31 March 2006 as the Company had no potential dilutive ordinary shares for the year ended 31 March 2006.

14. INVESTMENT PROPERTIES

	THE GROUP	
	2007 *HK$'000*	2006 *HK$'000*
Valuation at 1 April 2006/2005	60,694	394,325
Exchange alignment	719	267
Revaluation surplus	4,439	1,008
Eliminated upon disposal of subsidiaries	–	(334,906)
Valuation at 31 March	65,852	60,694

Investment properties were valued at their open market value at 31 March 2007 by Messrs. Savills Valuation and Professional Services Limited, an independent professional valuers and 北京寶信房地產評估諮詢有限責任公司, an independent PRC professional valuers. These valuations gave rise to a revaluation surplus of HK$4,439,000 (2006: HK$1,008,000) which the whole amount has been credited to income statement in accordance of HKAS 40.

14. INVESTMENT PROPERTIES (continued)

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Investment properties in Hong Kong, held on:		
Long-term leases	**13,800**	12,300
Investment properties outside Hong Kong, held on:		
Medium-term leases	**52,052**	48,394
	65,852	60,694

Investment properties with the carrying amount of approximately HK$65,852,000 (2006: HK$60,694,000) have been pledged to secure banking facilities granted to the Group.

The Group's investment properties, amounting to HK$59,451,000 (2006: HK$54,900,000) are rented out under operating leases.

15. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP *HK$'000*
Cost	
At 1 April 2005	89,165
Exchange alignment	1,715
At 31 March 2006 and 1 April 2006	90,880
Exchange alignment	4,590
Eliminated upon disposal of subsidiaries	(54,490)
At 31 March 2007	40,980
Accumulated amortisation	
At 1 April 2005	13,308
Exchange alignment	255
Charge for the year	1,595
At 31 March 2006 and 1 April 2006	15,158
Exchange alignment	137
Charge for the year	1,675
Eliminated upon disposal of subsidiaries	(14,628)
	2,342
Carrying amount	
At 31 March 2007	38,638
At 31 March 2006	75,722

15. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS (continued)

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

	2007 *HK$'000*	2006 *HK$'000*
Land outside Hong Kong, held on:		
Long-term leases	**38,638**	37,338
Medium-term leases	**–**	38,384
	38,638	75,722

At 31 March 2007, all of the Group's interests in leasehold land and land use rights with an aggregate net book value of approximately HK$38,638,000 (2006: HK$75,722,000) were pledged to secure banking facilities granted to the Group.

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

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Properties under development HK$'000	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost								
At 1 April 2005	345,731	127,573	4,233	4,054	11,550	20,659	127,835	641,635
Exchange alignment	6,650	1,969	81	78	139	480	2,404	11,801
Reclassification from properties under development for sale	128,868	–	–	–	–	–	–	128,868
Eliminated upon disposal of subsidiaries	–	–	(4,314)	–	(5,065)	(1,087)	–	(10,466)
Additions	18,495	9,464	–	–	1,287	624	3,405	33,275
Disposals	–	–	–	–	(1)	(93)	(23,020)	(23,114)
At 31 March 2006 and 1 April 2006	499,744	139,006	–	4,132	7,910	20,583	110,624	781,999
Exchange alignment	25,240	6,227	–	209	121	751	5,776	38,324
Eliminated upon disposal of subsidiaries	(249,480)	–	–	–	–	(295)	–	(249,775)
Additions	22,577	74,841	–	–	1,032	130	313	98,893
Disposals	–	–	–	–	–	(2,482)	–	(2,482)
At 31 March 2007	298,081	220,074	–	4,341	9,063	18,687	116,713	666,959
Accumulated depreciation								
At 1 April 2005	–	–	508	3,118	6,959	10,543	3,332	24,460
Exchange alignment	–	–	10	60	75	120	64	329
Charge for the year	–	–	12	315	711	2,396	7,792	11,226
Eliminated upon disposal of subsidiaries	–	–	(530)	–	(3,226)	(643)	–	(4,399)
Eliminated upon disposals	–	–	–	–	–	(30)	–	(30)
At 31 March 2006 and 1 April 2006	–	–	–	3,493	4,519	12,386	11,188	31,586
Exchange alignment	–	–	–	176	57	369	565	1,167
Charge for the year	–	–	–	258	870	2,397	7,978	11,503
Eliminated upon disposal of subsidiaries	–	–	–	–	–	(38)	–	(38)
Eliminated upon disposals	–	–	–	–	–	(1,802)	–	(1,802)
At 31 March 2007	–	–	–	3,927	5,446	13,312	19,731	42,416
Net book value								
At 31 March 2007	298,081	220,074	–	414	3,617	5,375	96,982	624,543
At 31 March 2006	499,744	139,006	–	639	3,391	8,197	99,436	750,413

