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INTERCHINA HOLDINGS CO LTD

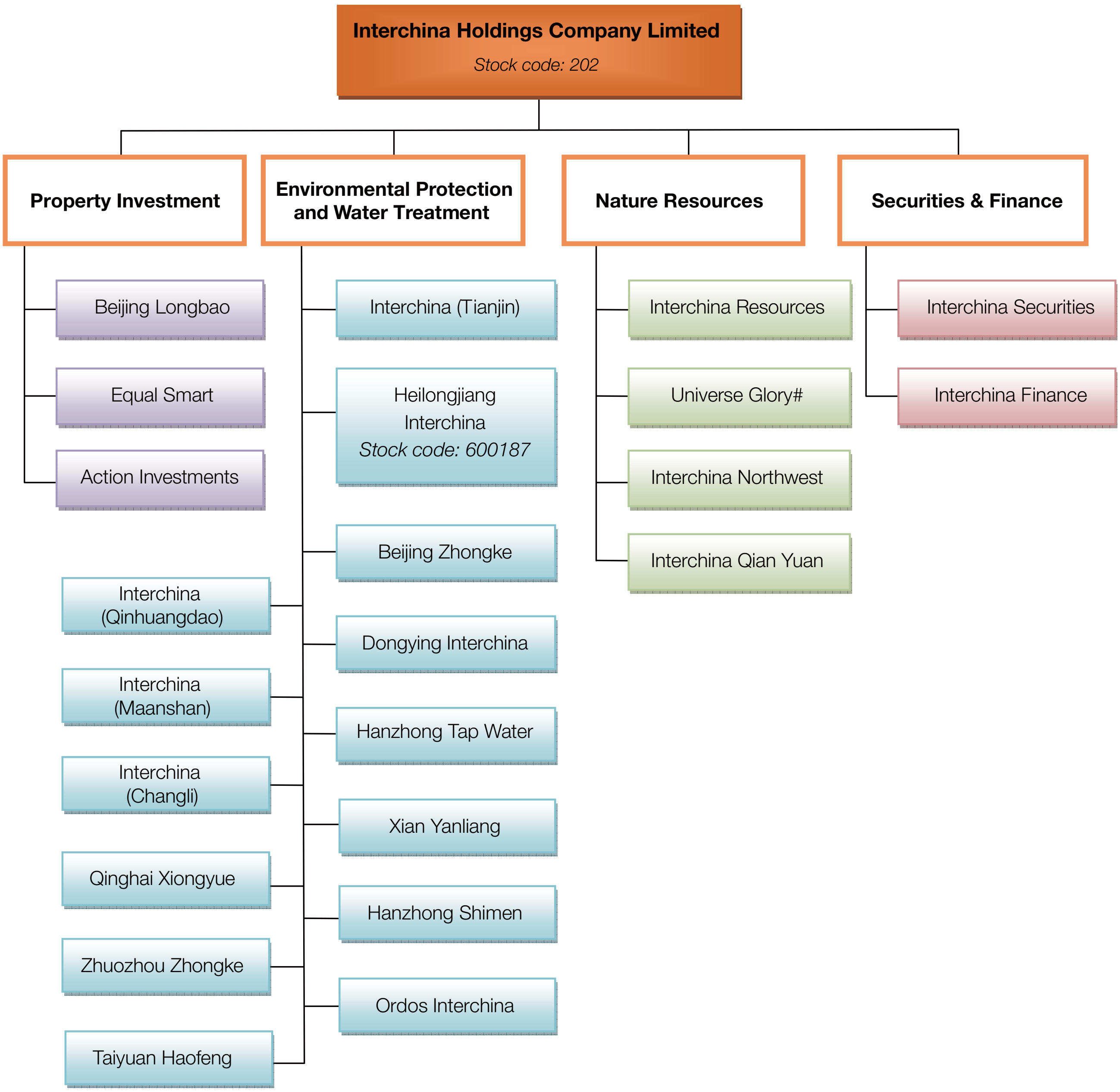
Stock Code: 202

ANNUAL REPORT 2011

CONTENTS

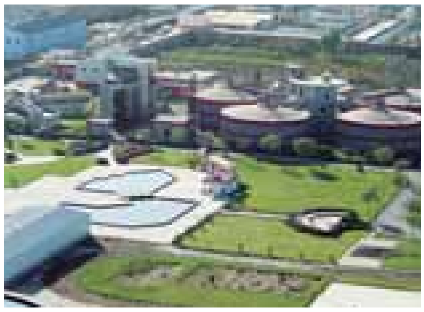
THE COMPANY AND PRINCIPAL SUBSIDIARIES

Interchina Holdings Company Limited ("Interchina" or the "Company") is a consolidated investment holding company. The Company has been listed on The Stock Exchange of Hong Kong (the "Stock Exchange" or "SEHK") since 2001.



\# The acquisition is expected to be completed in August 2011.

For the year ended 31 March 2011 (the "Year"), the Group principally engaged in the businesses of environmental protection and water treatment operation, property investment operation, provision of securities and financial operation and development of natural resources exploitation. Summary and development objectives of such businesses are as follows:


Environmental protection and water treatment operation

The Group invests in the environmental protection and water treatment operation through Interchina (Tianjin) Water Treatment Company Limited ("Interchina (Tianjin)"), a wholly-owned subsidiary of the Group, and Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, a company listed on the Shanghai Stock Exchange), a 53.77% owned subsidiary of the Group. As of 31 March 2011, the Group operated a total of 11 sewage treatment and water supply projects with an aggregate daily processing capacity of 1,000,000 tonnes. We have an environmental protection service and solution engineering company which has obtained a recognised first class professional qualification. The Group intends to utilise the investment platform of Interchina (Tianjin) to rapidly develop the domestic and overseas merger and acquisition, including acquiring domestic high-tech corporations related to the water treatment industry, and develop overseas water treatment market in Southeast Asia and Middle East and other corporations with high potential return. Once the water treatment projects come into operation, the Group will inject the projects into Heilongjiang Interchina by means of capital direct injection made by the Group. Heilongjiang Interchina will take over the operation management of all these water projects and turn itself into a leading water treatment corporation in domestic market.


Project Surveillance Centre of Interchina (Tianjin)

Property Investment Operation

北京龍堡物業管理有限公司 (Beijing Longbao Property Management Limited*) and Action Investments Limited, wholly owned subsidiaries of the Group, together hold investment properties with floor area of 9,900 m² in "Interchina Commercial Building", Beijing; Equal Smart Profits Limited, another wholly owned subsidiary of the Group, holds "Shanghai Interchina Club" with floor area of 18,300 m² located at No. 1546, Dailian Road, Shanghai. Since the Group's major investment properties are located in the centre of Beijing and Shanghai and provide the Group with stable and substantial rental income and earnings, the Group intends to further acquire the remaining commercial units in Interchina Commercial Building and to turn certain units in our properties into boutique hotels in Beijing and Shanghai to further enhance the rental income and earnings.

Natural Resources Operation

The natural resources operation of the Group is mainly comprised of four subsidiaries, namely Interchina Resources Holdings Limited ("Interchina Resources"), Universe Glory Limited ("Universe Glory"), Interchina Qian Yuan (Shanghai) Co. Ltd. ("Interchina Qian Yuan") and Interchina Northwest Nonferrous Holdings Limited ("Interchina Northwest"). The Group, through Interchina Resources, holds 65% equity in Universe Glory and indirectly holds a manganese mine project with resources of 18,800,000 tonnes in Kupang Island, Republic of Indonesia. Interchina Qian Yuan is responsible for the management of the said manganese mine project and develop the domestic and international trading business relating to natural resources products. Such manganese mine project is scheduled to start operation in the second half of 2011 and the expected production volume and sale volume for the first year amounts to 60,000 tonnes. Besides, the Company has established a joint venture company, Interchina Northwest with Northwest Nonferrous International Investment Co. Ltd. ("NWII"), a subsidiary body of Northwest Mining and Geological Exploration Bureau for Nonferrous Metals, for the development of natural resources advisory and management business. Meanwhile, the professional team from Interchina Northwest seeks for natural resources projects with high potential return, organises fund raising activities and carries out investment and administrative work to make this operation to be the Group's another major operation.

Securities and Financial Operation

The Group operates its securities and financial operation through its wholly owned subsidiaries, namely Interchina Securities Limited and Interchina Finance (H.K.) Limited. This operation provides stable brokerage commission income and interest income to the Group at all time. Given the increasingly fierce competition in securities and financial market, the Group intends to enhance its competitiveness in securities and financial operation by merger and acquisition with a view to further extend the size of this operation.

The scene of the Manganese Ore Processing Centre in Kupang Island, Indonesia

04/2010

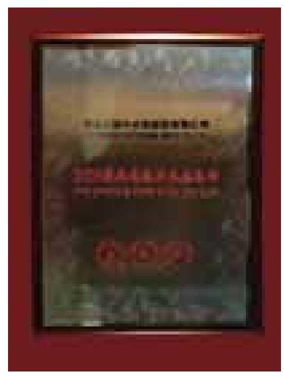
- The High Court of Hong Kong granted approval for the capital reorganisation of Interchina, including capital reduction and increase in authorised share capital
- Heilongjiang Interchina was awarded the "2009年度水業新銳企業獎" ("2009 Excellent New Water Treatment Corporation Award")

05/2010

- Interchina successfully placed 440,000,000 shares to more than six placees at a price of HK$0.65 per share
- Heilongjiang Interchina was appraised by 中品質協(北京)品質信用評估中心 and recognised as a "國家級征信企業" ("State Creditworthy Corporation")

06/2010

- Xian Yanliang entered into an Urban Water Supply Contract with 西安市臨潼區新都市城市發展有限公司, pursuant to which it supplied water to Lintong New District
- Heilongjiang Interchina entered into a cooperation agreement with the Management Committee of the Xiangtan Jiuhua Demonstration Zone in relation to the franchise of tap water supply pursuant to which it supplied water to the cities within the demonstration zone for a franchise period of 30 years
- Mr. Zhang Chen was appointed an executive director of Interchina



07/2010

Held the Annual General Meeting of 2010

08/2010

Heilongjiang Interchina successfully completed the acquisition of 100% equity of Zhuozhou Zhongke and 85% equity of Beijing Zhongke

10/2010

- Interchina successfully placed convertible notes with a principal amount of HK$495 million to more than 6 placees
- Interchina entered into a strategic corporation agreement with CCB International Capital Limited pursuant to which the latter will facilitate Interchina to secure financing of HK$8 billion for acquiring debt-free water assets with total daily capacity of 4.5 million tonnes in the PRC
- Mr. Zhu Yongjun, chairman of Heilongjiang Interchina was invited to attend the Second U.S.-China Environmental Industries Forum held in New Orlean, U.S.

CORPORATE MILESTONES

11/2010

- Interchina (Tianjin) entered into a legal binding framework agreement with The People's Government of Beian City in respect of the proposed formation of a joint venture which will principally engage in the exploration, processing and sale of natural soda water.
- Heilongjiang Interchina was awarded the second year the "最具成長力水業品牌" in 2010 ("2010 The Most Potential Water Brand") at the China International Water Business Summit
- Ordos Interchina commenced operation

01/2011

- Mr. Zhang Yang was again appointed an executive director and chairman of the Company
- Interchina entered into a memorandum of understanding with NWII for the purpose of identifying favourable mineral resources exploration projects, conducting evaluation and feasibility studies, providing consultation and management as well as investing in mining resources projects
- Heilongjiang Interchina was granted an approval by CSRC to issue not more than 115,000,000 new A shares to 10 target investors at a price of no less than RMB6.51 per A share and raise not more than RMB750 million

03/2011

- Interchina ventured into the manganese market by acquiring 65% equity of P.T. Satwa Lestari Permai (SLP) with HK$800 million, through which Intrerchina Holdings indirectly holds the mining, processing, transportation, sale and export rights of manganese ore in South Amfoang and Takari covering an area of not less than 2,000 hectares
- Dongying Interchina commenced water supply operation
- Beijing Zhongke was granted "甲級設計資質證書" ("First-grade Design Quality Certificate")
- Chizhou Hygienic City Development Survey Group, led by the Standing Committee of the Chizhou Municipal Committee and Liu Guoqing, standing committee member and vice mayor, visited Interchina Maanshan together with Gao Xiaoping, vice mayor of Maanshan City
- Heilongjiang Interchina was once again awarded the "2010年度水業新鋭企業獎" ("2010 Excellent New Water Treatment Corporation Award")

Dear Shareholders:

The earth rotates once a day, revolution once a year, it's undergoing rotations silently day after day. From dawn to dusk, winter to summer, there is somewhat a kind of spirit that exhilarates and excites us in our ordinary days, prompting us to introspect ourselves; and there is somehow a source of power directing us to strive for success everyday.

The spirit and power emerge from the belief of Interchina since its establishment. As grassroots, we will start a new chapter of reform in a rational way with our free will, an inevitable step for the economic and social development of the PRC.

The signing of an agreement with CCB International in Beijing

In 2001, policies and market competition have been constantly changing. Document No. 1 promulgated by the Central Government focus on water resources issues, aiming at water resources development. When the Twelve Five-year Plan was rolled out, the environmental protection industry topped the list among the seven new strategic industries, ushering unprecedented development opportunities to the industry. At the right time, Heilongjiang Interchina also completed a new share issue in an amount of RMB750 million.

Striving to become a world-class investment group, Interchina Holdings focuses on the acquisition of assets with substainable value and with strong future cash flows contribution. Environmental-friendly water treatment works and infrastructures have been the core business of the company. In February 2011, upon the completion of a share issue, the aggregate daily water processing capacity of Heilongjiang Interchina, a subsidiary of the Group, increased from over 200,000 tonnes with three water projects companies at its early restructuring stage to 1.3 million tonnes with ten project companies and an engineering company.


The signing of a contract with Northwest in Hainan Island.

More importantly, we have two listing and fund raising platforms in both the PRC Shanghai and Hong Kong market which are unique and not easily accessible to other environmental and water industry players. The inherent advantages of the structure as a whole will surely fuel the company's future growth!

Moreover, while focusing on its existing environmental protection and water treatment development, the company also actively expands into the green energy as well as comprehensive investment operations with a view to expediting the process of overseas minerals exploration and deriving new growth driver of profit for the Group.

In January 2011, Interchina Holdings and NWII agreed to establish a joint venture in Hong Kong, with Interchina Holdings holding 80% equity interest in the joint venture. The objective of the joint venture company is to capitalise the advanced technology and information resources of the Northwest Geological Exploration Bureau of China and NWII and to develop the concept of incorporating "Chinese technologies" and "Chinese designs" to "Chinese-manufactured products". The joint venture company will identify suitable mineral resources exploration projects around the world, conduct feasibility studies, evaluate and invest in potential projects with the vitality of Hong Kong's capital market. The investment to these projects will bring a substantial growth to the profitability of the Company. In March 2011, Interchina Holdings signified its move to tap duly into the Indonesia natural resources market through its participation in 65% shareholding in a manganese mine in Indonesia, earmarking a historical milestone to enter into the manganese exploration and mining industry in Indonesia. We strongly believe that Interchina Holdings will complete major acquisitions in the near future under the prevailing macroeconomic environment and currency system of the PRC. Backed by its favorable capital structure, the Company must be able to attain its goals of unpredictable development.


The visit of the Beijing office by the government officials of Indonesia

China has undergone 30 years' reform unwittingly. The continuous reform and rapid transformation of the society inevitably bring about the intrinsic in-depth development of society, the speed and extent of which are unprecedented. We are sailing in the widest yet waviest waters ever, may be for this reason, we have undergone the unprecedented ups and downs. However, whatever how rough the sea condition, it should not alter the goal we set for our trip, so is our route. Lurking beneath the sea and waves is the depth of sea, the philosophy of which can stand the test of time.

How to foresee the prospect of the PRC economy? During the past half a year, external factors that raised the most concerns and speculation include, among others, price stability, the five economic goals, credit restructuring, continued economic recovery and stable monetary policy. Unquestionably, all of these factors are topics of paramount importance, some of which can even affect the short-term performance of a company's business within a particular period of time. Over the past eleven years, Interchina, being a comprehensive investment group, has already acquired the ability to predict changes in the operating environment and adapt to any changes. The fate of a company success in the future will basically be dictated by its innovation capability and ability.

"As a man sows, so he shall reap." According to ancient China, the act of righteousness represents a symbolism of compromise and commitment in action. In modern days, it is the sensible search for the meaning of existence and the preservation of its value.

The rationale embodied by Interchina compromises with the economic and social reform and development in China. With no restriction being imposed on its core value of existence, Interchina naturally follows its philosophy to act in an adequate manner with its innovative system and capability.

Many people from the Interchina team have devoted their most valuable time in life in the company. Time and skills are not only what they contributed, but also youth and passion. What they need in return is not just a reward, but also life experience and career development. Their dignities are respected, visions realized and talents revealed. Everyone's happiness brings together the entire society's prosperity. As a unit of our society, Interchina makes efforts and contributions to enhance the well-being of its members, illustrating a reflection, mission and vision of the company's value for its existence.

Difficulties are what it takes to realize the truth. Companies that establish their own existence on reasonable grounds with free will, perseverant stamina and the spirit of industriousness will find themselves unlimited potential to grow on and on. Since its establishment, Interchina Holdings has continuously working on re-creation and modulation, the spirit of creativity and change is and will be the future pace of the Company.

Finally, on behalf of the Board, I would like to express my heartfelt appreciation to all staff for their dedication and hardwork throughout the year, and sincere thanks to fellow Directors for their support, which will continue to motivate us to further strive for long term success of the Group.

Zhang Yang
Chairman

Hong Kong, 29 June 2011

BUSINESS REVIEW AND PROSPECT

Environmental Protection and Water Treatment Operation

The Group mainly operates the environmental protection and water treatment operation through its wholly-owned subsidiary, Interchina (Tianjin) Water Treatment Company Limited ("Interchina (Tianjin)") and the 53.77% owned Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, listed on the Shanghai Stock Exchange). As at 31 March 2011, the Group's environmental protection and water treatment operation comprised a total of 11 sewage treatment and water supply projects with an aggregate daily processing capacity of 1,017,500 tonnes and is summarised below:

Project	Province	The Group's controlling interest	Daily processing capacity (tonnes)
Qinhuangdao Sewage Treatment Plant ("Qinhuangdao Project")	Hebei	100%	120,000
Changli Sewage Treatment Plant ("Changli Project") [1]	Hebei	100%	40,000
Zhuozhou Sewage & Water Treatment Plants ("Zhuozhou Project") [2]	Hebei	100%	80,000
Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project")	Shannxi	100%	110,000
Yanliang Water Supply Plant ("Yanliang Project")	Shannxi	99%	120,000
Hanzhong Shimen Water Supply Plant ("Shimen Project") [3]	Shannxi	80%	100,000
Maanshan Sewage Treatment Plant ("Maanshan Project")	Anhui	100%	60,000
Xiongyue Sewage Treatment Plant ("Qinghai Project")	Qinghai	95%	42,500
Ordos Sewage & Water Treatment Plant ("Ordos Project")	Inn Mongolia	100%	35,000
Dongying Water Supply Plant ("Dongying Project") [4]	Shandong	55.4%	150,000
Taiyuan Haofeng Wastewater Treatment Plant ("Taiyuan Project") [5]	Shanxi	80%	160,000
Total			1,017,500

(1) Changli Project is currently under upgrading work to Grade 1A of the national waste water discharge standard.

