

Notes to the Financial Statements

For the year ended 31 March 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("The Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 43.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which agreement date is on or after 1 January 2005. Therefore HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005. The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. RESTATEMENT OF THE COMPARATIVE FIGURES

Included in the property, plant and equipment as at 31 March 2004 was an amount of approximately HK\$169,811,000 classified as properties under development. This amount in fact represented the city and development project in Changsha which the Group had intended to transfer to the Changsha Government upon completion of the construction of the properties pursuant to the original arrangement with Changsha Government. The amount should have been classified as properties under development for sale under current assets and the comparative figures have been restated accordingly.

3. RESTATEMENT OF THE COMPARATIVE FIGURES (continued)

Included in the property, plant and equipment as at 31 March 2004 was an amount of approximately HK\$96,971,000 described as construction in progress. This amount in fact represented the settlement of other payables. As a result, property, plant and equipment and trade and other payables as at 31 March 2004 were both overstated by HK\$96,971,000 and the comparative figures, including the segmental information, have been restated accordingly.

In prior year, the Group classified the activity of property development for sale under the property investment operation segment for segment information purposes. In current year, the directors consider that the activity of property development for sale should be reclassified under the city development and investment operation segment, in order to provide a more reasonable segment information of the Group. The comparative figures have been restated to reflect the new classification.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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.

Goodwill

Goodwill arising on acquisition for which the agreement dated before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its useful economic life.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill arising on acquisition for which the agreement dated before 1 January 2005 represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on acquisition of subsidiary is presented as a deduction from intangible assets.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period.

Investments in subsidiaries

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus any unamortised goodwill, less any identified impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

(i) Sale of properties

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

(ii) Rental income

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

(iii) Commission and brokerage income

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

(iv) Sewage treatment

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) Interest income

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

(vi) Construction contracts

Revenue from individual construction contract is recognised under the percentage of completion method, when the contracts have progressed to the point where a profit outcome can be prudently foreseen and is measured by reference to the proportion that contract costs incurred for work performed to date compares to the estimated total contract costs to completion.

4. 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 depreciation and accumulated impairment losses, if any.

Properties under development is 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 costs 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 rates per annum:

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement.

Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Other non-current assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties under development for sale

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

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings. Progress billings not yet paid by the customer are included in the balance sheet under "trade and other receivables". Amount received before the related work is performed are included in balance sheet, as a liability, as "trade and other payables".

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held under finance leases

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

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas subsidiaries and associates which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are dealt with in reserves and are recognised as incomes or as expenses in the period in which the operation is disposed of.

4. 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 differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences 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 in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

Retirement benefits scheme

The retirement benefit costs charged in the income statement represents the contributions paid/payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share option scheme

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the income or balance sheet.

5. TURNOVER

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Sale of properties	181,555	–
Property rental and management fee	22,953	30,187
Brokerage commission income	8,254	33,571
Interest income from margin clients	5,275	25,664
Sewage treatment income	6,966	–
	<u>225,003</u>	<u>89,422</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into four (2004: four) operating divisions, namely environmental protection and water treatment operation, city development and investment operation, property investment operation, securities and financial operation. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

Notes to the Financial Statements

For the year ended 31 March 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below:

	Envi- ronmental protection and water treatment operation <i>HK\$'000</i>	City development and investment operation <i>HK\$'000</i>	Property investment operation <i>HK\$'000</i>	Securities and financial operation <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidation total <i>HK\$'000</i>
2005						
TURNOVER						
External sales	6,966	181,555	22,953	13,529	-	225,003
Inter-segment sales	-	-	1,023	-	(1,023)	-
	<u>6,966</u>	<u>181,555</u>	<u>23,976</u>	<u>13,529</u>	<u>(1,023)</u>	<u>225,003</u>
RESULTS						
Segment results	<u>(13,010)</u>	<u>(18,271)</u>	<u>27,372</u>	<u>(1,888)</u>	<u>-</u>	<u>(5,797)</u>
Interest income						183
Unallocated corporate expenses						<u>(30,731)</u>
Loss from operations						<u>(36,345)</u>
Finance costs						<u>(34,491)</u>
Share of results of an associate						<u>-</u>
Loss before taxation						<u>(70,836)</u>
Taxation						<u>(100)</u>
Loss before minority interests						<u>(70,936)</u>

Inter-segment sales are charged at both agreed terms.

Notes to the Financial Statements

For the year ended 31 March 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	Envi- ronmental protection and water treatment operation <i>HK\$'000</i>	City development and investment operation <i>HK\$'000</i> (Restated)	Property investment operation <i>HK\$'000</i> (Restated)	Securities and financial operation <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidation total <i>HK\$'000</i>
2004						
TURNOVER						
External sales	-	-	30,187	59,235	-	89,422
Inter-segment sales	-	-	1,084	-	(1,084)	-
	<u>-</u>	<u>-</u>	<u>31,271</u>	<u>59,235</u>	<u>(1,084)</u>	<u>89,422</u>
RESULTS						
Segment results	<u>(13,949)</u>	<u>(16,677)</u>	<u>32,256</u>	<u>33,626</u>	<u>-</u>	35,256
Interest income						3,968
Unallocated corporate expenses						<u>(36,079)</u>
Profit from operations						3,145
Finance costs						(31,043)
Share of results of an associate	(2,371)	-	-	-	-	<u>(2,371)</u>
Loss before taxation						(30,269)
Taxation						<u>(1,100)</u>
Loss before minority interests						<u>(31,369)</u>

Inter-segment sales are charged at both agreed terms.