16. PROPERTY, PLANT AND EQUIPMENT (continued)

THE COMPANY

	Leasehold improvements	Furniture and fixtures	Equipment, motor vehicle and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 2005	1,852	378	3,549	5,779
Exchange alignment	35	7	68	110
Additions	–	40	135	175
At 31 March 2006 and 1 April 2006	1,887	425	3,752	6,064
Exchange alignment	95	22	189	306
Disposals	–	–	(1,041)	(1,041)
At 31 March 2007	1,982	447	2,900	5,329
Accumulated depreciation				
At 1 April 2005	1,225	208	2,790	4,223
Exchange alignment	23	4	54	81
Charge for the year	–	40	135	175
At 31 March 2006 and 1 April 2006	1,248	252	2,979	4,479
Exchange alignment	64	12	151	227
Charge for the year	258	99	444	801
Disposals	–	–	(759)	(759)
At 31 March 2007	1,570	363	2,815	4,748
Net book value				
At 31 March 2007	412	84	85	581
At 31 March 2006	639	173	773	1,585

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amounts of the properties under development comprises:

	2007 *HK$'000*	2006 *HK$'000*
THE GROUP		
Outside Hong Kong, held on:		
Long-term leases	**298,081**	276,474
Medium-term leases	**–**	223,270
	298,081	499,744

Properties under development of the Group are located in the PRC. At 31 March 2007, properties under development of the Group included interest capitalised of HK$42,846,000 (2006: HK$42,071,000).

Construction in progress represents the construction work of a water supply plant and a sewage treatment plant. At 31 March 2007, construction in progress of the Group included interest capitalised of HK$5,439,000 (2006: HK$3,003,000).

At 31 March 2007, the net book value of equipment, motor vehicle and others included an amount of HK$243,000 (2006: HK$295,000) in respect of assets held under finance leases.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	453,906	453,906
Impairment loss recognised	(41,722)	(41,722)
	412,184	412,184

The carrying amount of the investments in subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

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

Details of the Company's principal subsidiaries at 31 March 2007 are set out in note 41.

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of investments, unlisted	1,010	962	1	1
Share of post-acquisition profits or losses	74,045	81,335	–	–
Amount due from an associate	2,364	1,151	45,007	68,704
	77,419	83,448	45,008	68,705

The amount due from an associate is unsecured, non-interest bearing and has no fixed repayment terms. The carrying amount of the amount due from an associate approximates to its fair value.

In the opinion of the directors of the Company, the amounts due from associates will not be repayable within twelve months of the balance sheet date and accordingly, the amounts have been classified as non-current assets.

Details of the principal associates at 31 March 2007 are set out in note 42.