(2) Zhuozhou Project consists of Eastern plant and Western plant with average daily treatment capacity of 40,000 tonnes respectively and is currently under upgrading work to Grade 1A of the national waste water discharge standard.

(3) The pipeline connection of Shimen Project is outstanding and is expected to be completed by mid of 2011.

(4) Dongying Project commenced trail run in March 2011.

(5) Construction work of Taiyuan Project is expected to be completed by the end of 2011.

The segment revenue of environmental protection and water treatment operation represented mainly (i) sewage and water treatment income; (ii) sewage and water treatment construction service income; and (iii) finance income under service concession arrangement. During the Year, the Group's environmental protection and water treatment operation recorded revenue of HK$357,017,000 (2010: HK$211,945,000) and a segment profit of HK$36,449,000 (2010: HK$41,127,000). The increase in revenue was mainly attributable to (i) the increase in construction service income by HK$115,894,000 to HK$187,910,000 (2010: HK$72,016,000) as the construction of Taiyuan Project was in full swing during the Year; and (ii) contribution from Ordos Project of HK$13,098,000 which commenced operation in November 2010. The decrease in segment profit was mainly attributable to increase in administrative expenses and professional expenses resulting from continuing expansion of this operation.

During the year under review, the Group has continuously expanded its environmental protection and water treatment operation and successfully obtained two projects. On 12 August 2010, the Group through Heilongjiang Interchina, entered into the agreements to acquire the entire equity interest in 涿州中科國益水務有限公司 (Zhuozhou Zhongke Guoyi Water Treatment Company Limited) ("Zhuozhou Zhongke"), a company established in People's Republic of China (the "PRC") at the aggregate consideration of RMB44,650,000. Zhuozhou Zhongke is principally engaged in sewage treatment business in Zhuozhou, Hebei Province, the PRC under a Built-Operate-Transfer arrangement with a term of operation of 25 years. The daily processing capacity of Zhuozhou Zhongke is 80,000 tonnes. On the even date, the Group also through Heilongjiang Interchina, entered into the agreements to acquire an aggregate of 85% equity interest in 北京中科國益環保工程有限公司 (Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited) ("Beijing Zhongke"), a company established in the PRC at the aggregate consideration of RMB34,850,000. Beijing Zhongke is one of the best service providers in providing environmental protection engineering services and solutions in the PRC. Details of the above acquisitions were set out in the Company's announcement dated 17 August 2010.

In February 2011, Heilongjiang Interchina successfully issued an aggregate of 100,000,000 new shares to 7 institutional investors at RMB7.5 per share raising net proceeds of RMB724,500,000 (the "Share Issue"). After the completion of the Share Issue, the Group's equity interest in Heilongjiang Interchina diluted from 70.20% to 53.77%, constituted a deemed disposal by the Company of its part of interest in subsidiary. As Heilongjiang Interchina remains as a subsidiary of the Group after the dilution, the gain on deemed disposal of HK$365,160,000 have to be recorded directly in the other reserve of the Group instead of the consolidated income statement. Nevertheless, the Share Issue has attracted certain institutional investors to become shareholders of Heilongjiang Interchina and provide Heilongjiang Interchina with funding necessary for its expansion. Details of the Share Issue were set out in the Company's announcement dated 29 March 2010.

Besides, Changli Project and Zhuozhou Project are currently under upgrading to Grade 1A of the national waste water discharge standard. The relevant government authority has agreed to increase sewage treatment fee after the upgrade. It expects the profitability of Changli Project and Zhuozhou Project can be further enhanced.

On 16 May 2011, Heilongjiang Interchina, entered into a joint venture agreement with 湘潭九華經濟建設投資有限公司(Xiangtan Jiuhua Economic Construction Investment Company Limited*) ("Xiangtan Jiuhau") in relation to the establishment of Xiangtan Interchina Water Treatment Company Limited ("Xiangtan Interchina") in the PRC for the construction and operation of water supply projects in the Xiangtan Jiuhua Demonstration Zone, except areas with water supply operated by General Water of China. Heilongjiang Interchina will inject RMB122,700,000 and Xiangtan Jiuhua will inject RMB27,300,000 to Xiangtan Interchina representing 81.8% and 18.2% of the registered capital of Xiangtan Interchina respectively. Xiangtan Interchina will enter into the Franchise Agreement for Tap Water Supply to the Xiangtan Jiuhua Demonstration Zone of Hunan Province ("Franchise Agreement") with the Management Committee of the Xiangtan Jiuhua Demonstration Zone. The Management Committee of the Xiangtan Jiuhua Demonstration Zone will grant the franchise for the water supply plant project of the Xiangtan Jiuhua Demonstration Zone (hereinafter referred to as the "Project"), with the franchise period commencing on the date the Project is ready to supply water and ends on the 30th anniversary. Xiangtan Interchina Water Treatment will invest, construct, produce and operate a water supply plant project of the Xiangtan Jiuhua Demonstration Zone with a daily capacity of 300,000 tonnes during the franchise period. Of which, the phase I investment and construction projects will include the construction of new water pipeline, a water treatment plant of 50,000 tonnes/day and a raw water plant of 50,000 tonnes/day, as well as the main water distribution pipe and related auxiliary facilities. Detail of the transaction was set out in the Company's announcement dated 18 May 2011.

With the objectives of the Twelve "Five-Year Plan" gradually in shape, energy-saving environmental protection industry becomes the first of China's Seven Strategic Emerging Industries. It is expected that the environmental protection and water treatment operation projects of the Group will also benefit from it. Currently, the Company has gained access to the domestic A-share market investment and financing platform with its holding of Heilongjiang Interchina, which allows the Group to own two direct investment and financing platforms, enables the Group to enjoy the exchange gains brought by the appreciation of RMB; the benefits of high valuation of the domestic capital market; and the strategic synergy of reducing costs and enhancing return on water assets.

To further consolidate the development of this operation, the Group has established clear development objectives for Interchina (Tianjin) and Heilongjiang Interchina. Interchina (Tianjin) will mainly engage in merger and acquisition of and investment in water treatment projects as well as other integrated investment business; while Heilongjiang Interchina will focus on the management and operation of water treatment projects. The Group intends to carry out domestic and overseas merger and acquisition by Interchina (Tianjin), including acquiring domestic high-tech corporations related to the water treatment industry, and develop the overseas water treatment market, including investing in the water treatment projects in Southeast Asia and Middle East and other corporations with high potential return.

The Group plans to invest RMB8.0 billion in the next two years to acquire domestic water projects with daily processing capacity of 4,500,000 tonnes, and will gradually inject its water projects into Heilongjiang Interchina, aiming at becoming a leading domestic water business enterprise with an aggregate daily processing capacity of 5,000,000 tonnes. In addition, the Group is currently actively seeking to acquire companies with advanced environmental technology in the U.S. and Europe which will be injected into Heilongjiang Interchina by using its structural advantages, so as the Group's business scale and quality can obtain a valuable opportunity to develop by leaps and bounds.

Property Investment Operation

During the year under review, the Group's property investment operation recorded revenue of HK$23,741,000 (2010: HK$18,404,000) and a segment profit of HK$113,633,000 primarily from fair value gains on the appreciation of the property values in the current year.

Since the Group's major investment properties are located in the centre of Beijing and Shanghai and provide the Group with stable and substantial rental income and earnings, the Group intends to further acquire the remaining commercial units in Beijing Guozhong Commercial Building and utilise part of these commercial units to set up boutique hotels in Beijing and Shanghai to further enhance the rental income and earnings.

Securities and Financial Operation

During the year under review, the Group's securities and financial operation recorded revenue of HK$32,715,000 (2010: HK$13,421,000) and a segment loss of HK$6,750,000 (2010: profit of HK$122,559,000). The decrease is mainly attributable to the results arising from investment in listed securities which had a realised profit of approximately HK$114,415,000 in last year and had a realised loss of approximately HK$28,482,000 for this year.

As a small to medium size broker firm, the Group was under tremendous pressure and competition from other major securities broker firms and banks in Hong Kong. The Group intends to enhance its competitiveness in securities and financial operation by merger and acquisition with a view to further extend the size of this operation. Moreover, the Group will continue to strengthen internal control over the lending to clients but also will continue to launch more customer-oriented value added service to its customers in future with a view to gaining customer confidence in the Group.

Nature Resources Operation

On 5 November 2010, the Group entered into a legally binding framework agreement (the "Framework Agreement") with 北安市人民政府 (the People's Government of Beian City*), in respect of the formation of a joint venture (the "JV") in the PRC. Pursuant to the Framework Agreement, the registered capital of the JV shall be RMB50 million while its total investment amount shall be RMB500 million. The JV will be principally engaged in the exploration, processing and sale of natural soda water. The Group and the People's Government of Beian City will hold 80% and 20% equity interests in the JV respectively. The Group shall contribute (in proportion to its equity interests) towards the registered capital of the JV in cash while the People's Government of Beian City shall contribute by injecting of the exploitation right and right of use in relation to the identified exploration area of natural soda water together with all relevant information involved. The Group will be responsible for all fund-raising for the JV. It is estimated that the production capacity of natural soda water by the JV will achieve 50,000 tonnes for the first production year and up to 600,000 tonnes within fifth production year. Detail of the transaction was set out in the Company's announcement dated 5 November 2010. The Group is in the progress preparing the feasibility study and investment plan for this potential investment.

On 10 January 2011, the Company entered into the memorandum of understanding with Northwest Nonferrous International Investment Company Limited ("NWII") in relation to the formation of a joint venture in Hong Kong for the purpose of seeking favourable mineral resources exploration projects worldwide, conducting evaluation and feasibility studies for the potential projects, providing consultation and management, and/or investment in projects. Both party also agreed to employ the responsible technical team of NWII to deal with all technology-related matters of the joint venture. Detail of the transaction was set out in the Company's announcement dated 10 January 2011. The joint venture, namely Interchina Northwest Nonferrous Holdings Limited ("Interchina Northwest") is established on 28 March 2011. Interchina Northwest is owned as to 80% and 20% by the Company and NWII, respectively. It is expected that Interchina Northwest would be able to provide support for the Group's direct resource input and exploit its extensive human and technology resource to set up a resource investment fund in order to rapidly develop the Company's resource investment business.

On 2 March 2011, the Group entered into a sale and purchase agreement for the acquisition of the entire equity interest in Universe Glory Limited ("Universe Glory"), for consideration of HK$800,000,000 (the "Universe Glory Acquisition"). Upon completion of the Universe Glory Acquisition, Universe Glory shall be directly interested in 65% equity interest in P.T. Satwa Lestari Permai ("SLP"), a company incorporated in the Republic of Indonesia, which is licensed by the Indonesian Government for exploration, exploitation, refining and processing of manganese ore. The flagship asset of SLP is a mining block of approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggena, Indonesia ("Mining Block") and have rights for exploitation, refining, processing and export in the Mining Block. Based on the preliminary technical report prepared by professional valuer in accordance with JORCO Code, it is estimated that the Mining Block has aggregate resources of approximately 18,800,000 tonnes which consists of measured resources of approximately 3,750,000 tonnes, indicated resources of approximately 5,050,000 tonnes and inferred resources of approximately 10,000,000 tonnes. The Board considers that the Universe Glory Acquisition has milestone significance to the Group's investments in the mining sector. The Universe Glory Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and detail of the transaction was set out in the Company's announcement dated 2 March 2011.

It is expected that the Universe Glory Acquisition will be completed in August 2011. Upon completion of the Universe Glory Acquisition, the Group should directly hold the 65% interest in the Mining Block. The Group has commissioned NWII to plan a further exploration and formal exploitation and production program in the Mining Block and planned to create favorable conditions for commencement of exploitation project by building roads, setting up electricity supply system and preliminary construction within the Mining Block. The construction of processing centre is nearly completed. In addition, the Group has also set up a wholly owned subsidiary in Shanghai, Interchina Qian Yuan (Shanghai) Company Limited, for the development of the domestic and international nature resources products trading business. In the coming years, the Company will continue seek for other suitable nature resources investment opportunities for business expansion and growth of the Group. It is expected that this segment can bring significant cashflows and returns to the Group in the near future.

FINANCIAL REVIEW

Operating Results

For the Year, the Group recorded a continuing growth in revenue amounted to HK$413,473,000, representing an increase of 69.6% in last year of HK$243,770,000. The increase was mainly attributable to revenue derived from environmental protection and water treatment operation and securities and financial operation increased 68.4% to HK$357,017,000 and 143.8% to HK$32,715,000 respectively.

For the Year, the Group recorded a loss of HK$82,919,000 as compared to a profit of HK$60,369,000 in last year. This was primarily due to (i) the realised loss of HK$28,482,000 arising from investment in listed securities as compared to a realised gain of HK$114,415,000 for the last year; (ii) the recognition of share-based payment expenses of approximately HK$91,064,000 in respect of share options granted during the year; and (iii) increase in administrative expenses mainly due to continuing expansion of the environmental protection and water treatment operation and increase in professional expenses. Although the Group turned into loss this year, in fact the management has implemented stringent cost control to reduce the loss by 30.4% as compared to the loss of HK$119,172,000 for the six months ended 30 September 2010. Moreover, the Group recognised a gain on deemed disposal of interest in a subsidiary approximately HK$365,160,000 arose from the dilution of the Group's effective interest in Heilongjiang Interchina from 70.20% to 53.77% upon the issuance of 100,000,000 new shares by Heilongjiang Interchina in February 2011. However, according to the applicable accounting standard, the aforesaid deemed gain have recorded directly in the other reserve of the Group and does not affect the consolidated income statement of the Group.

Financial Position

As at 31 March 2011, the Group's total assets were HK$6,834,487,000 (2010: HK$3,673,173,000) and the total liabilities were HK$2,542,459,000 (2010: HK$1,315,054,000), and the equity reached HK$4,292,028,000 (2010: HK$2,358,119,000). As at 31 March 2011, the current ratio of the Group was approximately 2.76 (2010: 1.39 restated) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 27.9% (2010: 24.7%).

Financial Resources and Capital Structure

As at 31 March 2011, the Group's cash on hand and deposits in bank was approximately HK$1,078,187,000 (2010: HK$156,874,000), significantly increased by 5.9 times. Around 31% of the Group's cash on hand and deposits in bank was held in Hong Kong dollars with the rest mainly in Renminbi.

As at 31 March 2011, the Group's total borrowings comprising bank borrowings of HK$697,406,000 (2010: HK$493,404,000), other borrowings of HK$1,209,766,000 (2010: HK$394,830,000) and convertible notes of nil (2010: HK$19,881,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$886,196,000 repayable within one year, HK$984,666,000 repayable after one year but within five years and HK$36,310,000 repayable after five years. Around 4.8% of the Group's total borrowings was denominated in Hong Kong dollars with the rest mainly in Renminbi. The increase in bank and other borrowings was mainly due to the increase in investment by financing from non-financial institutions in China for the business development.

During the Year, on 9 April 2010, the Company completed the capital reorganisation which involved: (i) a reduction in the nominal value of each issued ordinary share of the Company from HK$0.10 to HK$0.01 by the cancellation of HK$0.09 of the paid up capital for each issued ordinary share; (ii) the application of the credit arising from such reduction of approximately HK$2,091,797,427 to cancel towards the accumulated losses; (iii) the consolidation of every ten reduced shares of HK$0.01 each in the capital of the Company into one adjusted new consolidated share of HK$0.10 each; and (iv) to increase the authorised share capital of the Company from HK$400,000,000 divided into 4,000,000,000 new consolidated shares to HK$1,000,000,000 divided into 10,000,000,000 new consolidated shares by the creation of an additional 6,000,000,000 new consolidated shares.

On 19 May 2010, the Company successfully placed 440,000,000 ordinary shares at the price of HK$0.65 per share raising net proceeds of approximately HK$278,000,000. Details of the placing were set out in the Company's announcement dated 28 April 2010 and 19 May 2010.

Pursuant to the placing agreement dated 16 September 2010, in October 2010, the Company successfully issued 2-year convertible notes bearing interest at 5% p.a. convertible into a total 550,000,000 shares of HK$1.00 each and all the convertible notes had been converted into share capital during the Year. The net proceeds approximately HK$482,500,000 should be used for the development of its environmental protection and water treatment operation and exploration of potential business and investment opportunities in the future. Details of the placing were set out in the Company's announcement dated 16 September 2010 and 8 October 2010.

During the Year, pursuant to the share option scheme, a total of 322,000,000 share options were granted by the Company at an exercise price ranging from HK$0.83 to HK$0.89. During the Year, a total 221,200,000 share options granted were exercised, for which a total of 221,200,000 new shares were issued. The proceeds in the sum of approximately HK$202,000,000 generated from the exercise of share options were used as general working capital of the Group.

Foreign Exchange Exposure

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

Significant Acquisition and Disposal

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

Pledged of Group's Assets

As at 31 March 2011, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK$316,550,000, property, plant and equipment with carrying amounts of HK$246,081,000, intangible assets with carrying amounts of HK$424,080,000 and other financial assets with carrying amounts of HK$331,961,000. In addition, certain shares of subsidiary held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Contingent Liability

As at 31 March 2011, the Group had no significant contingent liability.

Human Resources and Remuneration Policy

As at 31 March 2011, the Group had approximately 900 employees in Hong Kong and the PRC. To maintain the Group's competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

EXECUTIVE DIRECTORS

Mr. ZHANG Yang, aged 48, was re-appointed as an executive Director and chairman of the Company in January 2011. Mr. Zhang was appointed as an executive Director during the period from March 2000 to May 2009 and chairman of the Group during the period from September 2000 to May 2009. Mr. Zhang was also appointed as an executive director and chairman of Kai Yuan Holdings Limited, the issued shares of which are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), during the period from December 2001 to April 2007. Mr. Zhang was also appointed as a non-executive director and honourable chairman of China Pipe Group Limited, the issued shares of which are listed on the Stock Exchange during the period from July 2007 to September 2008. Mr. Zhang studied in Industrial Automation Department of Shanghai Second Staff University. He has over twenty years of experience in business investment and management. Mr. Zhang is a substantial shareholder of the Company and is the brother of Mr. Zhang Chen who is an executive Director.

Mr. LAM Cheung Shing, Richard, aged 52, is the deputy chairman and chief executive officer of the Company since June 2009. In August 2001, Mr. Lam was appointed as an executive Director and deputy chief executive officer of the Company and was designated as the chairman of the Company during the period from May 2009 to June 2009. He was also the company secretary of the Company from the period from March 2004 to June 2009. Mr. Lam was appointed as an executive director of Kai Yuan Holdings Limited, the issued shares of which are listed on the main board of The Stock Exchange, during the period from December 2001 to July 2008 and re-designated as a non-executive director during the period from July 2008 to November 2008. Mr. Lam was appointed as an executive director of China Pipe Group Limited, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009. Mr. Lam is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lam was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PriceWaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the Group, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited.

Mr. ZHU Yongjun, aged 43, has been appointed as an executive Director and deputy chairman in May 2008. He has been the chairman and a director of Heilongjiang Interchina Water Treatment Company Limited, a 53.77% subsidiary of the Company and a company listed on the Shanghai Stock Exchange of the People's Republic of China, since January 2009. Mr. Zhu was also appointed as an executive director of China Pipe Group Limited, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009. Mr. Zhu obtained his master of business administration in Peking University after graduated from Hunan University in 1989. He has over 15 years of experience in business planning, management and fund raising.