18. INTERESTS IN ASSOCIATES (continued)

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

	2007 *HK$'000*	2006 *HK$'000*
Turnover	8,559	5,005
Loss for the year	(39,158)	417
Loss attributable to the Group	(6,164)	(9,473)
Total assets	343,574	272,342
Total liabilities	(153,716)	(40,750)
Net assets	189,858	231,592
Net assets attributable to the Group	75,055	82,297

19. GOODWILL

	THE GROUP *HK$'000*
Cost	
At 1 April 2005	22,142
Elimination of accumulated amortisation and impairment upon adoption of HKFRS 3	(19,296)
At 31 March 2006, 1 April 2006 and 31 March 2007	2,846
Accumulated amortisation	
At 1 April 2005	19,296
Amortised for the year	(19,296)
At 31 March 2006, 1 April 2006 and 31 March 2007	–
Carrying amount	
At 31 March 2007	2,846
At 31 March 2006	2,846

19. GOODWILL (continued)

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

	2007 *HK$'000*	2006 *HK$'000*
City development & investment operation	**2,846**	2,846

The directors of the Company reassessed the recoverable amount of goodwill as at 31 March 2007 by reference to the valuation as at 31 March 2007 performed by Hunan Licheng Certified Public Accountants Limited, an independent professional PRC valuer. The recoverable amount of the CGU determined by the valuer, at a discount rate of 7% and assumed no growth, which is based on the present value of the expected future revenue arising from sales of properties and the market value of the properties.

Based on the impairment testing of goodwill, in the opinion of the directors of the Company, no impairment provision is considered necessary for the balance of the Group's goodwill.

20. OTHER NON-CURRENT ASSETS

Other non-current assets mainly include contribution to the compensation fund and fidelity fund with the Stock Exchange, admission fee and guarantee fund contribution to Hong Kong Securities Clearing Company Limited and statutory deposits with HKFE Clearing Corporation Limited.

21. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2007 *HK$'000*	2006 *HK$'000*
Land cost	**56,555**	53,836
Development and construction costs	**289,785**	222,794
Finance costs	**2,187**	1,344
	348,527	277,974

At 31 March 2007, no properties under development for sale were pledged to secure bank loans (2006: HK$148,302,000).

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2006: 60 days) to its trade customers. The aged analysis of trade receivables of HK$43,378,000 (2006: HK$26,893,000) included in trade and other receivables and prepayments is as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 – 30 days	**43,378**	9,155	**–**	–
31 – 60 days	**–**	–	**–**	–
61 – 90 days	**–**	–	**–**	–
Over 90 days	**–**	17,738	**–**	–
	43,378	26,893	**–**	–
Margin clients accounts receivables	**1,338**	1,504	**–**	–
Clearing houses, brokers and dealers	**66,238**	961	**–**	–
Prepayments and deposits	**20,369**	49,826	**431**	10,079
Other receivables	**75,345**	79,389	**59,870**	66,770
	206,668	158,573	**60,301**	76,849
Less: Impairment of trade receivable	**–**	(17,738)	**–**	–
	206,668	140,835	**60,301**	76,849

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 directors of the Company consider that the carrying amounts of the Group's and the Company's trade and other receivables and prepayments approximate to their fair values.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Held for trading:		
Listed equity securities – Hong Kong, at market value	169	172

24. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Segregated accounts	3	517
Trust accounts	86,407	4,760
	86,410	5,277

25. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances	159,430	16,894	88,570	38

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

26. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables of HK$179,139,000 (2006: HK$4,704,000) included in trade and other payables and deposits received is as follows:

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
0 – 30 days	**179,139**	4,704	**–**	–
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	**606**	8,043	**–**	–
Accounts payable to clients arising from the business of dealing in futures and options	**–**	1,432	**–**	–
Other payables and deposits received	**263,661**	285,351	**3,355**	14,254
	443,406	299,530	**3,355**	14,254

Amounts due to margin clients are repayable on demand. 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.

Accounts payables to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. 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 futures and options dealing.

Included in the trade payables are payable to a director of the Company and a related company of the Company amounting to HK$33,559,000 and HK$58,349,000 respectively.

Included in the other payables and deposits received are payables for construction works of approximately HK$84,611,000(2006: HK$56,300,000) and deposits received for the pre-sale of properties of approximately HK$68,776,000 (2006: HK$95,818,000).