Mr. ZHANG Chen, aged 50, has been appointed as an executive Director in June 2010. He studied Finance Management in Shanghai Finance Institute. He worked in Shanghai Finance Bureau from 1985 to 1988, and had more than 20 years of experience in business planning and development of foreign enterprises in the People's Republic of China. He was appointed as a director and chairman of Shanghai Shangju Investment Management Company Limited since 2004. Mr. Zhang is brother of Mr. Zhang Yang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. HA Ping, aged 46, was appointed as an independent non-executive Director in May 2000. Ms. Ha received her Honorary Doctorate from Queen's University of Brighton. Ms. Ha is the chairman of All Leaders Publication Group Limited and was an independent non-executive director of a Smart Energy Finance (Holdings) Limited (currently known as G-Resources Group Limited) during the period from June 2000 to May 2007, the issued shares of which are listed on the Stock Exchange.

Mr. HO Yiu Yue, Louis, aged 63, was appointed as an independent non-executive Director in April 2009. He obtained a Master Degree of Business Administration in Finance & Operations Research from Concordia University in Canada and is an Associate Member of both Hong Kong Institute of Certified Public Accountants and Australia Society of Certificate Practising Accountants. Mr. Ho had over 30 years working experience with international accounting professional firms and had been admitted as partner in Ernst & Young, PricewaterhouseCoopers and Arthur Andersen, focusing on technology risk, system and process assurance and risk consulting practices. During that period, Mr. Ho provided services and advices to numerous blue chip corporations in both Hong Kong and China. Mr. Ho was an independent non-executive director of China Pipe, the issued shares of which are listed on the main board of the Stock Exchange.

Mr. KO Ming Tung, Edward, aged 50, was appointed as an independent non-executive Director of the Company in April 2009. Mr. Ko obtained an external Bachelor of Laws Degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practicing as a solicitor in Hong Kong for more than 20 years. He was appointed as Deputy Presiding Officer of the Labour Tribunal and is presently a member of the Panel of Adjudicators of the Obscene Articles Tribunal, the Solicitors Disciplinary Tribunal Panel, the Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants and the Employment Law Committee of The Law Society of Hong Kong. Mr. Ko has been appointed as Tribunal Chairman of the Appeal Tribunal Panel under the Buildings Ordinance. He is also a manager of Chiu Chow Association Secondary School.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Sinofert Holdings Limited and Wai Chun Group Holdings Limited and a non-executive director of Rainbow Brothers Holdings Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Ko was previously an independent non-executive director of China Pipe Group Limited and Kai Yuan Holdings Limited and a non-executive director of New Smart Energy Group Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. FU Tao, aged 43, was appointed as an independent non-executive Director in June 2009. Mr. Fu graduated from the Peking University in 1990 with a bachelor of science in applied chemistry. He obtained a master degree in environmental engineering from Tsinghua University in 1993 and also obtained a doctorate in civil engineering from the Harbin University of Civil Engineering and Architecture (currently known as Harbin Institute of Technology) in 1999. Between 1994 and 1999, Mr. Fu worked in the department of science and technology at the Ministry of Construction ("MOC") as a project officer in charge of urban construction projects. From 1999 to 2001, he was the director of the information division at the Center of Promoting Housing Industrialization of the MOC. Between 2001 and 2002, Mr. Fu was the chief secretary of the China Housing Industry Association. He is a senior engineer since 2000 and has held the position of director of the water policy research center at Tsinghua University since 2003. Over the years, Mr. Fu has been involved in many government research projects and study programs relating to the PRC water industry. These include, amongst others, the pilot study on a benchmarking system for urban water treatment conducted by the MOC and the North China Water Quality Study program conducted jointly by the World Bank and the MOC.

Other than the directorship in the Company, currently, he is also an independent director of Beijing Capital Company Limited, the issued shares of which are listed on the Shanghai Stock Exchange and independent non-executive director of Sound Global Limited, the issued shares of which are listed on the Main Board of the Stock Exchange and Jiangsu Jiangnan Water Co., Ltd., the issued shares of which are listed on the Shanghai Stock Exchange.

SENIOR MANAGEMENT

Mr. ZHANG Jack Jiyei, aged 46, is president and a director of Heilongjiang Interchina Water Treatment Company Limited, a subsidiary of the Company. He was appointed an executive Director and chairman of the Company from 1 January to 21 June 2010. He is also the chief representative of Beijing Representative Office of the Company. After graduated from Tsinghua University in 1987, Mr. Zhang obtained his Master in Statistics from University of Manitoba and MBA from the University of Western Ontario in Canada. Mr. Zhang has rich experience in investment analysis and private equity investments, and is specialised in environmental protection and water treatment operation, transactions in telcommunications, information technology and mass media. Mr. Zhang held senior positions in a number of renowned corporations, including General Water of China, Private Equity Investment and Corporate Finance Department of BOC International and Beijing Longshine Company Limited.

Ms. LIU Yuping, aged 45, is deputy general manager of the Company's subsidiary, Heilongjiang Interchina Water Treatment Company Limited, deputy manager of Strategic Development Department and secretary to the board. Ms. Liu obtained a Bachelor of Arts Degree. She had worked as a financial journalist in Economic Information Daily under Xinhua News Agency and Securities Times. She has over 15 years of experience in strategic development and corporate management.

Mr. LI Kaiming, aged 46, is deputy general manager of Heilongjiang Interchina Water Treatment Company Limited, a subsidiary of the Company. After he obtained the Bachelor of Chemical Engineering Degree from Hunan University, he further studied his Master Degree of Environment Engineering in Harbin Institute of Technology. Mr. Li has many years of practising and management experience in environmental engineering. He had been in charge of designation and management of many important industrial supply and drainage projects, including the supporting sewage project of Shell Oil Company's large-scale petrochemical project in China. He provides consultancy service to many large-scale petrochemical, extraction and steel corporations on industrial sewage treatment and project management. He is an expert in his profession with great achievement. Mr. Li had previously worked in Institute of Chemistry Henan Academy of Sciences, Provincial Chemical Engineering Plant, he was general manager of Zhengzhou Golden Sources Environmental Protection Engineering Company Limited and deputy general manager of Beijing BCEG Golden Sources Environment Protection Engineering Company Limited.

Mr. REN Xiaohua, aged 53, is senior geological engineer, and obtained a Doctorate Degree in Geological Mining Survey and Exploration. He is a director of Interchina Northwest Nonferrous Holdings Limited, a subsidiary of the Company. Mr. Ren is currently chief engineer of Northwest Nonferrous Geological Mining Group Company Limited, deputy general manager of Xise International Investment Company, a director of Yukon Shaanxi Mining Company Limited of Canada, and a director of Xise Australia Mining Company Limited. He has long engaged in geological work, had worked in metallurgy department of Northwest Metallurgical and Geological Exploration Company and was chief engineer of team 711 in Northwest Mining and Geology Group Company Limited for Non-ferrous Metals. He had directly participated in on-site exploration and management of large-scale international project, and have rich experience in taking charge of geological exploration and international mining projects.

Mr. LIU Zhonghua, aged 54, university graduate. He is a senior economist, and currently is director of Interchina Northwest Nonferrous Holdings Limited, a subsidiary of the Company. Mr. Liu is general manager of Northwest Nonferrous Geological Mining Group Company Limited and general manager of Xise International Investment Company Limited. He has over 30 years of experience in ferrous survey industry, with extensive experience in geological survey and project management. Mr. Liu worked in North-west Mining and Geology Group Company for Nonferrous Metals from 1975 to 2001, where he held positions of Personnel Director, Commander for Shanbei oil drilling project etc. During the period from 2001 to 2005, Mr. Liu was vice president of Xian Engineering Investigation and Design Research Institute of China Nonferrous Metals Industry. Mr. Liu has worked as Party Committee Secretary in Northwest Mining and Geology Group Company Limited for Non-ferrous Metals since 2005.

Ms. WANG Ying, aged 38, is a senior economist. She obtained her MBA Degree from Xian Jiaotong University. She is a director of Interchina Northwest Nonferrous Holdings Limited, a subsidiary of the Company. Ms. Wang is currently deputy general manager of Northwest Nonferrous International Investment Company Limited, vice chairman of Jinduicheng Xise (Canada) Company Limited, a director of Xise Australia Mining Company Limited, Xise Interchina Company Limited. Ms. Wang has over 15 years of working experience in geological survey, especially rich in both theory and practical experience in technical and economic evaluation and legal affairs. She is an economic evaluation expert in the Ministry of Land and Resources, Central Geological Exploration Fund Management Center, Shaanxi Land and Resources Assets Utilization Research Centre, and Shaanxi Mining Trading Centre.

Mr. ZHANG Liang, aged 39, is vice president of the Company. He is mainly responsible for the Group's investment, and also exploration of natural resources business for the Group. Mr. Zhang graduated from Xiamen University in 1994, and afterwards obtained his Master Degree of Economics from Wuhan University. Mr. Zhang has solid experience in investment projects in the PRC, prior to joining the Group, he had over 7 years of working experience in the banking and investment sectors.

Mr. HUANG Lei, aged 46, is the assistant chief representative of the Company's Beijing Representative Office. Mr. Huang is responsible for managing the Group's investment business in Beijing. Mr. Huang graduated from Beihang University. He has rich experience in various businesses, such as China and International trade, technology business and property development business. He is also the legal person and general manager of Beijing Aijian Tongyi Economic and Trade Development Company Limited.

COMPANY SECRETARY

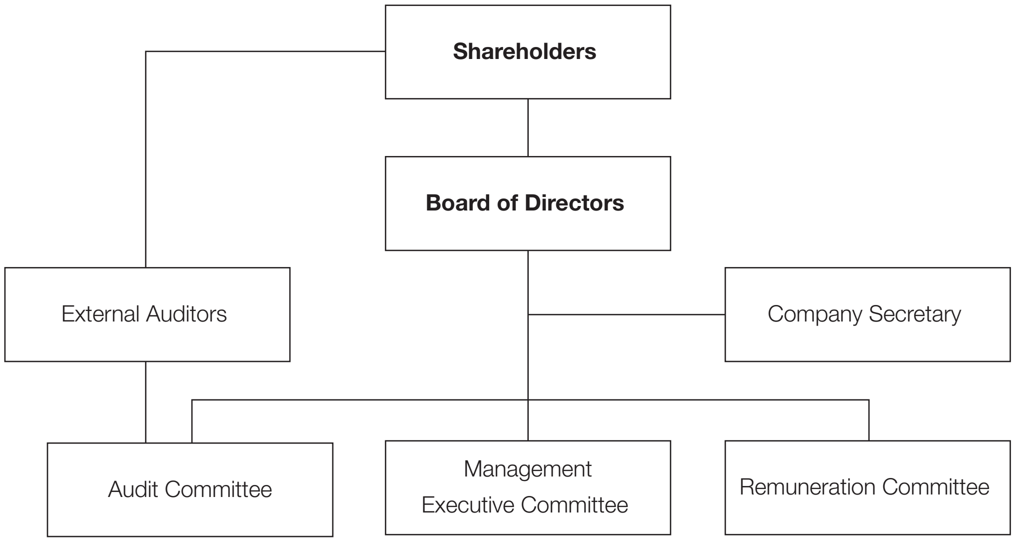
Mr. LAU Chi Lok, aged 43, is the company secretary and financial controller of the Company. He joined the Group in July 2007. Mr. Lau graduated from La Trobe University of Australia with a Bachelor of Commerce degree in Accounting. He is also a fellow member of both Australian Society of Certified Practising Accountants and Hong Kong Institute of Certified Public Accountants. Proir to joining the Company, he had worked in numerous international accounting firms as well as listed groups in Hong Kong. He has rich experience in auditing, accounting, financial management and company secretarial service.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and includes the implementation details for the CG Code and, where appropriate, the Recommended Best Practices.

The Company had complied with the code provisions of the CG Code throughout the year ended 31 March 2011, with one deviation from the code provision A.4.1 of the CG Code regarding the appointment of non-executive directors should have specific term and subject to re-election, the details of which have been disclosed in the relevant paragraph below in this report. The Company has also exceeded the requirements under the CG Code in various areas of its corporate governance practices.

ORGANISATIONAL STRUCTURE IN RELATION TO CORPORATE GOVERNANCE



THE BOARD

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

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

As at the date of this report, the Board comprises four executive directors and four independent non-executive directors, who come from a variety of different backgrounds. One of the independent non-executive Directors has appropriate professional qualification or accounting or related financial management expertise. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs. The biographical details of directors, together with information about the relationships among them, are set out in the "Directors and Senior Management Profile" section on pages 17 to 18 of this annual report.

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

Board Meetings

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

The Board meets regularly and at least four times a year at approximately quarterly intervals to review the financial performance of the Group. Non-regular Board meetings will be convened as and when required by business needs. There were nine meetings (including meetings by way of circulation of written resolutions) held during the year, details of attendance are set out below:

	Number of meetings held while being a director	Number of meetings attended
Executive Directors		
Mr. Zhang Yang (appointed on 10 January 2011)	–	–
Mr. Lam Cheung Shing, Richard	9	9
Mr. Zhu Yongjun	9	9
Mr. Zhang Chen (appointed on 23 June 2010)	7	6
Mr. Zhang Jack Jiyei (resigned on 22 June 2010)	3	2
Independent Non-executive Directors		
Ms. Ha Ping	9	8
Mr. Ho Yiu Yue, Louis	9	9
Mr. Ko Ming Tung, Edward	9	9
Mr. Fu Tao	9	8

At these board meetings, the Board reviewed matters including the Company's annual and half-year financial statements, placing of the Company's shares, issuance of convertible notes, appointment of directors and discloseable transactions.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company (the "Directors"). All directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2011.

Chairman and Chief Executive Officer

Mr. Zhang Jack Jiyei was appointed as Chairman from 1 January 2010 to 22 June 2010 with Mr. Zhang Yang served as Chairman since 10 January 2011. Mr. Lam Cheung Shing, Richard has been appointed as the Chief Executive Officer since 16 June 2009.

During the year, the Company has complied with A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Appointment and Re-election of Directors

The Board does not establish a nomination committee at present. The appointment of new Director(s) is therefore considered and approved by the full Board by taking into account criteria such as expertise, experience, integrity and commitments.

All directors of the Company (including independent non-executive directors) are not appointed for specific terms, which deviates from the requirement of code provision A.4.1 of the CG Code. However, in view of the fact that they are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the code provisions.

During the year and up to the date of this report, there were the following changes to the membership of the Board:

(1) Mr. Zhang Jack Jiyei resigned as Executive Director and Chairman on 22 June 2010.
(2) Mr. Zhang Chen was appointed as Executive Director on 23 June 2010.
(3) Mr. Zhang Yang was appointed as Executive Director and Chairman on 10 January 2011.

Remuneration Committee

The Company's Remuneration Committee was established on 14 April 2005 with written terms of reference and consists of two independent non-executive directors and an executive director.

The Remuneration Committee is mainly responsible for reviewing the remuneration policy and structure of Directors and senior management of the Company. The Remuneration Committee considers several factors such as the performance, qualification and experience of the individual and the prevailing market condition before determining the remuneration packages of executive directors and senior management. A written terms of reference, which describes the authority and duties of the Remuneration Committee was adopted with reference to the CG Code.

Three Remuneration Committee meetings were held during the year ended 31 March 2011. At the meetings, the members of the Audit Committee have executed the major duties and responsibilities described above. They also proposed to determine the number of underlying share and terms of share option to be granted to executive directors and non-executive directors. Attendance of the committee members is recorded below:

Members	Attendance/Number of Meetings
Mr. Ho Yiu Yue, Louis (Chairman)	3/3
Ms. Ha Ping	3/3
Mr. Lam Cheung Shing, Richard	3/3

Auditors' Remuneration

HLB Hodgson Impey Cheng ("HLB") has been the Company's independent auditors since 2006. For the year ended 31 March 2011, the auditors' remuneration (excluding out of pocket and miscellaneous expenses) payable/paid to HLB for audit services is HK$1,300,000 (2010: HK$1,220,000) and HK$1,510,000 (2010: HK$576,000) for non-audit services.

Audit Committee

The Company's Audit Committee was established on 1 September 2002. A written terms of reference, which describes the authority and duties of the Audit Committee was adopted with reference to the CG Code.

The Audit Committee of the Company consists of all four independent non-executive Directors. All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Company whenever required. In addition, Mr. Ho Yiu Yue, Louis has the appropriate professional qualifications and experience in financial matters. No member of this Committee is a member of the former or existing auditors of the Company.

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

Three Audit Committee meetings were held during the year ended 31 March 2011. Matters considered at the meetings included review of the Group's results, audit plans of external auditor and fees, audit work and fees and review of the Company's financial control, internal control, risk management and financial reporting matters. During the year, one meeting was held in the absence of executive directors for the Audit Committee to meet with the auditor. Attendance of the committee members is set out below:

Members	Attendance/Number of Meetings
Mr. Ho Yiu Yue, Louis (Chairman)	3/3
Mr. Ko Ming Tung, Edward	3/3
Ms. Ha Ping	2/3
Mr. Fu Tao	2/3

Management Executive Committee

In addition to the two specialised board committees, the Company has established a Management Executive Committee in December 2010, which is the highest execution authority under the Board of the Company responsible for overseeing the business operation and investment policy of the Company and the prevention of corporate risk. It also implements the Company's operation plan through its dedicated member. The Management Executive Committee is comprised of all executive directors and six senior management members, and is chaired by the Chairman of the Company.

Respective Responsibilities of Directors and External Auditors

The Directors are responsible for the preparation of the financial statement, which give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows. The external auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the members of the Company as a body and for no other purpose. A statement by the external auditors about their reporting responsibilities is contained in the independent auditors' report.

Internal Control

The Board is responsible for the effectiveness of the internal control system of the Group to ensure the financial and operational function, compliance control, material control, asset management and risk management functions are in place and functioning effectively. The system can only provide reasonable but not absolute assurance against misstatements or losses. The internal control system has been designed to safeguard the shareholders' investment and assets of the Group. It should provide a basis for the maintenance of proper accounting records and assist in compliance with the relevant rules and regulations.

The Group had perform a review on the effectiveness of internal control system (including financial, operational, compliance controls, risk management functions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and training programmes and budget) of the Group in respect of the financial year ended 31 March 2011 through an independent professional. No major issues but areas of improvement have been identified and concluded that its internal control system is effective and adequate and the Company has complied with the code provisions on internal control of the Code.

All recommendations from the independent professional will be properly followed up to ensure that they are implemented within a reasonable time. The Board will continue to engage independent professionals to review its internal control systems and will continue to review the need for setting up an internal audit function.

Shareholders' rights

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

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

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

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

Investor Relations

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

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

Mr. Lam Cheung Shing, Richard, the deputy chairman of the Company attended and was the chairman of the 2010 annual general meeting of the Company ("2010 AGM") held on 30 July 2010. At least one member of the Audit Committee and Remuneration Committee attended the meeting to answer questions of shareholders. The Company announced the results of the poll in the manner prescribed under the Listing Rules.

At 2010 AGM, the shareholders of the Company also passed the special resolution for the amendments to the Articles of Association of the Company. Details of the amendment were set out in a circular of the Company dated 30 June 2010.

Financial Calendar for 2011/2012

Events	Dates
Announcement of 2011 annual results	29 June 2011
Annual general meeting	12 August 2011
Announcement of interim results	Late November 2011

The directors of the Company present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on page 34.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2011 (2010: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 128.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in investment properties and property, plant and equipment of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2011 are set out on page 129 of the annual report.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings as at 31 March 2011 are set out in note 32 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 33 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 45 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 39 and note 36 to the consolidated financial statements respectively.

At 31 March 2011, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 35 to the consolidated financial statements.

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

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Zhang Yang (appointed on 10 January 2011)
Mr. Lam Cheung Shing, Richard
Mr. Zhu Yongjun
Mr. Zhang Chen (appointed on 23 June 2010)
Mr. Zhang Jack Jiyei (resigned on 22 June 2010)

Independent non-executive directors:

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

In accordance with the Company's Articles of Association, three directors retire and, being eligible, offer themselves for re-election.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2011, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in shares and underlying shares

	Number of shares and underlying shares held, capacity and nature of interest			Approximate percentage of the issued share capital
Name of Director	**Beneficial owner**	**Equity derivatives** (Note 1)	**Total interest**	**of the Company** (Note 2)
Zhang Yang	983,300,000	–	983,300,000	27.66%
Lam Cheung Shing, Richard	7,700,000	42,200,000	49,900,000	1.40%
Zhu Yongjun	–	47,200,000	47,200,000	1.33%
Zhang Chen	6,045,000	20,000,000	26,045,000	0.73%
Ha Ping	–	5,000,000	5,000,000	0.14%
Ho Yiu Yue, Louis	–	3,500,000	3,500,000	0.10%
Ko Ming Tung, Edward	–	3,500,000	3,500,000	0.10%
Fu Tao	–	3,500,000	3,500,000	0.10%

Notes:

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

(2) The calculation of percentages is based on 3,555,419,363 shares of the Company in issue as at 31 March 2011.

Save as disclosed above, as at 31 March 2011, none of the Directors, or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

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

During the year, the Company granted options under the New Share Option Scheme to Directors, certain consultants and employees to subscribe for an aggregate of 322,000,000 shares in the Company with an exercise price of HK$0.83 per share, HK$0.86 per share and HK$0.89 per share respectively. The grantees are entitled to exercise the subscription rights from the date of grant to 2 September 2012. The closing price of the Company's shares immediately before the date on which the options were granted was HK$0.83, HK$0.86 and HK$0.89 respectively. Details of movements in the share option to subscribe for shares of HK$0.1 each in the Company granted under the New Share Option Schemes, the fair value of the share options and the share option scheme are set out in note 37 to the consolidated financial statement.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

		Number of shares and underlying shares held			**Approximate percentage of the issued share capital of the Company** (Note 2)		
Name of shareholder	**Capacity**	**Long Position**	**Short Position**	**Lending Pool**	**Long Position**	**Short Position**	**Lending Pool**
Zhang Yang	Beneficial owner	983,300,000	–	–	27.66%	–	–
Citigroup Inc.	Beneficial owner	248,444,835 (Note 1)	285,000,000 (Note 1)	6,439,835 (Note 1)	6.99%	8.02%	0.18%

(1) The information was extracted from the Disclosure of Interest Form filed by Citigroup Inc. in respect of the relevant event happened on 23 March 2011.

(2) The calculation of percentages is based on 3,555,419,363 shares of the Company in issue as at 31 March 2011.

Save as disclosed above, as at 31 March 2011, the Company has not been notified by any other person or corporation having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS

Details of connected transactions are set out in note 46 to the consolidated financial statements.

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

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 50 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 51.02%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 26%.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases during the year was 27.05%. The percentage of purchases attributable to the Group's largest supplier to the total purchases during the year was 17.69%.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 26.

AUDITORS

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

On behalf of the Board
Zhang Yang
Chairman

Hong Kong, 29 June 2011

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

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

We have audited the consolidated financial statements of Interchina Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 127, which comprise the consolidated and company statement of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 29 June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	7	**413,473**	243,770
Cost of sales		**(247,451)**	(117,946)
Other revenue and operating income, net	8	**103,047**	156,164
Staff costs	9	**(52,853)**	(43,922)
Amortisation and depreciation		**(31,216)**	(27,981)
Administrative costs		**(198,213)**	(75,904)
Share-based payment expenses	9	**(91,064)**	(76,408)
Fair value change in investment properties	15	**122,411**	106,667
Profit from operations	10	**18,134**	164,440
Finance costs	11	**(57,969)**	(62,194)
Share of result of an associate	21	**(44)**	–
(Loss)/gain on disposal of subsidiaries	39	**(22)**	24,031
(Loss)/profit before taxation		**(39,901)**	126,277
Taxation	12	**(43,018)**	(56,661)
(Loss)/profit for the year from continuing operations		**(82,919)**	69,616
Discontinued operation	40		
Loss for the year from discontinued operation		**–**	(9,247)
(Loss)/profit for the year		**(82,919)**	60,369
Attributable to:			
Owners of the Company		**(101,699)**	63,293
Non-controlling interests		**18,780**	(2,924)
		(82,919)	60,369
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company	13		
			(Restated)
From continuing and discontinued operations			
– Basic		**HK(2.846) cents**	HK2.901 cents
– Diluted		**HK(2.846) cents**	HK2.594 cents
From continuing operations			
– Basic		**HK(2.846) cents**	HK3.325 cents
– Diluted		**HK(2.846) cents**	HK2.972 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
(Loss)/profit for the year	**(82,919)**	60,369
Other comprehensive income/(loss)		
Exchange differences on translation of financial statements of overseas subsidiaries	**85,561**	(12,710)
Reclassification adjustments upon disposal of subsidiaries	**(246)**	(22,666)
Total comprehensive income for the year	**2,396**	24,993
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(27,048)**	28,926
Non-controlling interests	**29,444**	(3,933)
	2,396	24,993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	**31 March 2011 HK$'000**	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
Non-current assets				
Investment properties	15	**746,881**	609,722	503,228
Property, plant and equipment	16	**299,878**	19,075	20,092
Prepaid lease payments	17	**15,781**	–	–
Intangible assets	19(a)	**1,051,305**	702,801	685,811
Other financial assets	19(b)	**483,996**	452,158	444,805
Goodwill	20	**426,017**	387,588	387,557
Interests in an associate	21	**1,122**	–	–
Available-for-sale financial assets	22	**1,190**	–	–
Other non-current assets	23	**97,515**	2,283	2,277
		3,123,685	2,173,627	2,043,770
Current assets				
Inventories	24	**6,511**	3,078	4,198
Trade and other receivables and prepayments	25	**2,239,489**	1,154,387	282,577
Loan receivables	26	**223,768**	–	102,898
Financial assets at fair value through profit or loss	27	**162,771**	143,546	80
Tax recoverable		**76**	47	511
Bank balances – trust and segregated accounts	28	**5,202**	27,734	7,323
Cash and cash equivalents	29	**1,072,985**	129,140	34,259
		3,710,802	1,457,932	431,846
Assets classified as held for sale	38	**–**	41,614	589,680
		3,710,802	1,499,546	1,021,526
Total assets		**6,834,487**	3,673,173	3,065,296
Equity				
Share capital	35	**355,542**	2,324,219	2,028,619
Share premium and reserves		**3,104,884**	(200,268)	(309,154)
Equity attributable to owners of the Company		**3,460,426**	2,123,951	1,719,465
Non-controlling interests		**831,602**	234,168	155,686
		4,292,028	2,358,119	1,875,151

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	**31 March 2011 HK$'000**	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
Non-current liabilities				
Bank borrowings – due after one year	32	**198,000**	101,249	115,812
Other borrowings – due after one year	32	**822,976**	–	12,425
Deferred tax liabilities	34	**175,923**	136,938	106,590
		1,196,899	238,187	234,827
Current liabilities				
Trade and other payables and deposits received	30	**444,414**	230,018	339,687
Tax payable		**14,950**	39,917	9,660
Derivative financial instruments	31	**–**	66	–
Bank borrowings – due within one year	32	**499,406**	392,155	269,060
Other borrowings – due within one year	32	**386,790**	394,830	126,541
Convertible notes	33	**–**	19,881	–
		1,345,560	1,076,867	744,948
Liabilities classified as held for sale	38	**–**	–	210,370
		1,345,560	1,076,867	955,318
Total liabilities		**2,542,459**	1,315,054	1,190,145
Total equity and liabilities		**6,834,487**	3,673,173	3,065,296
Net current assets		**2,365,242**	422,679	66,208
Total assets less current liabilities		**5,488,927**	2,596,306	2,109,978

Approved by the Board of Directors on 29 June 2011 and signed on its behalf by:

Zhang Yang	**Lam Cheung Shing, Richard**
Director	*Director*

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

STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Non-current assets				
Interests in subsidiaries	18(a)	**1,129,809**	746,700	885,161
Other non-current assets	23	**380**	380	380
		1,130,189	747,080	885,541
Current assets				
Trade and other receivables and prepayments	25	**99,601**	184,708	2,836
Financial assets at fair value through profit or loss	27	**162,706**	143,500	–
Amounts due from subsidiaries	18(b)	**1,985,801**	976,084	1,378,188
Cash and cash equivalents	29	**264,514**	9,246	19
		2,512,622	1,313,538	1,381,043
Total assets		**3,642,811**	2,060,618	2,266,584
Equity				
Share capital	35	**355,542**	2,324,219	2,028,619
Share premium and reserves	36	**2,263,892**	(653,263)	(282,542)
		2,619,434	1,670,956	1,746,077
Non-current liabilities				
Deferred tax liabilities	34	**–**	21	–
Current liabilities				
Trade and other payables and deposits received	30	**32,155**	21,313	11,644
Tax liabilities		**–**	13,372	–
Amounts due to subsidiaries	18(b)	**918,122**	245,009	385,863
Derivative financial instruments	31	**–**	66	–
Other borrowings	32	**73,100**	90,000	123,000
Convertible notes	33	**–**	19,881	–
		1,023,377	389,641	520,507
Total liabilities		**1,023,377**	389,662	520,507
Total equity and liabilities		**3,642,811**	2,060,618	2,266,584
Net current assets		**1,489,245**	923,897	860,536
Total assets less current liabilities		**2,619,434**	1,670,977	1,746,077

Approved by the Board of Directors on 29 June 2011 and signed on its behalf by:

Zhang Yang
Director

Lam Cheung Shing, Richard
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Equity attributable to owners of the Company												
The Group	**Share capital**	**Share premium**	**Special reserve**	**Contributed surplus**	**Other reserve**	**Share options reserve**	**Exchange reserve**	**Convertible notes reserve**	**Statutory surplus reserve**	**Accu-mulated losses**	**Sub-total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	2,028,619	371,482	571,996	–	–	6,470	245,529	–	–	(1,504,631)	1,719,465	155,686	1,875,151
Exchange differences on translation of overseas subsidiaries	–	–	–	–	–	–	(11,701)	–	–	–	(11,701)	(1,009)	(12,710)
Reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	(22,666)	–	–	–	(22,666)	–	(22,666)
Net profit for the year	–	–	–	–	–	–	–	–	–	63,293	63,293	(2,924)	60,369
Total comprehensive (loss)/ income for the year	–	-	–	–	–	–	(34,367)	–	–	63,293	28,926	(3,933)	24,993
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–	1,762	(1,187)	575	(575)	–
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	77,225	77,225
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	5,765	5,765
Issue of share options	–	–	–	–	–	76,408	–	–	–	–	76,408	–	76,408
Lapse of share options	–	–	–	–	–	(1,222)	–	–	–	1,222	–	–	–
Exercise of share options	70,600	33,331	–	–	–	(31,213)	–	–	–	–	72,718	–	72,718
Issue of convertible notes	–	–	–	–	–	–	–	4,644	–	–	4,644	–	4,644
Recognition of deferred tax for convertible notes	–	–	–	–	–	–	–	(766)	–	–	(766)	–	(766)
Conversion of convertible notes	225,000	744	–	–	–	–	–	(3,763)	–	–	221,981	–	221,981
At 31 March 2010 and 1 April 2010	2,324,219	405,557	571,996	–	–	50,443	211,162	115	1,762	(1,441,303)	2,123,951	234,168	2,358,119
Exchange differences on translation of overseas subsidiaries	–	–	–	–	–	–	74,897	–	–	–	74,897	10,664	85,561
Reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	(246)	–	–	–	(246)	–	(246)
Net loss for the year	–	–	–	–	–	–	–	–	–	(101,699)	(101,699)	18,780	(82,919)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

The Group	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Statutory surplus reserve HK$'000	Accu-mulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	Equity attributable to owners of the Company												
Total comprehensive (loss)/ income for the year	–	–	–	–	–	–	74,651	–	–	(101,699)	(27,048)	29,444	2,396
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–	11,360	(11,360)	–	–	–
Capital reorganisation													
– Capital reduction	(2,091,797)	–	–	2,091,797	–	–	–	–	–	–	–	–	–
– Set off against accumulated loss	–	–	–	(749,320)	–	–	–	–	–	749,320	–	–	–
Placement of shares	44,000	242,000	–	–	–	–	–	–	–	–	286,000	–	286,000
Transaction cost on placement of shares	–	(19,525)	–	–	–	–	–	–	–	–	(19,525)	–	(19,525)
Deemed disposal of a subsidiary	–	–	–	–	365,160	–	–	–	–	–	365,160	487,194	852,354
Reorganisation with Heilongjiang Interchina Water Treatment Company Limited	–	–	–	–	(76,156)	–	–	–	–	–	(76,156)	76,156	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4,640	4,640
Issue of share options	–	–	–	–	–	91,064	–	–	–	–	91,064	–	91,064
Exercise of share options	22,120	252,912	–	–	–	(72,937)	–	–	–	–	202,095	–	202,095
Lapse of share options	–	–	–	–	–	(1,201)	–	–	–	1,201	–	–	–
Issue of convertible notes	–	–	–	–	–	–	–	17,594	–	–	17,594	–	17,594
Recognition of deferred tax for convertible notes	–	–	–	–	–	–	–	(2,903)	–	–	(2,903)	–	(2,903)
Conversion of convertible notes	57,000	458,000	–	–	–	–	–	(14,806)	–	–	500,194	–	500,194
At 31 March 2011	**355,542**	**1,338,944**	**571,996**	**1,342,477**	**289,004**	**67,369**	**285,813**	**-**	**13,122**	**(803,841)**	**3,460,426**	**831,602**	**4,292,028**

Share premium

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

Special reserve

The special reserve represented the difference between the nominal value of shares of Burlingame International Company Limited ("Burlingame") and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the Company and Burlingame dated 27 July 2000.

Contributed surplus

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

Other reserve

The other reserve comprised of the following:

(i) During the year ended 31 March 2011, pursuant to completion of issuing of shares of Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina"), an indirect non-wholly owned subsidiary of the Company with its shares listed on the Shanghai Stock Exchange in the People's Republic of China (the "PRC"), to seven independent third parties, the Group's interest in Heilongjiang Interchina have been diluted from 70.20% to 53.77%. As such dilution of interest without losing control, Heilongjiang Interchina remains as a subsidiary of the Group, a deemed disposal by the Company of its part of equity interest in the Heilongjiang Interchina was recorded in other reserve as equity transaction. Details of the transaction were set out in note 42(a).

(ii) During the year ended 31 March 2011, Heilongjiang Interchina acquired four companies from an indirect wholly-owned subsidiary of the Company at a consideration of approximately HK$259,583,000. The decrease in equity attributable to the owners of the Company was due to the shortfall between the net carrying amount of the four companies and the consideration received in connection with the reorganisation of Heilongjiang Interchina. This reorganisation is treated as transaction with non-controlling interests and accordingly the effect of changes in equity attributable to the owners of the Company of the respective equity interests of the four companies in excess of the consideration received is recorded in other reserve for reorganisation with Heilongjiang Interchina. Details of the transaction were set out in note 42(b).

Share option reserve

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

Exchange reserve

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

Convertible notes reserve

Under Hong Kong Accounting Standard 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated losses.)

Statutory surplus reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation from continuing operations		**(39,901)**	126,277
Loss before taxation from discontinued operation		**–**	(9,247)
(Loss)/profit before taxation		**(39,901)**	117,030
Adjustments for:			
Depreciation of property, plant and equipment	10	**8,247**	6,914
Amortisation of prepaid lease payments and intangible assets	10	**22,969**	24,975
Fair value change in investment properties	15	**(122,411)**	(106,667)
Loss on remeasurement of asset held for sale to fair value less costs to sell	38	**–**	1,241
Impairment loss recognised in respect of other receivables and prepayments	10	**190**	1,863
Gain on derivative financial instruments	31	**(66)**	(1,884)
Loss/(gain) on disposal of property, plant and equipment		**1,332**	(288)
Loss on disposal of a subsidiary	39(a)	**22**	–
Share-based payment expenses	37	**91,064**	76,408
Share of result of an associate	21	**44**	–
Loss from sale of financial assets at fair value through profit or loss	8	**28,482**	–
Fair value gain on financial assets at fair value through profit or loss	8	**(6,177)**	–
Interest income	8	**(1,678)**	(350)
Dividend income	8	**(498)**	(26)
Interest expenses	11	**57,969**	67,067
Operating cash flows before movements in working capital		**39,588**	186,283
Increase in other financial assets		**(31,838)**	(7,353)
Increase in intangible assets		**(224,217)**	(49,276)
Decrease in inventories		**682**	1,120
(Increase)/decrease in loan receivables		**(223,768)**	102,898
Increase in trade and other receivables and prepayments		**(1,058,709)**	(1,011,445)
Increase in financial assets at fair value through profit or loss		**(41,530)**	(143,466)
Decrease/(increase) in bank trust and segregated accounts		**22,532**	(20,411)
Increase in trade and other payables and deposits received		**221,272**	102,361
Cash used in operating activities		**(1,295,988)**	(839,289)
Profits tax (paid)/refund		**(35,259)**	4,270
Interest received		**1,678**	350
Net cash used in operating activities		**(1,329,569)**	(834,669)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	**(262,410)**	(17,912)
Purchase of investment properties	15	**(7,220)**	(1,274)
Increase in prepaid lease payment		**(16,325)**	–
Proceeds on disposal of property, plant and equipment		**–**	469
Increase in assets of a disposal group classified as held for sale		**(1,236)**	(97,042)
Acquisition of subsidiaries	41	**(79,100)**	(5,195)
Purchase of available-for-sale financial assets		**(1,190)**	–
(Investment)/refund in other non-current assets		**(95,232)**	6
Proceeds on disposal of subsidiaries	39(a)	**1,115**	328,149
Net cash (used in)/generated from investing activities		**(461,598)**	207,201
FINANCING ACTIVITIES			
Interest paid		**(57,969)**	(67,067)
New bank borrowings raised		**212,846**	258,939
New other borrowings raised		**1,209,171**	394,830
Repayment of bank borrowings		**(118,273)**	(92,936)
Repayment of other borrowings		**(394,288)**	(138,966)
Proceed from issue of convertible notes	33	**495,000**	245,000
Placement of shares		**286,000**	–
Issue cost on placement of shares		**(19,525)**	–
Issue of new shares under the share options		**202,095**	72,718
Proceeds from issue of convertible note options		**–**	2,500
Proceeds from deemed disposal of a subsidiary	42(a)	**852,354**	–
Dividend income		**498**	26
Capital contribution from non-controlling interests		**–**	77,225
Net cash generated from financing activities		**2,667,909**	752,269
Net increase in cash and cash equivalents		**876,742**	124,801
Cash and cash equivalents at beginning of the year		**129,140**	34,259
Effect of change in foreign exchange rate		**67,103**	(29,912)
Included in assets of disposal group classified as held for sales		**–**	(8)
Cash and cash equivalents at end of the year		**1,072,985**	129,140
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,078,187**	156,874
Less: Bank balances – trust and segregated accounts	28	**(5,202)**	(27,734)
		1,072,985	129,140

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

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) environmental protection and water treatment operation, (ii) property investment operation and (iii) securities and financial operation. Details of the principal activities of its subsidiaries are set out in note 49.