The directors of the Company consider that the carrying amounts of the Group's and the Company's trade and other payables and deposits received approximate to their fair values.

27. AMOUNT DUE TO A RELATED COMPANY – THE GROUP AND THE COMPANY

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

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

28. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings, secured	353,169	301,328	–	–
Other borrowings:				
secured	–	65,203	–	–
unsecured	–	40,000	–	40,000
Total other borrowings	–	105,203	–	40,000
Total borrowings	353,169	406,531	–	40,000
The maturity profile is as follows:				
On demand or repayable within one year:				
bank borrowings	143,495	155,402	–	–
other borrowings	–	65,203	–	–
Portion classified as current liabilities	143,495	220,605	–	–
On demand or repayable in the second year:				
bank borrowings	25,664	18,102	–	–
other borrowings	–	40,000	–	40,000
	25,664	58,102	–	40,000
Bank borrowings repayable:				
in the third to fifth years, inclusive	103,535	59,531	–	–
after the fifth year	80,475	68,293	–	–
Portion classified as non-current liabilities	209,674	185,926	–	40,000
Total borrowings	353,169	406,531	–	40,000

28. BANK AND OTHER BORROWINGS (continued)

All the bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi range from 5.5% to 6.9% (2006: 4.5% to 6.6%) per annum.

The directors of the Company consider that the carrying amounts of the bank and other borrowings approximate to their fair values.

Secured bank borrowings comprise term loans and mortgage loans which bear interest at commercial rates. The term loans are secured by the property, plant and equipment and interests in leasehold land held by the Group with carrying values of approximately HK$400,864,000 (2006: HK$368,084,000) and HK$38,638,000 (2006: HK$37,338,000) respectively. The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$65,852,000 (2006: HK$60,694,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable in instalments over a period of 1 to 20 years.

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

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**30,575**	73,074	**–**	40,000
Renminbi	**322,594**	333,457	**–**	–
Total	**353,169**	406,531	**–**	40,000

29. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
within one year	**77**	77	**69**	67
in the second to fifth years, inclusive	**147**	223	**141**	210
	224	300	**210**	277
Less: Future finance charges	**(14)**	(23)	**–**	–
Present value of finance leases	**210**	277	**210**	277
Less: Amount due for settlement within one year			**(69)**	(67)
Amount due for settlement after one year			**141**	210

It is the Group's policy to lease certain of its equipment and motor vehicles under finance leases. The average lease term is 3 to 5 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

30. CONVERTIBLE NOTES

On 12 February 2007, the Group entered into subscription agreements with the subscribers, pursuant to which the Company agreed to issue and the subscribers agreed to subscribe for the convertible notes for an aggregate principal amount of HK$111,698,000 (the "New Convertible Notes"). The New Convertible Notes are convertible into shares at the conversion price, which is equal to HK$0.10 per share.

On 2 March 2007 and 14 March 2007, the holders of the New Convertible Notes converted their convertible notes with principal amounts of HK$60,000,000 and HK$46,698,000 respectively into shares at the conversion price. 1,066,980,000 ordinary shares were issued upon the conversion of the New Convertible Notes.

Upon the application of HKAS 32, the New Convertible Notes were split between the liability and equity elements. The equity element is presented in equity heading "convertible notes – equity reserve". The effective interest rate of the liability component is 8.57%.

On 14 October 2005, the Group entered into subscription agreements with the subscribers, pursuant to which the Company agreed to issue and the subscribers agreed to subscribe for the convertible notes for an aggregate principal amount of HK$90,000,000 (the "Old Convertible Notes"). The Old Convertible Notes are convertible into shares at the conversion price, which is equal to HK$0.10 per share.

On 7 November 2005, the Group completed the issue of the convertible notes. On 9 November 2005, 1 December 2005 and 16 December 2005, the holders of the Old Convertible Notes converted their convertible notes with principal amounts of HK$44,000,000, HK$23,000,000 and HK$23,000,000 respectively into shares at the conversion price. 900,000,000 ordinary shares were issued upon the conversion of the Old Convertible Notes.