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

Key events

(a) Acquisition of Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited ("Beijing Zhongke") (北京中科國益環保工程有限公司) and Zhuozhou Zhongke Guoyi Water Treatment Company Limited ("Zhuozhou Zhongke") (涿州中科國益水務有限公司)

The Company, through Heilongjiang Interchina, acquired 85% equity interest in Beijing Zhongke and the entire equity interest in Zhuozhou Zhongke in August 2010. Details of the acquisitions were set out in note 41(a).

(b) Share increase in Heilongjiang Interchina

Pursuant to a revised share increase proposal submitted by Heilongjiang Interchina to the Shanghai Stock Exchange, the PRC, in March 2010, Heilongjiang Interchina proposed to issue up to 115,000,000 shares to several independent third parties. The revised share increase proposal was approved by China Securities Regulatory Committee (the "CSRC") on 13 January 2011, in which 100,000,000 shares of Heilongjiang Interchina were issued to seven independent institutional investors at RMB7.5 each (the "Share Increase"). The net proceeds of approximately RMB724,500,000 were raised accordingly.

Following completion of the Share Increase, the Group's interest in Heilongjiang Interchina was diluted from 70.20% to 53.77%. Further details of the Share Increase and the effect on dilution of shareholding in Heilongjiang Interchina were set out in note 42(a).

1. GENERAL INFORMATION *(Continued)*

Key events *(Continued)*

(c) Reorganisation with Heilongjiang Interchina

Pursuant to the transfer agreements (the "Reorganisation") entered between Heilongjiang Interchina and Interchina Water Treatment Company Limited ("Interchina Water Treatment"), an indirect wholly owned subsidiary of the Company, dated 3 March 2010, Interchina Water Treatment agreed to transfer its (i) 75% equity interest in Interchina (Qinghuangdao) Sewage Treatment Company Limited; (ii) 100% equity interest in Interchina (Changli) Sewage Treatment Company Limited; (iii) 100% equity interest in Interchina (Maanshan) Sewage Treatment Company Limited; and (iv) 100% equity interest in Ordos Interchina Water Treatment Company Limited, to Heilongjiang Interchina (the "Transferred Assets").

The considerations of the Transferred Assets between Heilongjiang Interchina and Interchina Water Treatment were determined based on the valuation of the respective assets as at 31 December 2009.

The Reorganisation was approved by the CSRC on 13 January 2011 and the completion date of the Reorganisation was 14 February 2011. Heilongjiang Interchina paid a cash consideration of HK$259,583,000 to Interchina Water Treatment.

Further details of the Reorganisation were set out in note 42(b).

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value, as detailed in the accounting policies set out in note 4.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are set out in note 5.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payments – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Amendment to HKAS 32 Financial instruments: Presentation – classification of rights issues
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – Determination of the Length of the Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), Improvement to HKFRSs 2009 and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements. The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

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

(b) Improvements to HKFRSs 2009

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(c) HK Interpretation 5: Presentation of Financial Statements – Classification by the borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Interpretation 5 requires that a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loan was classified in the statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 Presentation of Financial Statements, the Group is required to present a statement of financial position as at 1 April 2009.

The above change has had no effect on the consolidated income statement and the consolidated statement of comprehensive income. The effect on the consolidated statement of financial position is summarised as follows:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Current liabilities			
Increase in bank borrowings – due within one year	**287,172**	177,898	176,124
Non-current liabilities			
Decrease in bank borrowings – due after one year	**287,172**	177,898	176,124

Further details of the bank and other borrowings are disclosed in note 32.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter[1]
HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation Removal of Fixed Dates for First-time Adopter[3]
HKFRS 7 (Amendments)	Amendment to HKFRS 7 Financial Instruments Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[5]
HKAS 12 (Amendments)	Amendment to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24	Related Party Disclosures[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[1]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the application of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

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

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

(i) Business combination took place on or after 1 April 2010

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

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

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

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

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

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

Basis of consolidation *(Continued)*

(i) Business combination took place on or after 1 April 2010 *(Continued)*

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

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

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

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

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

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

Basis of consolidation *(Continued)*

(i) Business combination took place on or after 1 April 2010 *(Continued)*

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

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

(ii) Business combinations that took place prior to 1 April 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising from acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

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

Total comprehensive income and loss of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

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

Basis of consolidation *(Continued)*

(iv) Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010

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

(v) Changes in the Group's ownership interests in existing subsidiaries prior to 1 April 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Goodwill

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

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

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

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

Interest in associates

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

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

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

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

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

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

Revenue recognition

(i) Rental income

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

(ii) Commission and brokerage income

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

(iii) Revenue from construction service

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

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

(iv) Sewage treatment income

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

(v) Finance income

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

(vi) Interest income

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

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

Property, plant and equipment

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

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

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

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

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

Buildings	Over the estimated useful lives of 50 years or over the terms of the leases, if less than 50 years
Leasehold improvements	Over the terms of the leases
Plant and machinery	3% – 10%
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

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

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

Investment properties

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

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

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

Service concession arrangements

(i) Consideration given by the grantor

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

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

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

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

Service concession arrangements *(Continued)*

(ii) Construction or upgrade services

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

(iii) Operating services

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

(iv) Contractual obligations to restore the infrastructure to a specified level of serviceability

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

Intangible assets

Intangible asset represents sewage treatment and tap water processing operating rights under Build, Operation, Transfer ("BOT") arrangements. The intangible asset is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses.

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

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

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

Impairment of non-financial assets

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

Financial instruments

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

(i) Financial assets

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

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

Financial instruments *(Continued)*

(i) ***Financial assets*** *(Continued)*

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Financial instruments *(Continued)*

(ii) Financial liabilities and equity

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

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

Financial liabilities at fair value through profit or loss

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

Borrowings

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

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

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

Other financial liabilities

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

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

Financial instruments *(Continued)*

(iii) Convertible notes

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

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

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

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

(iv) Equity instruments

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

(v) Financial guarantee contracts

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

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

Financial instruments *(Continued)*

(vi) Derivative financial instruments that do not qualify for hedge accounting

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

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

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

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

(ii) Assets carried at cost

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

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

Derecognition of financial instruments

(i) Derecognition of financial assets

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

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

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

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

(ii) Derecognition of financial liabilities

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

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

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

Taxation

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

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

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

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

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

Government grants

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

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

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Provision

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

Other non-current assets

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

Art works and jade

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

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

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

Properties under development for sale

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

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

Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

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

Retirement benefits costs

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

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

Share-based compensation

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

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

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

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

Related parties

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.

Assets classified as held for sale

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

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

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

Discontinued operations

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Estimate of fair value of investment properties

As described in note 15, the investment properties were revalued at the end of reporting period 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 the end of each reporting period.

Useful lives of property, plant and equipment

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

Trade and other receivables

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

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

Fair value of other financial assets and liabilities

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

Construction contracts

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

Service concession arrangements

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

Impairment of financial assets and intangible assets under service concession arrangement

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

6. SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

Environmental protection and water treatment operation – Operation of water plants and sewage treatment plants in the PRC

Property investment operation – Leasing of rental property in the PRC and Hong Kong

Securities and financial operation – Securities investment provision of financial service

In March 2010, the Group completed the disposal of the business of city development and investment operation which became a discontinued operation to the Group since 2009. Details of the discontinued operation were set out in note 40.

(a) Segment revenue and results

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

	Continuing operations								Discontinued operation			
	Environmental protection and water treatment operation		Property investment operation		Securities and financial operation		Total		City development and investment operation		Consolidated total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Segment revenue	**357,017**	211,945	**23,741**	18,404	**32,715**	13,421	**413,473**	243,770	**-**	–	**413,473**	243,770
Segment results	**36,449**	41,127	**113,633**	120,057	**(6,750)**	122,559	**143,332**	283,743	**-**	(4,384)	**143,332**	279,359
Interest income and unallocated gain							**1,744**	2,808	**-**	10	**1,744**	2,818
Administrative costs							**(35,878)**	(45,703)	**-**	–	**(35,878)**	(45,703)
Share-based payment expenses							**(91,064)**	(76,408)	**-**	–	**(91,064)**	(76,408)
Profit/(loss) from operations							**18,134**	164,440	**-**	(4,374)	**18,134**	160,066
Finance costs							**(57,969)**	(62,194)	**-**	(4,873)	**(57,969)**	(67,067)
Share of result of an associate							**(44)**	–	**-**	–	**(44)**	–
(Loss)/gain on disposal of subsidiaries							**(22)**	24,031	**-**	–	**(22)**	24,031
(Loss)/profit before taxation							**(39,901)**	126,277	**-**	(9,247)	**(39,901)**	117,030
Taxation							**(43,018)**	(56,661)	**-**	–	**(43,018)**	(56,661)
(Loss)/profit for the year							**(82,919)**	69,616	**-**	(9,247)	**(82,919)**	60,369

6. SEGMENT INFORMATION *(Continued)*

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

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2010: Nil).

Segment results represent the result generated from each segment without allocation of central administration costs including directors' salaries, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Continuing operations								Discontinued operation			
	Environmental protection and water treatment operation		Property investment operation		Securities and financial operation		Total		City development and investment operation		Consolidated total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets/liabilities												
Segment assets	**4,038,150**	2,383,820	**1,116,452**	717,853	**636,476**	331,778	**5,791,078**	3,433,451	**-**	41,614	**5,791,078**	3,475,065
Unallocated corporate assets							**1,043,333**	198,061	**-**	–	**1,043,333**	198,061
Tax recoverable							**76**	47	**-**	–	**76**	47
Total assets							**6,834,487**	3,631,559	**-**	41,614	**6,834,487**	3,673,173
Segment liabilities	**378,959**	275,974	**49,789**	33,220	**78,050**	30,452	**506,798**	339,646	**-**	–	**506,798**	339,646
Unallocated corporate liabilities							**2,020,711**	935,491	**-**	–	**2,020,711**	935,491
Tax liabilities							**14,950**	39,917	**-**	–	**14,950**	39,917
Total liabilities							**2,542,459**	1,315,054	**-**	–	**2,542,459**	1,315,054

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than property, plant and equipment, prepaid lease payments, interests in associate, available-for-sale financial assets, other receivables, prepayment and cash and cash equivalents; and

- all liabilities are allocated to reportable segments other than bank and other borrowings, other payables and convertible notes.

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

	Continuing operations								Discontinued operation			
	Environmental protection and water treatment operation		Property investment operation		Securities and financial operation		Total		City development and investment operation		Consolidated total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information												
Amortisation and depreciation	**29,592**	26,299	**785**	91	**28**	45	**30,405**	26,435	**-**	572	**30,405**	27,007
Unallocated amounts							**811**	974	**-**	–	**811**	974
							31,216	27,409	**-**	572	**31,216**	27,981
Capital expenditure	**486,627**	67,188	**7,220**	1,274	**-**	–	**493,847**	68,462	**-**	–	**493,847**	68,462
Fair value gain on investment properties	**-**	–	**122,411**	106,667	**-**	–	**122,411**	106,667	**-**	–	**122,411**	106,667
(Loss)/gain from sale of financial assets at fair value through profit or loss	**-**	–	**-**	–	**(28,482)**	114,415	**(28,482)**	114,415	**-**	–	**(28,482)**	114,415
Fair value gain on financial assets at fair value through profit or loss	**-**	–	**-**	–	**6,177**	–	**6,177**	–	**-**	–	**6,177**	–

6. SEGMENT INFORMATION *(Continued)*

(d) Geographical information

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

	Revenue from external customer		**Specified Non-current Assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**32,716**	13,511	**4,735**	4,643
The PRC	**380,757**	230,259	**3,118,950**	2,168,984
	413,473	243,770	**3,123,685**	2,173,627

(e) Information from major customers

Included in revenues arising from environmental protection and water treatment operation of HK$357,017,000 (2010: HK$211,945,000) are revenues of approximately HK$93,645,000 (2010: HK$49,276,000) which arose from sales to the Group's largest customer.

7. TURNOVER

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

	Continuing operations		**Discontinued operation**		**Consolidated total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sewage and water treatment operation*	**169,106**	139,929	**–**	–	**169,106**	139,929
Sewage and water treatment construction service income	**187,910**	72,016	**–**	–	**187,910**	72,016
Property rental and management fee	**23,741**	18,404	**–**	–	**23,741**	18,404
Brokerage commission income	**12,688**	5,122	**–**	–	**12,688**	5,122
Interest income from clients	**20,028**	8,299	**–**	–	**20,028**	8,299
	413,473	243,770	**–**	–	**413,473**	243,770

* Finance income on other financial assets under service concession arrangement of HK$41,462,000 (2010: HK$55,137,000) is included in the revenue derived from "Sewage and water treatment operation" disclosed above.

8. OTHER REVENUE AND OPERATING INCOME, NET

	Continuing operations		Discontinued operation		Consolidated total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank interest income	**1,678**	350	**–**	10	**1,678**	360
Dividend income	**498**	26	**–**	–	**498**	26
Consultancy service income	**40,068**	4,643	**–**	–	**40,068**	4,643
Government subsidies (note 47)	**73,891**	32,520	**–**	–	**73,891**	32,520
(Loss)/gain from sale of financial assets at fair value through profit or loss	**(28,482)**	114,415	**–**	–	**(28,482)**	114,415
Fair value gain on financial assets at fair value through profit or loss	**6,177**	–	**–**	–	**6,177**	–
Gain on derivative financial instruments	**66**	1,884	**–**	–	**66**	1,884
Sundry income	**9,151**	2,326	**–**	–	**9,151**	2,326
	103,047	156,164	**–**	10	**103,047**	156,174

9. STAFF COSTS

	Continuing operations		Discontinued operation		Consolidated total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Salaries and allowances (including directors' remuneration)	**51,432**	42,327	**–**	934	**51,432**	43,261
Retirement benefit scheme contributions	**1,421**	1,595	**–**	94	**1,421**	1,689
	52,853	43,922	**–**	1,028	**52,853**	44,950
Share-based payment expense (note 37)	**91,064**	76,408	**–**	–	**91,064**	76,408
	143,917	120,330	**–**	1,028	**143,917**	121,358

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments

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

Name of directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors										
Zhang Yang[1]	**51**	40	**897**	58	**3**	2	**–**	–	**951**	100
Zhang Chen[2]	**278**	–	**1,498**	–	**8**	–	**5,872**	–	**7,656**	–
Lam Cheung Shing, Richard	**360**	360	**3,072**	3,367	**120**	286	**6,191**	8,930	**9,743**	12,943
Zhu Youngjun	**360**	360	**1,938**	2,058	**12**	12	**7,603**	8,930	**9,913**	11,360
Zhang Jack Jiyei[3]	**82**	90	**835**	1,068	**3**	3	**5,647**	–	**6,567**	1,161
Chan Wing Yuen, Hubert[4]	**–**	72	**–**	1,429	**–**	117	**–**	–	**–**	1,618
Mu Simon Xinming[5]	**–**	–	**–**	–	**–**	–	**–**	442	**–**	442
Wing Man Yi[6]	**–**	200	**–**	3,014	**–**	7	**–**	8,930	**–**	12,151
	1,131	1,122	**8,240**	10,994	**146**	427	**25,313**	27,232	**34,830**	39,775
Independent non-executive directors										
Ha Ping	**360**	360	**–**	–	**–**	–	**706**	884	**1,066**	1,244
Ho Yiu Yue, Louis	**360**	360	**–**	–	**–**	–	**706**	442	**1,066**	802
Ko Ming Tung, Edward	**360**	360	**–**	–	**–**	–	**706**	442	**1,066**	802
Fu Tao	**360**	285	**–**	–	**–**	–	**706**	442	**1,066**	727
	1,440	1,365	**–**	–	**–**	–	**2,824**	2,210	**4,264**	3,575
	2,571	2,487	**8,240**	10,994	**146**	427	**28,137**	29,442	**39,094**	43,350

1 Appointed on 10 January 2011
2 Appointed on 23 June 2010
3 Resigned on 22 June 2010
4 Resigned on 11 June 2009
5 Retired on 18 August 2009
6 Resigned on 1 January 2010

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

9. STAFF COSTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2011 and 2010 were all directors whose emoluments are reflected in note (a) above.

10. PROFIT FROM OPERATIONS

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

	Continuing operations		**Discontinued operation**		**Consolidated total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation (note 16)	**8,247**	6,675	**–**	239	**8,247**	6,914
Amortisation of prepaid lease payments and intangible assets (note 17 and 19(a))	**22,969**	24,642	**–**	333	**22,969**	24,975
Auditors' remuneration	**1,762**	1,220	**–**	37	**1,762**	1,257
Impairment loss recognised in respect of other receivables and prepayments (note 25)	**190**	1,863	**–**	–	**190**	1,863
Impairment loss recognised in respect of assets held for sale (note 38)	**–**	1,241	**–**	–	**–**	1,241
Operating lease rentals in respect of premises	**6,189**	5,520	**–**	–	**6,189**	5,520
Net foreign exchange loss	**632**	3,915	**–**	–	**632**	3,915
Gross rental income from investment properties	**(13,483)**	(17,008)	**–**	–	**(13,483)**	(17,008)
Less: direct operating expenses from investment properties that generated rental income during the year	**2,618**	2,874	**–**	–	**2,618**	2,874

11. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank charges	**331**	–	**–**	–	**331**	–
Interests on:						
Bank borrowings and overdrafts wholly repayable:						
– within five years	**39,156**	35,259	**–**	4,873	**39,156**	40,132
– over five years	**3,551**	6,116	**–**	–	**3,551**	6,116
Other borrowings	**13,862**	18,467	**–**	–	**13,862**	18,467
Convertible notes (note 33)	**1,069**	2,352	**–**	–	**1,069**	2,352
	57,969	62,194	**–**	4,873	**57,969**	67,067

12. TAXATION

	Continuing operations		Discontinued operation		Consolidated total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax						
Hong Kong Profits Tax	**3,654**	14,468	**–**	–	**3,654**	14,468
The PRC Enterprise Income Tax	**9,849**	11,081	**–**	–	**9,849**	11,081
	13,503	25,549	**–**	–	**13,503**	25,549
Over provision in prior year:						
Hong Kong Profits Tax	**(3,240)**	–	**–**	–	**(3,240)**	–
	10,263	25,549	**–**	–	**10,263**	25,549
Deferred tax (note 34)	**32,755**	31,112	**–**	–	**32,755**	31,112
	43,018	56,661	**–**	–	**43,018**	56,661

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

The Group had unused tax losses of approximately HK$31,753,000 (2010: HK$14,311,000) available for offset against future profits for the year ended 31 March 2011. No deferred tax asset has been recognised due to unpredictability of future profit streams.

12. TAXATION *(Continued)*

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax, which has been provided based on the statutory income tax rate of the assessable income of each of such company during the years ended 31 March 2011 and 2010, as determined in accordance with the relevant PRC income tax rules and regulations.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which took effect on 1 January 2008. According to the New Tax Law, the applicable tax rate of the Company's subsidiaries established in the PRC are unified at 25% with effect from 1 January 2008.

Reconciliation between tax expenses and accounting profit at applicable tax rates

The Group – for the year ended 31 March 2011

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation						
Continuing operations	(72,581)		32,680		(39,901)	
Tax at the statutory tax rate	(11,976)	16.5	8,170	25.0	(3,806)	9.5
Tax effect of expenses not deductible for tax purpose	4,455	(6.1)	13,872	42.4	18,327	(45.9)
Tax effect of income not taxable for tax purpose	(13,059)	18.0	(18,252)	(55.8)	(31,311)	78.5
Over provision in prior year	(3,240)	4.5	–	–	(3,240)	8.1
Tax effect of tax losses not recognised	19,656	(27.1)	12,097	37.0	31,753	(79.6)
Tax effect of unrecognised temporary differences	6,645	(9.2)	24,650	75.4	31,295	(78.4)
Tax charge for the year	2,481	(3.4)	40,537	124	43,018	(107.8)

12. TAXATION *(Continued)*

Reconciliation between tax expenses and accounting profit at applicable tax rates *(Continued)*

The Group – for the year ended 31 March 2010

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation						
Continuing operations	80,544		45,733		126,277	
Discontinued operation	–		(9,247)		(9,247)	
	80,544		36,486		117,030	
Tax at the statutory tax rate	13,290	16.5	9,122	25.0	22,412	19.2
Tax effect of expenses not deductible for tax purpose	13,234	16.4	12,432	34.1	25,666	21.9
Tax effect of income not taxable for tax purpose	(17,709)	(22.0)	(19,080)	(52.3)	(36,789)	(31.4)
Tax effect of tax losses not recognised	5,457	6.8	8,854	24.3	14,311	12.2
Tax effect of unrecognised temporary differences	15,464	19.2	15,597	42.7	31,061	26.5
Tax charge for the year	29,736	36.9	26,925	73.8	56,661	48.4

13. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic earnings and diluted (loss)/earnings per share from continuing and discontinued operations is based on the following data:

	2011 **HK$'000**	2010 HK$'000 (Restated)
(Loss)/earnings attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(101,699)**	63,293
Effect of dilutive potential ordinary shares		
– After tax effect of interest on convertible notes	**–**	220
(Loss)/earnings attributable to owners of the Company for the purpose of diluted (loss)/earnings per share	**(101,699)**	63,513

Number of shares	**2011**	2010 (Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**3,573,192,975**	2,181,875,802
Effect of dilutive potential ordinary shares:		
– Convertible notes	**–**	266,438,356
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**3,573,192,975**	2,448,314,158

(b) From continuing operations

	2011 **HK$'000**	2010 HK$'000 (Restated)
(Loss)/earnings attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(101,699)**	63,293
Add: Loss for the year from discontinued operation	**–**	9,247
	(101,699)	72,540
Effect of dilutive potential ordinary shares:		
– After tax effect of interest on convertible notes	**–**	220
(Loss)/earnings attributable to owners of the Company for the purpose of diluted (loss)/earnings per share from continuing operations	**(101,699)**	72,760

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

(c) From discontinued operation

For the year ended 31 March 2010, basic loss per share from discontinued operation is calculated based on the loss from the discontinued operation of HK$9,247,000 and the denominators as detailed above for both basic and diluted loss per share.

13. (LOSS)/EARNINGS PER SHARE *(Continued)*

(d) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the year ended 31 March 2011 and 2010 has not assumed the exercise of the share options as these potential ordinary shares would have anti-dilutive effect.

The weighted average number of ordinary shares for the basic and diluted loss per share for the years ended 31 March 2010 have been adjusted for the effect of share consolidation in April 2010. Details of the share consolidations are set out in note 35 to the consolidated financial statements.

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

For the year ended 31 March 2011, the consolidated loss attributable to owners of the Company includes a loss of approximately HK$125,739,000 (2010: HK$450,220,000) which has been dealt with in the financial statements of the Company (note 36).

15. INVESTMENT PROPERTIES

	The Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**609,722**	503,228
Exchange alignment	**7,528**	(1,447)
Additions	**7,220**	1,274
Fair value change	**122,411**	106,667
At end of the year	**746,881**	609,722

The fair value of the Group's investment properties at 31 March 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by Messrs. Jointgoal Surveyors Limited, Cushman & Wakefield Valuation Advisory Services (HK) Limited and 上海房地產估價師事務所有限公司, independent professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location.

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**20,000**	15,000
Investment properties outside Hong Kong, held on:		
Medium-term leases	**726,881**	594,722
	746,881	609,722

Investment properties with the carrying amount of approximately HK$316,550,000 (2010: HK$213,628,000) have been pledged to secure banking facilities granted to the Group.

The Group's investment properties, amounting to approximately HK$317,500,000 (2010: HK$589,827,000) are rented out under operating leases.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties under development	Building	Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Equipment, motor vehicle and others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 April 2009	4,197	–	140	–	12,665	20,304	37,306
Exchange alignment	(48)	–	–	–	(765)	(508)	(1,321)
Additions	3,393	–	8,643	–	1,548	4,328	17,912
Transfer to assets classified as held for sale	(7,542)	–	–	–	–	(3,770)	(11,312)
Disposals	–	–	–	–	(14)	(573)	(587)
At 31 March 2010 and 1 April 2010	–	–	8,783	–	13,434	19,781	41,998
Exchange alignment	–	–	411	–	551	1,460	2,422
Acquisition of subsidiaries (note 41(a))	–	25,404	–	–	–	864	26,268
Additions	–	491	2,276	244,966	6,180	8,497	262,410
Disposals	–	–	–	–	–	(3,208)	(3,208)
At 31 March 2011	–	25,895	11,470	244,966	20,165	27,394	329,890
Accumulated depreciation							
At 1 April 2009	–	–	86	–	6,905	10,223	17,214
Exchange alignment	–	–	–	–	(223)	(136)	(359)
Charge for the year	–	–	1,508	–	1,779	3,627	6,914
Transfer to assets classified as held for sale	–	–	–	–	–	(440)	(440)
Elimination upon disposals	–	–	–	–	(4)	(402)	(406)
At 31 March 2010 and 1 April 2010	–	–	1,594	–	8,457	12,872	22,923
Exchange alignment	–	–	68	–	358	292	718
Charge for the year	–	559	3,648	457	1,404	2,179	8,247
Elimination upon disposals	–	–	–	–	–	(1,876)	(1,876)
At 31 March 2011	–	559	5,310	457	10,219	13,467	30,012
Carrying amount							
At 31 March 2011	**–**	**25,336**	**6,160**	**244,509**	**9,946**	**13,927**	**299,878**
At 31 March 2010	–	–	7,189	–	4,977	6,909	19,075

The Group's buildings are situated in the PRC and held under long-term lease.

Assets pledged as securities

Plant and machinery, furniture and fixtures, and equipment, motor vehicle and others with carrying amounts of approximately HK$244,509,000, HK$30,000 and HK$1,542,000 respectively (31 March 2010: approximately HK$Nil, HK$22,000 and HK$1,418,000 respectively) have been pledged to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	The Group	
	2011	2010
	HK$'000	HK$'000
Cost		
Additions	**16,325**	–
At 31 March 2011	**16,325**	–
Accumulated amortisation		
Charge for the year	**544**	–
At 31 March 2011	**544**	–
Carrying amount		
At 31 March 2011	**15,781**	–

The Group's prepaid lease payment comprises:		
Land outside Hong Kong		
Medium term lease	**15,781**	–
Analysed for reporting purposes as:		
Non-current assets	**15,781**	–

18. INTERESTS IN SUBSIDIARIES

(a) Investment in subsidiaries

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**1,155,853**	792,128
Impairment loss recognised	**(26,044)**	(45,428)
	1,129,809	746,700

Details of the Company's principal subsidiaries at 31 March 2011 are set out in note 49.

(b) Amount due from/(to) subsidiaries

	The Company	
	2011	2010
	HK$'000	HK$'000
Amount due from subsidiaries	**1,985,801**	976,084

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

19. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into a number of service concession arrangements with certain governmental authorities in the PRC on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its sewage treatment and water supply operations. These service concession arrangements generally involve the Group as an operator (i) constructing the infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; (iii) operating and maintaining the infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism. The Group is entitled to, where appropriate, use all the property, plant and equipment of the infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the infrastructures, and retain the beneficial entitlement to any residual interest in the infrastructures at the end of the term of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the infrastructures to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes. The accounting policies in respect of the classification of the service concession arrangements between other financial assets (receivables under service concession arrangements) and intangible assets (operating concessions) are set out under the heading of "Service concession arrangements" in note 4 to the consolidated financial statements.

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

(a) Intangible assets

The Group

	Concession intangible assets HK$'000
Cost	
At 1 April 2009	691,995
Exchange alignment	(7,898)
Additions	49,276
At 31 March 2010 and 1 April 2010	733,373
Exchange alignment	25,060
Additions	224,217
Acquisition of subsidiaries (note 41(a))	125,284
At 31 March 2011	1,107,934

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

(a) Intangible assets *(Continued)*

	Concession intangible assets HK$'000
Accumulated amortisation	
At 1 April 2009	6,184
Exchange alignment	(70)
Charge for the year	24,458
At 31 March 2010 and 1 April 2010	30,572
Exchange alignment	3,632
Charge for the year	22,425
At 31 March 2011	56,629
Carrying amount	
At 31 March 2011	**1,051,305**
At 31 March 2010	702,801

(b) Other financial assets

	The Group	
	2011	2010
	HK$'000	HK$'000
Receivables under service concession arrangements	**483,996**	452,158

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

(c) Notes to the service concession arrangements

At 31 March 2011, the Group, including Heilongjiang Interchina and its subsidiaries (collectively referred to as the "Heilongjiang Interchina Group"), have entered into a number of service concession arrangements with certain governmental authorities in the PRC on BOT or TOT basis in respect of sewage treatment and water distribution businesses.

A summary of the the major terms of the major service concession arrangements of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group is set out as follows.

Name of subsidiary	Location	Name of grantor	Type of service concession arrangements	Service concession period
青海雄越環保科技有限責任公司	Xining, the PRC	西寧市水務局	TOT	25 years from 2005 to 2030
西安航空科技產業園供排水有限公司	Xian, the PRC	西安市閻良區水務局	TOT	20 years from 2008 to 2028
漢中市國中自來水有限公司	Hanzhong, the PRC	漢中市漢台區人民政府建設局	TOT	30 years from 2008 to 2038
國水(馬鞍山)污水處埋有限公司	Maanshan, the PRC	馬鞍山市市政管理處	BOT	22 years from 2006 to 2028
國水(昌黎)污水處埋有限公司	Changli, the PRC	秦皇島市昌黎人民政府	BOT	30 years from 2005 to 2035
Interchina (Qinhuangdao) Sewage Treatment Company Limited	Qinhuangdao, the PRC	秦皇島市人民政府	BOT	20 years from 2002 to 2022
Taiyuan Haofeng Wastewater Treatment Company Limited	Taiyuan, the PRC	太原市市政管理局	TOT	20 years from 2009 to 2029
鄂爾多斯市國中水務有限公司	Ordos, the PRC	內蒙古自治區鄂爾多斯市達拉特旗政府	BOT	30 years from 2008 to 2038
涿洲中科國益水務有限公司	Zhuozhou, the PRC	涿洲市人民政府	TOT	25 years from 2006 to 2031
國中(漢中)石門供水有限公司	Hangzhong, the PRC	漢中市城鄉建設管理局	BOT	30 years from 2004 to 2034

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

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

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

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

	2011	2010
	HK$'000	HK$'000
Intangible assets	**424,080**	275,079
Other financial assets	**331,961**	340,109
	756,041	615,188

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

20. GOODWILL

	The Group
	HK$'000
Cost	
At 1 April 2009	398,563
Additions (note 41(b))	31
At 31 March 2010 and 1 April 2010	398,594
Additions (note 41(a))	29,416
Exchange alignment	9,269
At 31 March 2011	437,279

20. GOODWILL *(Continued)*

	The Group HK$'000
Impairment	
At 1 April 2009, 31 March 2010 and 1 April 2010	11,006
Exchange alignment	256
At 31 March 2011	11,262
Carrying amount	
At 31 March 2011	**426,017**
At 31 March 2010	387,588

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

	2011 HK$'000	2010 HK$'000
Environmental protection and water treatment operation	**426,017**	387,588

For the year ended 31 March 2011, the addition of goodwill was attributable to the Group acquired 85% equity interest in Beijing Zhongke and the entire equity interest in Zhuozhou Zhongke, which were engaged in environmental protection and water treatment business. Details of the acquisition were set out in note 41(a).

For the year ended 31 March 2010, the addition of goodwill was attributable to the Group acquired 71% equity interest in Regent Victor Development Limited ("Regent Victor"). Details of the acquisition were set out in note 41(b).

Impairment tests for CGU containing goodwill

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

During the year, the Group performed impairment tests for CGU containing goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period and cash flows beyond the five-year period are extrapolated using a growth rate of 2.88% per annum. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Discount rate of 8.84% was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to the CGU.

21. INTERESTS IN AN ASSOCIATE

	The Group	
	2011	2010
	HK$'000	HK$'000
Cost of investments through acquisition of subsidiaries (note 41(a))	**1,140**	–
Share of result of an associate	**(44)**	–
Exchange alignment	**26**	–
	1,122	–

On 23 August 2010, the Group made an investment in 天津煉達中科環保技術有限公司("天津煉達") via investment in Beijing Zhongke amounted to approximately HK$1,140,000, which represented 49% equity interest in 天津煉達 (note 41(a)).

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

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

21. INTERESTS IN AN ASSOCIATE *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
Turnover	**–**	–
Loss for the year	**(89)**	–
Loss attributable to the Group	**(44)**	–
Total assets	**13,395**	–
Total liabilities	**(11,106)**	–
Net assets	**2,289**	–
Net assets attributable to the Group	**1,122**	–

22. AVALIABLE-FOR-SALE FINANCIAL ASSETS

The Group indirectly held 8.33% equity interest in 北京清環同盟環境發展股份有限公司(“北京清環同盟”). As the Group is not able to exercise significant influence over 北京清環同盟, it is classified as an available-for-sale financial assets. 北京清環同盟 is engaged in the provision of consultancy service in relation to water treatment business in the PRC. The investments are not stated at fair value but at cost less any accumulated impairment losses because they do not have a quoted market price in an active market and hence, in the opinion of the directors, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

23. OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Art works and jade (note i)	**95,238**	–	**–**	–
Contribution to the compensation fund and fidelity fund with the Stock Exchange	**197**	197	**–**	–
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	**100**	100	**–**	–
Guarantee fund contributions to HKSCCL	**100**	100	**–**	–
Statutory deposits with HKFE Clearing Corporation Limited	**1,500**	1,506	**–**	–
Club membership (note ii)	**380**	380	**380**	380
	97,515	2,283	**380**	380

Notes:

(i) The amounts represents the aggregate cost of art works and jade held by the Group, In the opinion of the directors of the Company, with reference to professional valuation reports, the residual value of the art works and jade worth at least its carrying amount at the end of the reporting period. Therefore, no impairment is provided for the year.

(ii) The club membership is stated at cost less impairment at the end of each reporting period and directors of the Company reassessed the recoverable amount of the club membership and considered no impairment was made for the years ended 31 March 2011 and 2010.

24. INVENTORIES

	The Group	
	2011	2010
	HK$'000	HK$'000
Finished goods	**6,511**	3,078

At 31 March 2011 and 2010, all inventories were carried at cost.

25. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2010: 60 days) to its trade customers. The aged analysis of trade receivables is as follow:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 – 30 days	**385,223**	148,178	**–**	–
Over 90 days	**10,622**	24,450	**–**	–
	395,845	172,628	**–**	–
Margin clients accounts receivables	**9,222**	2,570	**–**	–
Clearing houses, brokers and dealers	**1,075**	6,943	**–**	–
Prepayments and deposits	**1,726,522**	905,302	**98,443**	183,492
Other receivables	**109,138**	69,067	**1,158**	1,216
	2,241,802	1,156,510	**99,601**	184,708
Less: Impairment of other receivables and prepayments	**(2,313)**	(2,123)	**–**	–
	2,239,489	1,154,387	**99,601**	184,708

Movement on impairment of other receivables and prepayments was as follow:

	The Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**2,123**	260
Impairment loss recognised	**190**	1,863
At end of the year	**2,313**	2,123

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**385,223**	148,178
Over three months past due	**10,622**	24,450
	395,845	172,628

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

Trade receivables that were past due but not impaired relate to a number of independent customers that either have a good track record with the Group or are in negotiation with the Group over the amounts or terms of repayment. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

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

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

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

(i) a deposit of approximately HK$504,762,000 (2010: Nil) paid for acquisition of companies principally engaged in the exploration, mining, processing and sale of Manganese resources in the Republic of Indonesia. Details of the acquisition were set out in the Company's announcement dated 2 March 2011;

(ii) deposits of approximately HK$292,007,000 (2010: HK$90,483,000) paid for acquisition of certain investment properties in the PRC;

(iii) deposits of approximately HK$295,952,000 (2010: HK$92,000,000) paid for acquisition of several potential water projects in the PRC; and

(iv) prepayments of approximately HK$349,149,000 (2010: HK$121,914,000) to various contractors for construction of environmental protection and water treatment projects in the PRC.

26. LOAN RECEIVABLES

	The Group	
	2011	2010
	HK$'000	HK$'000
Loan receivables	**223,768**	–

The loan was unsecured, carrying at the prevailing interest rate ranging from 7.50% to 15% per annum with fixed repayment terms.

Loan receivables relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

27. FINANICAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Listed equity securities –				
Hong Kong, at fair value	**162,771**	143,546	**162,706**	143,500

28. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

	The Group	
	2011	2010
	HK$'000	HK$'000
Trust accounts	**4,647**	27,070
Segregated accounts	**555**	664
	5,202	27,734

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

Trust and segregated accounts earn interest at floating rates based on daily bank deposit rates. At 31 March 2011 and 2010, all trust and segregated accounts were denominated in Hong Kong dollar.

29. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,072,985**	129,140	**264,514**	9,246

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

At 31 March 2011, cash and cash equivalents of approximately HK$741,523,000 (2010: HK$112,337,000) were denominated in Renminbi. Renminbi is not freely convertible currency and the remittance of funds out of the PRC and is subject to the exchange restrictions imposed by the PRC government.

30. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
0 – 30 days	**152,735**	39,257	**–**	–
Over 90 days	**3,795**	–	**–**	–
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	**1,732**	106	**–**	–
Other payables and deposits received	**286,152**	190,655	**32,155**	21,313
	444,414	230,018	**32,155**	21,313

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

31. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
Financial liabilities related to the convertible note option	**–**	66

For the year ended 31 March 2010

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

The Convertible Note Option shall be exercisable from the date of grant to 30 April 2010. It is exercisable in whole or in part and can be exercised on multiple occasions during the exercise period, provided that the principal amount of the Second Tranche Convertible Notes subject to the relevant exercise shall be an integral multiple of HK$10,000,000.