The movement of the liability component of the notes for the years is set out below:

	2007 *HK$'000*	2006 *HK$'000*
Proceeds of issue	**111,698**	90,000
Equity component	**(10,303)**	(6,354)
Liability component at date of issue	**101,395**	83,646
Converted to ordinary share	**(97,109)**	(83,646)
Imputed interest expense for the year	**301**	–
Liability component at 31 March	**4,587**	–

31. SHARE CAPITAL

	Number of shares		Nominal value	
	2007	2006	2007	2006
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	10,000,000,000	10,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of the year	5,584,923,632	4,684,923,632	558,492	468,492
Conversion of convertible notes *(Note a, b)*	1,066,980,000	900,000,000	106,698	90,000
At end of the year	6,651,903,632	5,584,923,632	665,190	558,492

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

Notes:

(a) On 2 March 2007 and 14 March 2007, the holders of the New Convertible Notes converted principal amounts of HK$60,000,000 and HK$46,698,000 into shares respectively at the conversion price of HK$0.10 per share. 1,066,980,000 ordinary shares were issued upon the conversion of the New Convertible Notes.

(b) On 9 November 2005, 1 December 2005 and 16 December 2005, the holders of the Old Convertible Notes converted principal amounts of HK$44,000,000, HK$23,000,000 and HK$23,000,000 into shares respectively at the conversion price of HK$0.10 per share. 900,000,000 ordinary shares were issued upon the conversion of the Old Convertible Notes.

32. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY					
At 1 April 2005	282,459	–	–	(289,939)	(7,480)
Issue of convertible notes	–	–	6,354	–	6,354
Conversion of convertible notes	282	–	(6,354)	–	(6,072)
Profit for the year	–	–	–	89,347	89,347
At 31 March 2006 and 1 April 2006	282,741	–	–	(200,592)	82,149
Exchange difference	–	(1,454)	–	–	(1,454)
Issue of convertible notes	–	–	10,303	–	10,303
Conversion of convertible notes	–	–	(9,589)	–	(9,589)
Recognition of deferred tax for convertible notes	–	–	(124)	–	(124)
Loss for the year	–	–	–	(12,670)	(12,670)
At 31 March 2007	282,741	(1,454)	590	(213,262)	68,615

The Company did not have any reserves available for distribution to shareholders at 31 March 2007.

33. DEFERRED TAX LIABILITY

THE GROUP

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

	Revaluation of properties HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 April 2005	1,190	–	1,190
Charge to income statement	417	–	417
At 1 April 2005 and 31 March 2006	1,607	–	1,607
Charge to income statement	1,224	–	1,224
Issue of convertible notes	–	73	73
At 31 March 2007	2,831	73	2,904

At 31 March 2007, the Group had unused estimated tax losses of approximately HK$502,621,000 (2006: HK$462,340,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

THE COMPANY

No deferred tax asset has been recognised in respect of estimated tax losses of approximately HK$315,692,000 (2006: HK$311,341,000) due to the unpredictability of future profit streams.

34. SHARE OPTIONS

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

(a) Old Share Option Scheme

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

No option under the Old Share Option Scheme remained outstanding at 31 March 2007 and 31 March 2006.

(b) New Share Option Scheme

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

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

34. SHARE OPTIONS (continued)

(b) New Share Option Scheme (continued)

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the directors of the Company, 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.

No option has been granted under the New Share Option Scheme since its inception.