The value of the Convertible Note Option was valued by Ascent Partners Transaction Service Limited, an independent valuer, by using the Hull-White Trinominal interest rate model. The inputs into the model were as follows:

	At the date of issue	**At 31 March 2010**
Spot price	HK$0.109	HK$0.093
Conversion price	HK$0.10	HK$0.10
Expected exercise period	0.71 year	0.08 year
Nature of the option	Call	Call
Volatility	0.64%	1.5576%

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

31. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The movement of the Convertible Note Option during the year ended 31 March 2011 are as follows:

	2011 **HK$'000**	2010 HK$'000
The Convertible Note Option		
At beginning of the year	**66**	–
At initial recognition	**–**	2,498
Gain on derivative financial instruments	**(66)**	(1,884)
Exercise upon issue of convertible notes	**–**	(548)
At end of the year	**–**	66

In December 2009, Mr. Yao exercised the Convertible Note Option that HK$90,000,000 of the Second Tranche Convertible Notes were issued of which HK$70,000,000 of it were exercised.

For the year ended 31 March 2011

Upon expiry of the Convertible Note Option on 30 April 2010, the remaining unissued Second Tranche Convertible Notes amounted to HK$160,000,000 have been forfeited. The Group did not grant other convertible note option during the year ended 31 March 2011.

32. BANK AND OTHER BORROWINGS

	The Group			The Company		
	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)	**31 March 2011 HK$'000**	31 March 2010 HK$'000	1 April 20009 HK$'000
Bank borrowings, secured	**545,648**	397,496	277,031	**–**	–	–
Bank borrowings, unsecured	**151,758**	95,908	107,841	**–**	–	–
Total bank borrowings	**697,406**	493,404	384,872	**–**	–	–
Other borrowings, secured	**1,136,666**	394,830	120,000	**–**	90,000	120,000
Other borrowings, unsecured	**73,100**	–	18,966	**73,100**	–	3,000
Total other borrowings	**1,209,766**	394,830	138,966	**73,100**	90,000	123,000
Total borrowings	**1,907,172**	888,234	523,838	**73,100**	90,000	123,000
The maturity profiles are as follows:						
On demand or repayable within one year:						
bank borrowings	**499,406**	392,155	269,060	**–**	–	–
other borrowings	**386,790**	394,830	126,541	**73,100**	90,000	123,000
Portion classified as current liabilities	**886,196**	786,985	395,601	**73,100**	90,000	123,000
Repayable in the second years, inclusives						
bank borrowings	**84,490**	16,994	13,531	**–**	–	–
other borrowings	**822,976**	–	1,816	**–**	–	–
	907,466	16,994	15,347	**–**	–	–
Repayable in the third to fifth years, inclusives						
bank borrowings	**77,200**	75,164	88,775	**–**	–	–
other borrowings	**–**	–	5,448	**–**	–	–
	77,200	75,164	94,223	**–**	–	–
Repayable after the fifth year						
bank borrowings	**36,310**	9,091	13,506	**–**	–	–
other borrowings	**–**	–	5,161	**–**	–	–
	36,310	9,091	18,667	**–**	–	–
Portion classified as non-current liabilities						
bank borrowings	**198,000**	101,249	115,812	**–**	–	–
other borrowings	**822,976**	–	12,425	**–**	–	–
	1,020,976	101,249	128,237	**–**	–	–
Total borrowings	**1,907,172**	888,234	523,838	**73,100**	90,000	123,000

The other borrowings bear interest at rates of 5.31% to 9% per annum for the year ended 31 March 2011 (2010: 8% to 36% per annum).

32. BANK AND OTHER BORROWINGS *(Continued)*

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

The bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi ranging from 2.45% to 7.83% (2010: 2.45% to 8.1%) per annum.

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

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Intangible assets	**424,080**	275,079	293,916
Other financial assets	**331,961**	340,109	334,334
	756,041	615,188	628,250

The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$316,550,000 (2010: HK$213,628,000; 2009: HK$179,976,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable by instalments over a period of 1 to 20 years.

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

	The Group			**The Company**		
	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000	**31 March 2011 HK$'000**	31 March 2010 HK$'000	1 April 2009 HK$'000
Hong Kong dollars	**92,165**	96,560	150,015	**73,100**	90,000	123,000
Renminbi	**1,815,007**	791,674	373,823	**–**	–	–
	1,907,172	888,234	523,838	**73,100**	90,000	123,000

33. CONVERTIBLE NOTES

For the year ended 31 March 2011

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

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

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

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

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

For the year ended 31 March 2010

(c) In June 2009, the Company issued convertible notes (the "Favour City CN") with principal amount of approximately HK$35,000,000 to Favour City Limited. The Favour City CN carried interest at 5.0% per annum and will be matured in 2011. The Favour City CN are denominated in Hong Kong dollars. The initial conversion price is HK$0.10 per share. The effective interest rate of the liability component is 7.91% per annum. Details of which were set out in the Company's announcement dated 9 June 2009 and 10 June 2009.

On 11 December 2009, the Favour City CN of approximately HK$35,000,000 was fully converted at an initial conversion price of HK$0.10 each into 350,000,000 ordinary shares of the Company at HK$0.10 each.

(d) In July 2009, the Company issued the First Tranche Convertible Notes to Mr. Yao. The First Tranche Convertible Notes carry interest at 5% per annum and carries at an initial conversion price of HK$0.10 per share and will be matured on the date falling on the first anniversary from the date of issue. The effective interest rate of the liability component of the First Tranche Convertible Notes is 7.05% per annum. Details of which were set out in the Company's announcement dated 27 July 2009.

In August 2009, the First Tranche Convertible Notes of HK$120,000,000 were fully converted into 1,200,000,000 ordinary shares of the Company at HK$0.10 each.

In December 2009, the Company issued the Second Tranche Convertible Notes with principal amount of HK$90,000,000 to Mr. Yao in which HK$70,000,000 were converted into 700,000,000 ordinary shares of the Company at HK$0.10 each.

33. CONVERTIBLE NOTES *(Continued)*

Reconciliation of the liability component of the convertible notes

	2011	2010
	HK$'000	HK$'000
Liabilities component at beginning of the year	**19,881**	–
Proceeds of issue of convertible notes	**495,000**	245,548
Equity component	**(17,594)**	(4,644)
Imputed interest recognised for the year (note 11)	**1,069**	2,352
Interest expenses paid and payable	**(826)**	(1,835)
Conversion into ordinary shares	**(497,530)**	(221,540)
Liability component at end of the year	**–**	19,881

34. DEFERRED TAX LIABILITIES

The Group

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

	Revaluation of properties	**Convertible notes**	**Fair value adjustments arising on acquisition of subsidiaries**	**Temporary difference on assets under HK (IFRIC) – Int 12**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	–	–	81,819	24,771	–	106,590
Exchange alignment	–	–	(671)	(199)	–	(870)
Issue of convertible notes	–	766	–	–	–	766
Conversion of convertible notes	–	(660)	–	–	–	(660)
Charge/(credit) to the consolidated income statement (note 12)	23,867	(85)	–	7,301	29	31,112
At 31 March 2010 and 1 April 2010	23,867	21	81,148	31,873	29	136,938
Exchange alignment	369	–	664	280	–	1,313
Acquisition of subsidiaries (note 41(a))	–	–	4,938	–	–	4,938
Issue of convertible notes	–	2,903	–	–	–	2,903
Conversion of convertible notes	–	(2,924)	–	–	–	(2,924)
Charge to the consolidated income statement (note 12)	30,178	–	–	2,577	–	32,755
At 31 March 2011	**54,414**	**–**	**86,750**	**34,730**	**29**	**175,923**

At 31 March 2011, the Group had unused estimated tax losses of approximately HK$1,194,937,000 (2010: HK$1,163,184,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams.

34. DEFERRED TAX LIABILITIES *(Continued)*

The Company

Reconciliation of the deferred tax of the convertible notes

	HK$'000
At 1 April 2009	–
Issue of convertible notes	766
Conversion of convertible notes	(660)
Credit to the income statement	(85)
At 31 March 2010 and 1 April 2010	21
Issue of convertible notes	2,903
Conversion of convertible notes	(2,924)
At 31 March 2011	**–**

Pursuant to the New Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 March 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$150,082,000 at 31 March 2011 (2010: HK$161,184,000).

At 31 March 2011, the Company had estimated tax losses of HK$4,509,000 (2010: HK$Nil) available for offset against future profit. No deferred tax assets had been recognised for the year ended 31 March 2011 and 2010 due to the unpredictability of future profit streams of the Company.

35. SHARE CAPITAL

	Number of shares		**Nominal value**	
	2011	2010	**2011**	2010
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised				
At beginning of the year	**40,000,000,000**	40,000,000,000	**4,000,000**	4,000,000
Capital reduction	**–**	–	**(3,600,000)**	–
Share consolidation	**(36,000,000,000)**	–	**–**	–
Increase in authorised share capital	**6,000,000,000**	–	**600,000**	–
	10,000,000,000	40,000,000,000	**1,000,000**	4,000,000

35. SHARE CAPITAL *(Continued)*

	Number of shares		Nominal value	
	2011	2010	**2011**	2010
			HK$'000	HK$'000
Issued and fully paid:				
At beginning of the year	**23,242,193,632**	20,286,193,632	**2,324,219**	2,028,619
Capital reduction (note a)	**–**	–	**(2,091,797)**	–
Share consolidation (note a)	**(20,917,974,269)**	–	**–**	–
Placement of shares (note b)	**440,000,000**	–	**44,000**	–
Exercise of share options (note c)	**221,200,000**	706,000,000	**22,120**	70,600
Conversion of convertible notes (note d)	**570,000,000**	2,250,000,000	**57,000**	225,000
At end of the year	**3,555,419,363**	23,242,193,632	**355,542**	2,324,219

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

For the year ended 31 March 2011

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

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

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

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

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

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

(d) (i) In October 2010 and November 2010, HK$495,000,000 convertible notes issued during the year were converted at initial conversion price of HK$0.90 each into 550,000,000 ordinary shares of the Company at HK$0.10 each.

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

For the year ended 31 March 2010

(e) In July 2009 and August 2009, the Company allotted and issued 706,000,000 new shares of HK$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK$0.103 per share.

(f) In August 2009, the First Tranche Convertible Notes with principal amounts of HK$120,000,000 were converted into 1,200,000,000 ordinary shares of the Company at conversion price of HK$0.10 per share.

(g) In December 2009, Favour City CN with principal amount of HK$35,000,000 were converted into 350,000,000 ordinary shares of the Company at conversion price of HK$0.10 per share.

35. SHARE CAPITAL *(Continued)*

For the year ended 31 March 2010 *(Continued)*

(h) In December 2009, a portion of the Second Tranche Convertible Notes amounted to HK$70,000,000 were converted at an initial conversion price of HK$0.10 each into 700,000,000 ordinary shares of the Company at HK$0.10 each.

36. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company							
At 1 April 2009	371,482	–	6,470	(5,135)	–	(655,359)	(282,542)
Exchange alignment	–	–	–	114	–	–	114
Issue of share options	–	–	76,408	–	–	–	76,408
Exercise of share options	33,331	–	(31,213)	–	–	–	2,118
Lapse of share options	–	–	(1,222)	–	–	1,222	–
Issue of convertible notes	–	–	–	–	4,644	–	4,644
Recognition of deferred tax for convertible notes	–	–	–	–	(766)	–	(766)
Conversion of convertible notes	744	–	–	–	(3,763)	–	(3,019)
Loss for the year	–	–	–	–	–	(450,220)	(450,220)
At 31 March 2010 and 1 April 2010	405,557	–	50,443	(5,021)	115	(1,104,357)	(653,263)
Exchange alignment	–	–	–	(302)	–	–	(302)
Capital reorganisation							
– Capital reduction	–	2,091,797	–	–	–	–	2,091,797
– Set off against accumulated loss	–	(749,320)	–	–	–	749,320	–
Placement of shares	242,000	–	–	–	–	–	242,000
Transaction cost arising from placement of shares	(19,525)	–	–	–	–	–	(19,525)
Issue of share options	–	–	91,064	–	–	–	91,064
Exercise of share options	252,912	–	(72,937)	–	–	–	179,975
Lapse of share options	–	–	(1,201)	–	–	1,201	–
Issue of convertible notes	–	–	–	–	17,594	–	17,594
Recognition of deferred tax for convertible notes	–	–	–	–	(2,903)	–	(2,903)
Conversion of convertible notes	458,000	–	–	–	(14,806)	–	443,194
Loss for the year	–	–	–	–	–	(125,739)	(125,739)
At 31 March 2011	**1,338,944**	**1,342,477**	**67,369**	**(5,323)**	**–**	**(479,575)**	**2,263,892**

The Company did not have any reserves available for distribution to shareholders at 31 March 2011 (2010: Nil).

37. 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 2011 and 31 March 2010.

(b) New Share Option Scheme

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

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

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

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

37. SHARE OPTIONS *(Continued)*

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

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

Name of category of participant	Number of share options										Date of grant	Exercise period	Exercise price
	Outstanding as at 1 April 2009	Granted during the year	Exercised during the year	Lapse during the year	Outstanding as at 31 March 2010	Adjusted for capital reorganisation	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2011			HK$
Director													
Lam Cheung Shing, Richard	–	202,000,000	–	–	202,000,000	(181,800,000)	–	–	–	20,200,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	7,000,000	–	–	7,000,000	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	–	–	–	–	15,000,000	–	–	15,000,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Zhang Chen	–	–	–	–	–	–	20,000,000	–	–	20,000,000	05-07-2010	05-07-2010 to 02-09-2012	0.86
Zhu Yongjun	–	202,000,000	–	–	202,000,000	(181,800,000)	–	–	–	20,200,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	7,000,000	–	–	7,000,000	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	–	–	–	–	20,000,000	–	–	20,000,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Wing Man Yi	–	202,000,000	–	–	202,000,000	(181,800,000)	–	(20,200,000)	–	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
Mu Simon Xinming	–	10,000,000	–	(10,000,000)	–	–	–	–	–	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
Ha Ping	5,000,000	–	–	–	5,000,000	(4,500,000)	–	–	–	500,000	28-08-2007	29-08-2007 to 02-09-2012	1.46
	–	20,000,000	–	–	20,000,000	(18,000,000)	–	–	–	2,000,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	2,500,000	–	–	2,500,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Ho Yiu Yue, Louis	–	10,000,000	–	–	10,000,000	(9,000,000)	–	–	–	1,000,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	2,500,000	–	–	2,500,000	25-08-2010	25-08-2010 to 02-09-2012	0.89

37. SHARE OPTIONS *(Continued)*

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

Name of category of participant	Number of share options: Outstanding as at 1 April 2009	Granted during the year	Exercised during the year	Lapse during the year	Outstanding as at 31 March 2010	Adjusted for capital reorganisation	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2011	Date of grant	Exercise period	Exercise price HK$
Ko Ming Tung, Edward	–	10,000,000	–	–	10,000,000	(9,000,000)	–	–	–	1,000,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	2,500,000	–	–	2,500,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Fu Tao	–	10,000,000	–	–	10,000,000	(9,000,000)	–	–	–	1,000,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	2,500,000	–	–	2,500,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Wong Hon Sum	5,000,000	–	–	(5,000,000)	–	–	–	–	–	–	28-08-2007	29-08-2007 to 02-09-2012	1.46
Tang Tin Sek	5,000,000	–	–	(5,000,000)	–	–	–	–	–	–	28-08-2007	29-08-2007 to 02-09-2012	1.46
Consultants													
In aggregate	33,000,000	–	–	–	33,000,000	(29,700,000)	–	–	–	3,300,000	28-08-2007	29-08-2007 to 02-09-2012	1.46
	–	524,000,000	(504,000,000)	–	20,000,000	(18,000,000)	–	–	–	2,000,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	10,000,000	–	–	10,000,000	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	–	–	–	–	175,000,000	(148,000,000)	–	27,000,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
Employees													
In aggregate	40,000,000	–	–	–	40,000,000	(36,000,000)	–	(2,000,000)	(500,000)	1,500,000	28-08-2007	29-08-2007 to 02-09-2012	1.46
	–	378,000,000	(202,000,000)	–	176,000,000	(158,400,000)	–	(9,000,000)	(1,000,000)	7,600,000	30-07-2009	31-07-2009 to 02-09-2012	1.03
	–	–	–	–	–	–	2,000,000	–	–	2,000,000	26-07-2010	26-07-2010 to 02-09-2012	0.83
	–	–	–	–	–	–	56,000,000	(42,000,000)	(3,000,000)	11,000,000	25-08-2010	25-08-2010 to 02-09-2012	0.89
	88,000,000	1,568,000,000	(706,000,000)	(20,000,000)	930,000,000	(837,000,000)	322,000,000	(221,200,000)	(4,500,000)	189,300,000			
Weighted average exercise price	HK$0.146	HK$0.103	HK$0.103	HK$0.125	HK$0.107	HK$1.066	HK$0.883	HK$0.914	HK$0.984	HK$0.935			

37. SHARE OPTIONS *(Continued)*

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

(1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(2) The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

(3) The fair values of the share options granted on 5 July 2010, 26 July 2010 and 25 August 2010 were calculated, using the Binomial Option Pricing Model, by Ascent Partners Transaction Service Limited. The inputs into the model at the date of grant of options were as follows:

Date of grant:	28 August 2007	30 July 2009	5 July 2010	26 July 2010	25 August 2010
Total number of share options:	459,490,000	1,568,000,000	20,000,000	26,000,000	276,000,000
Option value: – (directors)	HK$0.071	HK$0.049	HK$0.294	HK$0.279	HK$0.282
– (employees)	HK$0.071	HK$0.049	–	HK$0.279	HK$0.282
– (consultants)	HK$0.078	HK$0.049	–	HK$0.279	HK$0.282
Valuables					
– Maturity date	2 September 2012	2 September 2012	2 September 2012	2 September 2012	2 September 2012
– Annual risk free rate*	4.4%	0.100%~0.984%	0.47%~0.6951%	0.36%~0.5448%	0.20%~0.37%
– Stock price at the date of grant	HK$0.146	HK$0.103	HK$0.86	HK$0.83	HK$0.89
– Exercise price	HK$1.46#	HK$1.03#	HK$0.86	HK$0.83	HK$0.89
– Expected life	approximately 5 years	approximately 3 years	approximately 2 years	approximately 2 years	approximately 2 years
– Expected volatility	66%	93%~113%	65.61%~88.95%	95.53%~113.33%	57.49%~90.17%
– Expected ordinary dividend	Nil	Nil	Nil	Nil	Nil

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

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

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

The Group recognised share-based payment expense amounted to approximately HK$91,064,000 for the year ended 31 March 2011 (2010: HK$76,408,000) in relation to share options granted by the Company.

Following sanction from the High Court of Hong Kong for the capital reorganisation of the Company in April 2010, the exercise prices of share options granted on 28 August 2007 and 30 July 2009 were adjusted accordingly. Details of the adjustment were set out in the Company's announcement dated 9 April 2010.

At 31 March 2011, the Company had 189,300,000 share options (2010: 930,000,000) outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 189,300,000 additional ordinary shares of HK$0.1 each of the Company.

38. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In November 2009, the Group entered into a conditional sale and purchase agreement with an independent third party, relating to the sale of 100% equity interest in 漢中國中酒店管理有限公司(“漢中國中酒店”), at a consideration of approximately RMB36,620,000. The consideration will be satisfied in cash. 漢中國中酒店was principally engaged in property investment operation in Hanzhong, the PRC.

The major class of assets and liabilities classified as held for sale as at 31 March 2010 were as follows:

	HK$'000
Assets classified as held for sale	
Interest in leasehold land and land use rights	31,975
Property, plant and equipment	10,872
Cash and cash equivalents	8
	42,855
Remeasurement to fair value less costs to sell	(1,241)
	41,614

The disposal of 漢中國中酒店 was completed in December 2010. Details of the disposal were set out in note 39(a).

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2011

(a) Following the Group entered into a conditional sale and purchase agreement with an independent third party as disclosed in note 38, the disposal of the entire equity interest in 漢中國中酒店 was completed in December 2010 at a consideration of RMB36,620,000 (equivalent to approximately HK$42,582,000). The assets and liabilities of 漢中國中酒店 at the disposal date were as follows:

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

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2010

(b) In December 2008, the Company entered into a conditional sales and purchase agreement with an independent third party relating to the disposal of (i) 100% equity interest in 國中（長沙）體育新城投資項目管理有限公司 (Interchina (Changsha) Investments and Management Company Limited) ("ICIM"); (ii) 38.9% equity interest in 長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited ("CIC") and (iii) a non-interest bearing loan due from ICIM to the Company at consideration of RMB330,000,000. The consideration was satisfied in cash. ICIM and CIC were principally engaged in city development and investment operation in Changsha, the PRC. The disposal was completed in March 2010. The assets and liabilities of ICIM and CIC at the disposal date were as follows:

	HK$'000
Interest in leasehold land and land use rights	42,427
Property, plant and equipment	340,097
Other non-current assets	94
Properties under development for sale	253,622
Other receivables and prepayments	170,915
Cash and cash equivalents	48,047
Amount due to the Group	(706,895)
Other payables	(422,379)
Bank borrowings	(57,471)
	(331,543)
Amount due to the Group assigned to the purchaser	706,895
Release of translation reserves	(20,980)
Gain on disposal of subsidiaries	21,819
Total consideration	376,191
Satisfied by:	
Cash consideration	377,748
Transaction cost directly attributable to the disposal	(1,557)
	376,191
Net cash flow arising from the disposal	
Cash consideration received	377,748
Transaction cost directly attributable to the disposal	(1,557)
Cash and cash equivalent disposed of	(48,047)
	328,144

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2010 *(Continued)*

(c) On 9 February 2010, the Company entered into a conditional sale and purchase agreement with an independent third party, relating to the sale of (i) 100% equity interest in Eagle Sharp Investments Limited ("Eagle Sharp"), (ii) 100% equity interest in 湖南泛星國際企業管理有限公司("湖南泛星") and (iii) a non-interest bearing loan due from Eagle Sharp to the Company at a consideration of approximately HK$10,000. The consideration was satisfied in cash. Eagle Sharp and 湖南泛星 were principally engaged in property management and general trading in the PRC. The disposal was completed in February 2010. The assets and liabilities of Eagle Sharp and 湖南泛星 at the disposal date were as follows:

	HK$'000
Property, plant and equipment	54
Other receivables	154
Cash and cash equivalents	5
Other payables	(729)
Amount due to the Group	(15,546)
	(16,062)
Amount due to the Group assigned to the purchaser	15,546
Release of translation reserves	(1,686)
Gain on disposal of subsidiaries	2,212
Total consideration	10
Satisfied by cash consideration	10
Net cash flow arising from the disposal	
Cash consideration received	10
Cash and cash equivalent disposed of	(5)
	5

40. DISCONTINUED OPERATION

For the year ended 31 March 2010

Following completion of the disposal of ICIM and CIC as disclosed in note 39(b), ICIM and CIC ceased to be subsidiaries of the Company since March 2010 and the business of city development and investment operation which was solely carried out by ICIM and CIC became a discontinued operation to the Group.

Loss for the year ended 31 March 2010 from city development and investment operation is presented below:

	2010 HK$'000
Interest income (note 8)	10
Staff cost (note 9)	(1,028)
Amortisation and depreciation (note 10)	(572)
Administrative costs	(2,784)
Finance costs (note 11)	(4,873)
Loss before taxation from discontinued operation	(9,247)
Taxation	–
Loss for the year from discontinued operation	(9,247)
Loss per share	
– Basic	HK(4.24) cents
– Diluted	HK(4.14) cents

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

	2010 HK$'000
Operating activities	66,103
Investing activities	(92,405)
Financing activities	52,315
	26,013

41. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2011

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

	Acquirees' carrying amount immediately before acquisition	Adjustment	Fair value
	HK$'000	HK$'000	HK$'000
Investment in an associate (note 21)	1,140	–	1,140
Property, plant and equipment (note 16)	15,516	10,752	26,268
Intangible assets (note 19(a))	125,284	–	125,284
Inventories	4,115	–	4,115
Trade and other receivables and prepayments	26,583	–	26,583
Cash and cash equivalents	15,971	–	15,971
Trade payables	(15,221)	–	(15,221)
Other payables	(19,370)	–	(19,370)
Deferred tax liabilities (note 34)	(2,831)	(2,107)	(4,938)
Bank borrowings	(89,537)	–	(89,537)
	61,650	8,645	70,295
Less: Non-controlling interest			(4,640)
Goodwill (note 20)			29,416
Consideration			95,071
Net cash outflow on acquisition of subsidiaries			
Cash consideration paid			95,071
Cash and cash equivalent acquired			(15,971)
			79,100

Had the above acquisitions taken place at beginning of the year, the Group's loss for the year would have been HK$91,092,000 and the Group's turnover would have been HK$447,180,000.

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2010

(b) On 18 September 2009, the Group acquired 47.27% equity interest in Regent Victor Development Limited ("Regent Victor") from an independent third party. On the same date, the Group further subscribed 8,999,996 shares in Regent Victor and result held 71% equity interest in Regent Victor.

Details of the assets and liabilities acquired in the transaction and the goodwill arising are as follows:

	Fair value
	HK$'000
Other receivables and prepayments	10,998
Cash and bank balances	5
Other payables	(68)
	10,935
Less: Non-controlling interest	(5,766)
	5,169
Goodwill (note 20)	31
	5,200
Satisfied by cash	5,200
Net cash flow arising from acquisition of Regent Victor	
Cash consideration paid	(5,200)
Cash and bank balances acquired	5
	(5,195)

The subsidiary acquired did not make any significant revenue, result or cash flow to the Group.

As the revenue and result of Regent Victor before the acquisition were not significant to the Group, the total group revenue and result, as if the acquisition had been completed on 1 April 2009, are not disclosed as the information does not give additional value.

42. TRANSACTIONS WITH NON-CONTROLLING INTEREST

(a) Deemed disposal of Heilongjiang Interchina

As mentioned in note 1(b), the Share Increase of Heilongjiang Interchina, an indirect owned subsidiary of the Company whose A shares were listed on Shanghai Stock Exchange, have been approved by CSRC on 13 January 2011 and completed on 14 February 2011. The net proceeds from the Share Increase were RMB724,500,000 (equivalent to approximately HK$852,354,000). Following completion of the Share Increase, the Group's interest in Heilongjiang Interchina was diluted from 70.20% to 53.77%. Such dilution of interest without losing of control was regarded as an equity transaction. The calculation of the gain on deemed disposal is summarised as follow:

	HK$'000
Consideration received from non-controlling interests under the Share Increase	852,354
Less: Carrying amount of part of equity interest in Heilongjiang Interchina disposed of by the Company	(487,194)
Effect of changes in equity attributable to owners of the Company	365,160

(b) Reorganisation with Heilongjiang Interchina

As mentioned in note 1(c), the Reorganisation with Heilongjiang Interchina have been approved by CSRC on 13 January 2011 and completed on 14 February 2011. The consideration paid by Heilongjiang Interchina and the carrying amounts of the Transferred Assets on the completion date of the Reorganisation were approximately HK$259,583,000 and HK$424,315,000 respectively. Considering the 46.23% of non-controlling interests in Heilongjiang Interchina, the Group recognised an increase in non-controlling interests of approximately HK$76,156,000 and a decrease in equity attributable to the owners of the Company of approximately HK$76,156,000. The effect of changes of the equity attributable to the owners of the Company and the non-controlling interests as at the completion date of the Reorganisation is summarised as follow:

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

43. CAPITAL COMMITMENTS

	The Group	
	2011	2010
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**332,720**	336,799
– acquisition of subsidiaries	**295,238**	–
– acquisition of investment properties	**–**	6,618

44. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2011 and 2010, 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	
	2011	2010
	HK$'000	HK$'000
Within one year	**7,060**	5,697
In the second to fifth year inclusive	**9,719**	10,383
After five years	**10,109**	10,722
	26,888	26,802

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$13,483,000 (2010: HK$18,404,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2011, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**14,903**	12,407
In the second to fifth year inclusive	**26,953**	26,600
After five years	**19,632**	22,838
	61,488	61,845

45. 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 (2010: Nil) are used to reduce the contributions For the year ended 31 March 2011. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund. The Group's employer contributions vest ranging from 30% to 100% with the employees according to the years of employment except those employer contributions which are under the statutory requirement.

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

46. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

No rental income were received from a director of the Company during the year (2010: HK$90,000).

(b) Compensation of key management personnel

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

	2011 **HK$'000**	2010 HK$'000
Salaries and other short-term benefits	**10,811**	13,481
Pension scheme contributions	**146**	427
Share-based payment expenses	**28,137**	29,442
	39,094	43,350

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

(c) Balance with related parties

Included in other receivables was an amount advanced to directors of a subsidiary amounted to approximately HK$5,798,000 (2010: HK$5,798,000).

47. GOVERNMENT SUBSIDIES

During the year, the Group received government subsidies of HK$73,891,000 (2010: HK$32,520,000) for its environmental protection and water treatment operations in the PRC. The amount has been included in other revenue for the year.

48. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Categories of financial instruments

	The Group	
	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,816,819**	364,812
Available-for-sale financial assets	**1,190**	–
Financial assets at fair value through profit or loss	**162,771**	143,546
Financial liabilities		
Financial liabilities at fair value through profit or loss	**–**	66
Amortised cost	**2,323,029**	1,083,803

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

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

(i) *Foreign exchange risk (Continued)*

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. At 31 March 2011, if there is a 5% increase or decrease in exchange rate of Hong Kong dollars against the RMB with all other variables held constant, the Group's translation reserve would be increased or decreased by approximately HK$72,462,000 (2010: HK$46,023,000)

(ii) *Price risk*

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

Sensitivity analysis

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

If the prices of the respective equity instruments have been 5% higher/lower, loss before taxation for the Group would be decreased/increased by approximately HK$7,177,000 (2010: profit increased/decreased by approximately HK$718,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

(b) ***Credit risk***

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

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

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

	Weighted average effective interest rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flow	Total carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2011						
Continuing operations						
Non-derivative financial liabilities						
Trade and other payables and deposits received	**–**	**444,414**	**–**	**–**	**444,414**	**444,414**
Bank and other borrowings	**9.09%**	**950,321**	**1,091,433**	**38,872**	**2,080,626**	**1,907,172**
		1,394,735	**1,091,433**	**38,872**	**2,525,040**	**2,351,586**
At 31 March 2010						
Continuing operations						
Non-derivative financial liabilities						
Trade and other payables and deposits received	–	230,018	–	–	230,018	230,018
Bank and other borrowings	7.12%	840,589	96,660	9,590	946,839	888,234
Convertible notes	5.448%	20,000	–	–	20,000	19,881
		1,090,607	96,660	9,590	1,196,857	1,138,133

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

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

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2011 would increase/decrease by approximately HK$9,536,000 (2010: HK$7,929,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Fair value estimation

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

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

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

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

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2011

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2011				
Financial assets at fair value through profit or loss	**162,771**	**–**	**–**	**162,771**
As at 31 March 2010				
Financial assets at fair value through profit or loss	143,546	–	–	143,546
Derivative financial instruments	–	–	66	66

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value estimation *(Continued)*

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

The fair value of the Group's derivative financial instruments as classified under level 3 has been estimated using a valuation technique based on assumptions and significant input. The assumptions and relevant input and the reconciliation were set out in note 30 to the consolidated financial statements.

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

Capital risk management

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

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

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

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

	2011 **HK$'000**	2010 HK$'000
Total borrowings (note 32 and 33)	**1,907,172**	908,115
Less: Cash and cash equivalents (note 29)	**(1,072,985)**	(129,140)
	834,187	778,975
Total equity	**3,460,426**	2,123,951
Gearing ratio	**24%**	37%

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Action Investments Limited	Hong Kong	100	100	–	Property letting
Burlingame International Company Limited	Hong Kong	425,019,668	100	–	Investment holding
Interchina Corporate Services Limited	Hong Kong	10,000	100	–	Corporate management
Interchina (Tianjin) Water Treatment Company Limited @	PRC	RMB900,000,000	100	–	Environmental protection
國中(漢中)石門供水有限公司 #	PRC	RMB50,000,000	–	80	Water supply
Interchina Futures Limited	Hong Kong	8,500,000	30	70	Commodities Brokerage
Interchina Securities Limited	Hong Kong	300,000,000	5	95	Securities brokerage
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision of financial services
Interchina Water Treatment Limited	BVI	US$10,000	–	100	Investment holding
國水(昌黎)污水處理有限公司 @	PRC	RMB26,000,000	–	53.77	Sewage treatment
國水(馬鞍山)污水處理有限公司 @	PRC	50,660,000	–	53.77	Sewage treatment
Interchina (Qinhuangdao) Sewage Treatment Company Limited @	PRC	US$4,091,003	–	65.33	Sewage treatment
Success Flow International Limited	BVI	US$1	100	–	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/registered capital held by the Company Directly	Indirectly	Principal activity
		HK$ (unless otherwise stated)	%	%	
Long Bao Property Limited	Hong Kong	100	–	100	Investment holding
北京龍堡物業管理有限公司 @	PRC	RMB45,000,000	–	100	Property management
Money Capture Investments Limited	BVI	US$100	100	–	Investment holding
Shanghai Interchina Club Company Limited	PRC	US$769,210	–	100	Provision of entertainment services
Equal Smart Profits Limited	BVI	US$1	–	100	Property letting
黑龍江國中水務股份有限公司	PRC	RMB427,225,000	–	53.77	Investment holding
漢中市國中自來水有限公司	PRC	RMB60,000,000	–	53.77	Water supply
漢中市漢江供水實業有限責任公司	PRC	RMB5,026,000	–	53.77	Water facilities construction
漢中市漢江水業發展有限責任公司	PRC	RMB910,000	–	53.77	Distilled water supply
西安航空科技產業園供排水有限公司	PRC	RMB40,000,000	–	53.23	Water supply
青海雄越環保科技有限責任公司	PRC	RMB20,900,000	–	51.08	Sewage treatment
北京中科國益環保工程有限公司	PRC	RMB10,000,000	–	45.70	Environmental protection engineering service
涿州中科國益水務有限公司	PRC	RMB58,000,000	–	53.77	Sewage treatment
東營國中水務有限公司	PRC	RMB110,000,000	–	29.82	Water supply
太原豪峰污水處理有限公司 #	PRC	RMB90,930,000	–	56.80	Sewage treatment
鄂爾多斯市國中水務有限公司	PRC	RMB63,000,000	–	53.77	Sewage treatment

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

Sino foreign equity joint venture
@ Wholly-owned foreign enterprise

50. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 March 2011, Interchina Resources Holdings Limited ('Interchina Resource"), being a wholly-owned subsidiary of the Company, and Mr. Zhou Yuning entered into a sales and purchase agreement, pursuant to which Interchina Resource has conditionally agreed to purchase and Mr. Zhou Yuning has conditionally agreed to sell (i) the entire equity interest in Universe Glory Limited ("Universe Glory") and (ii) all amounts due and owing to Mr. Zhou Yuning at a consideration of HK$800,000,000. Details of the acquisition were set out in the Company's announcement dated 2 March 2011.

Universe Glory is principally engaged in investment holding which, upon completion of the acquisition, shall be directly interested in 65% equity interest in P.T. Satwa Lestari Permai, a company incorporated in the Republic of Indonesian, which is principally engaged in the exploration, mining, processing and sale of Manganese resources in the Republic of Indonesia. As at the date of approval for issue of these financial statements, the transaction was not yet completed and the management of the Group is still in the process of determining the financial effect of the acquisition.

(b) On 16 May 2011, Heilongjiang Interchina, a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange, the PRC, entered into a joint venture agreement with 湘潭九華經濟建設投資有限公司 (Xiangtan Jiuhua Economic Construction Investment Company Limited). The parties agreed to establish Xiangtan Interchina Water Treatment Company Limited in the PRC to engage in the construction and operation of water supply projects in the Xiangtan Jiuhua Demonstration Zone, except areas with water supply operated by General Water of China. Details of the investment were set out in the Company's announcement dated 18 May 2011.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2011.

FIVE YEAR FINANCIAL SUMMARY

31 March 2011

	For the year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
Results					
Turnover	**413,473**	234,770	116,182	103,007	131,995
(Loss)/profit from ordinary activities before taxation	**(39,901)**	126,277	(365,869)	7,105	(7,734)
Taxation	**(43,018)**	(56,661)	14,491	(21,120)	(9,073)
(Loss)/profit for the year from continuing operations	**(82,919)**	69,616	(351,378)	(14,015)	(16,807)
Loss for the year from discontinued operation	**–**	(9,247)	(412,867)	(26,706)	–
(Loss)/profit for the year	**(82,919)**	60,369	(764,245)	(40,721)	(16,807)
Owners of the Company	**(101,699)**	63,293	(764,496)	(39,762)	(18,252)
Non-controlling interests	**18,780**	(2,924)	251	(959)	1,445
(Loss)/profit for the year	**(82,919)**	60,369	(764,245)	(40,721)	(16,807)

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
Assets and liabilities					
Total assets	**6,834,487**	3,673,173	3,065,296	2,833,986	1,694,083
Total liabilities	**(2,542,459)**	(1,315,054)	(1,190,145)	(701,686)	(810,821)
Non-controlling interests	**(831,602)**	(234,168)	(155,686)	(9,312)	(25,488)
Shareholders' fund	**3,460,426**	2,123,951	1,719,465	2,122,988	857,774

INVESTMENT PROPERTIES

Location	Use	Lease term
Flat No. 17 on 27/F, Apartment Tower, Western Side of Convention Plaza, Wan Chai, Hong Kong	Residential premises for rental	Long-term lease
Retail portion on basement Level 1, Level 1 to Level 2 and 52 office units from Level 3 to Level 12 situated at Interchina Commercial Building 33, Dengshikou Street, Dong Cheng District, Beijing, PRC	Commercial premises for rental	Medium-term lease
Basements 1 to 2 and Levels 1 to 2, Guozhong Club, No. 1546 Dalian Road, Yangpu District, Shanghai, PRC	Commercial premises for rental	Medium-term lease
Units 12, 13, 14, 15 North Comprehensive Building Taibai Lu Zhong Duan Dao Han Tai District, Hanzhong, PRC	Commercial premises for rental	Medium-term lease

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Yang *(Chairman)*
Mr. Lam Cheung Shing, Richard *(Deputy Chairman)*
Mr. Zhu Yongjun *(Deputy Chairman)*
Mr. Zhang Chen

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lau Chi Lok

STOCK CODE

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www.interchina.com.hk

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Hong Kong

AUDITORS

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

SOLICITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS

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