35. DISPOSAL OF SUBSIDIARIES

The net assets of the wholly owned subsidiaries at the date of disposal were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Investment properties	–	334,906
Interests in leasehold land and land use rights	39,862	–
Property, plant and equipment	249,737	6,016
Inventories	–	604
Trade receivables	–	9,742
Deposits, prepayments and other debtors	22,941	1,180
Cash and bank balances	27	5,767
Other creditors and accruals	(106,575)	(18,783)
Amount due to ultimate holding company	442	(5,973)
Amount due to associates	(782)	–
Bank loans	–	(105,521)
Net assets disposed of	205,652	227,938
Less: remaining share of net assets held by the Group as associated companies	–	(91,175)
	205,652	136,763
Gain on disposal	48,448	237
Total consideration	254,100	137,000
Less: Cash and bank balances of disposed subsidiaries	(27)	(5,767)
Net cash flow from disposals of subsidiaries	254,073	131,233
Satisfied by:		
Cash	254,100	137,000

35. DISPOSAL OF SUBSIDIARIES (continued)

On 28 March 2007, the Company entered into a disposal agreement in relation to the disposal of 100% interests in Burlingame (Shanghaï) Investment Limited, a wholly-owned subsidiary of the Group ("BSI") and a non-interest bearing shareholder loan owing by BSI to the Group at an aggregate consideration of HK$206,000,000, which satisfied by the third party in cash. During the year, BSI incurred a loss of approximately HK$19,567,000 to the Group.

On 26 May 2006, China Field Investments Limited, a wholly-owned subsidiary of the Company entered into a disposal agreement in relation to the disposal of the entire issued share capital of New Experience Investments Limited ("New Experience") and the shareholder's loan amounted to HK$20,750,000 due and owing by New Experience Investments Limited to China Field Investments Limited at an aggregate consideration of HK$48,100,000, which satisfied by the third party in cash. During the year, New Experience incurred a loss of approximately HK$4,184,000 to the Group.

On 23 April 2005, the Company entered into the disposal agreement in relation to the disposal of 60% interests in Money Capture Investments Limited ("Money Capture") (a wholly-owned subsidiary of the Group) and its principal asset is its interests in the Property, which is held as an investment property by Equal Smart Profits Limited ("Equal Smart") (a wholly-owned subsidiary of Money Capture), at an aggregate consideration of HK$137,000,000, which shall be satisfied by the third party in cash.

36. CAPITAL COMMITMENTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment and properties under development for sale	**282,181**	512,054

37. COMMITMENTS

(a) At 31 March 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's guarantee lease arrangement for the pre-sale properties. The lease commitment of the Group will be as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**6,341**	13,097
In the second to fifth year inclusive	**41,488**	44,124
After five years	**26,611**	31,008
	74,440	88,229

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

(b) At 31 March 2007, the Group has written certain repurchase options for the pre-sale properties to the property buyers. The options give the right to the property buyers that they can request the Group to buy back the properties at 100% of the original property sales price on the option exercise date. The exercise date of the options is six years after the completion date of the sale and purchase agreements of the properties with the total contract sum of approximately HK$120,889,000 (2006: HK$127,460,000).

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2007, 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	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**2,802**	3,479
In the second to fifth year inclusive	**6,818**	5,565
After five years	**11,855**	8,043
	21,475	17,087

38. OPERATING LEASE COMMITMENTS (continued)

The Group as lessee (continued)

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 HK$2,968,000 (2006: HK$3,724,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2007, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	1,732	1,921
In the second to fifth year inclusive	62	315
	1,794	2,236

39. 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 (2006: Nil) are used to reduce the contributions for the year ended 31 March 2007. The contributions are charged to 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.

40. MATERIAL RELATED PARTY TRANSACTIONS

THE GROUP

The Group entered into the following material transactions with related parties during the year:

(i) Transactions with related parties

(a) During the year, the Group paid interest amounting to HK$180,000 (2006: HK$167,000) to a director of the Company's subsidiary.

(b) During the year, the Group paid interest amounting to HK$953,000 (2006: HK$2,928,000) to a related company of the Company.

(c) During the year, the Group received rental income approximately HK$540,000 (2006: HK$450,000) from a director of the Company.

(d) At 31 March 2007, the Group has outstanding amounting to HK$33,559,000 and HK$58,349,000 due to a director of the Company and a related company of the Company.

(ii) Compensation of key management personnel

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

	2007 *HK$'000*	2006 *HK$'000*
Salaries and other short-term benefits	**9,077**	11,912
Pension scheme contributions	**330**	318
	9,407	12,230

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

THE COMPANY

At 31 March 2007, the Company had given unconditional guarantee to a bank to secure banking facilities available to subsidiaries to the extent of approximately HK$23,532,000 (2006: HK$29,300,000).

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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	Class of share held	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* %	
	Action Investments Limited	Hong Kong	Ordinary	100	100	–	Property letting
	Burlingame International Company Limited	Hong Kong	Ordinary	425,019,668	100	–	Investment holding
	Interchina City Development & investment Limited	The British Virgin Islands ("BVI")	Ordinary	US$10,000	100	–	Investment holding
	Interchina Corporate Services Limited	Hong Kong	Ordinary	10,000	100	–	Management services
!	Interchina Aihua (Tianjin) Municipal & Environmental Engineering Company Limited ("Interchina Aihua")	PRC	–	*RMB50,000,000	93	–	Environmental protection
!	Interchina (Tianjin) Water Treatment Company Limited	PRC	–	*RMB200,000,000	93	–	Environmental protection
@	Interchina (Changsha) Investment & Management Company Limited	PRC	–	*US$18,080,000	100	–	Property development
!	長沙國中星城置業有限公司	PRC	–	*RMB90,000,000	38.89	61.11	Property development
!	漢中市石門城市供水有限公司	PRC	–	*RMB50,000,000	–	74.4	Water supply

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	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 Futures Limited	Hong Kong	Ordinary	8,500,000	30	70	Commodities brokerage
Interchina Securities Limited	Hong Kong	Ordinary	300,000,000	5	95	Securities brokerage
Best Plain Trading Limited	Hong Kong	Ordinary	310,000,000	–	100	Property letting
Interchina Environmental Protection Company Limited	BVI	Ordinary	US$1	–	100	Investment holding
@ Interchina (Qinhuangdao) Sewage Treatment Company Limited	PRC	–	*US$4,091,003	–	93	Sewage treatment
Interchina Water Treatment Limited	BVI	Ordinary	US$10,000	–	93	Investment holding
Interchina Property Agency Limited	Hong Kong	Ordinary	1	–	100	Real estate agency
@ 國水(昌黎)污水處理有限公司	PRC	–	*RMB26,000,000	–	93	Sewage treatment
@ 國水(馬鞍山)污水處理有限公司	PRC	–	42,860,000	–	93	Sewage treatment
@ 湖南泛星國際企業管理有限公司	PRC	–	*RMB20,000,000	–	100	Property management

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

42. PARTICULARS OF PRINCIPAL ASSOCIATES

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

Name of associate	Place of incorporation/ registration and operation	Class of share held	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* %	
Money Capture Investments Limited	BVI	Ordinary	US$100	40	–	Investment holding
Equal Smart Profits Limited	BVI	Ordinary	US$1	–	40	Property letting
天津水與燃氣信息技術開發有限公司	PRC	–	RMB5,000,000	–	18.6	Environmental services

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

43. SUBSEQUENT EVENTS

(a) On 27 April 2007, Beijing Capital (Hong Kong) Limited ("Beijing Capital") and the Company entered into a sale and purchase agreement, pursuant to which the Company agreed to sell and Beijing Capital agreed to buy the 93% equity interests held in Interchina Aihua at a consideration of RMB 34,500,000.

(b) On 11 June 2007, Mr. Lee Kung Tao ("Mr. Lee") and the Company entered into a sale and purchase agreement in relation to the acquisition of 60% equity interests in Money Capture at an aggregate consideration of approximately HK$195,039,000, which shall be satisfied in cash of approximately HK$132,681,000 and settlement of amount owing to the Company by Mr. Lee amounted to approximately HK$62,358,000. Upon completion of acquisition, Money Capture and Equal Smart (a wholly-owned subsidiary of Money Capture) will become wholly-owned subsidiaries of the Group.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 June 2007.