Notes to the Financial Statements

For the year ended 31 March 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 March:

	Environmental protection and water treatment operation		City development and investment operation		Property investment operation		Securities and financial operation		Consolidated total	
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000 (Restated)
ASSETS										
Segment assets	270,455	236,807	650,653	346,303	686,573	821,184	52,209	193,484	1,659,890	1,597,778
Interests in an associate	943	-	-	-	-	-	-	-	943	-
Unallocated corporate assets									12,766	17,179
Consolidated total assets									1,673,599	1,614,957
LIABILITIES										
Segment liabilities	98,905	51,984	173,215	100,865	22,378	39,951	38,225	18,174	332,723	210,974
Unallocated corporate liabilities									610,485	617,112
Consolidated total liabilities									943,208	828,086

Other information as at 31 March:

	Environmental protection and water treatment operation		City development and investment operation		Property investment operation		Securities and financial operation		Unallocated		Consolidated total	
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000 (Restated)
Additions of property, plant and equipment	53,528	175,882	148,833	234,407	19,473	2,934	16	118	404	908	222,254	414,249
Addition of investment properties	-	-	-	-	31,888	42,611	-	-	-	-	31,888	42,611
Depreciation	4,269	517	1,446	1,191	1,115	13,846	283	649	2,789	1,662	9,902	17,865
Goodwill amortisation (release of negative goodwill)	-	94	332	137	-	1,350	-	(1,478)	-	-	332	103
Impairment loss recognised on goodwill	-	1,218	-	-	-	5,400	-	-	-	-	-	6,618

Notes to the Financial Statements

For the year ended 31 March 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments:

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

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

	Turnover		Segment results	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	16,211	62,346	(7,005)	54,095
The PRC	208,792	27,076	1,208	(18,839)
	<u>225,003</u>	<u>89,422</u>	<u>(5,797)</u>	<u>35,256</u>
Interest income			183	3,968
Unallocated corporate expenses			(30,731)	(36,079)
(Loss) profit from operations			<u>(36,345)</u>	<u>3,145</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment, investment properties and intangible assets	
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)
Hong Kong	84,087	346,948	12,596	19,947
The PRC	1,589,512	1,268,009	241,546	441,540
	<u>1,673,599</u>	<u>1,614,957</u>	<u>254,142</u>	<u>461,487</u>

Notes to the Financial Statements

For the year ended 31 March 2005

7. STAFF COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and allowances (including directors' remuneration)	30,250	30,773
Retirement benefits scheme contributions	1,327	1,073
	<u>31,577</u>	<u>31,846</u>

8. (LOSS) PROFIT FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	926	1,050
Depreciation		
– Owned assets	9,902	17,705
– Assets held under finance leases	–	160
Amortisation of goodwill	332	103
	10,234	17,968
Loss on disposal of property, plant and equipment	69	78
Operating lease rentals in respect of premises	5,853	5,644
Gross rents from investment properties	(22,953)	(30,187)
Less: Outgoings	632	553
	<u>(22,321)</u>	<u>(29,634)</u>

In prior year, include in the amortisation of goodwill was amount of approximately HK\$1,478,000 regarding the release of negative goodwill.

Notes to the Financial Statements

For the year ended 31 March 2005

9. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts and other loans wholly repayable:		
within five years	16,313	12,083
over five years	3,893	6,358
Other borrowings	17,661	17,016
Interest on obligations under finance leases	10	27
Interest on convertible loan notes	–	1,913
	<u>37,877</u>	<u>37,397</u>
Less: Amounts capitalised	<u>(3,386)</u>	<u>(6,354)</u>
	<u>34,491</u>	<u>31,043</u>

10. DIRECTORS' EMOLUMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' fees:		
Executive	600	1,153
Independent non-executive	1,600	1,500
Non-executive	600	600
	<u>2,800</u>	<u>3,253</u>
Other emoluments (executive directors):		
– Salaries and other benefits	9,353	10,898
– Retirement benefit scheme contributions	222	275
	<u>12,375</u>	<u>14,426</u>

Notes to the Financial Statements

For the year ended 31 March 2005

10. DIRECTORS' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$4,500,001 to HK\$5,000,000	–	1
	<u>5</u>	<u>10</u>

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2004: four) were directors of the Company as at 31 March 2005, whose emoluments are included in note 10 above. The emoluments of the remaining two (2004: one) individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	1,345	1,422
Retirement benefit scheme contributions	41	61
	<u>1,386</u>	<u>1,483</u>

Their emoluments were within the following bands:

	Number of employees	
	2005	2004
Nil to HK\$1,000,000	2	–
HK\$1,000,001 to HK\$1,500,000	–	1
	<u>2</u>	<u>1</u>

Notes to the Financial Statements

For the year ended 31 March 2005

12. TAXATION

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current tax:		
Hong Kong	<u>(100)</u>	<u>(1,100)</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to loss before taxation per the income statement as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before taxation	<u>(70,836)</u>	<u>(30,269)</u>
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	(12,396)	(5,297)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(8,241)	(8,439)
Tax effect of expenses not deductible for tax purpose	3,689	7,579
Tax effect of income not taxable for tax purpose	(6,672)	(7,597)
Tax effect of tax losses not recognised	24,089	15,022
Utilisation of tax losses previously not recognised	(406)	(278)
Others	<u>37</u>	<u>110</u>
Tax expense for the year	<u>100</u>	<u>1,100</u>

Notes to the Financial Statements

For the year ended 31 March 2005

13. LOSS PER SHARE

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

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss for the year and loss for the purposes of basic loss per share and diluted loss per share	<u>69,193</u>	<u>26,300</u>
Number of shares	2005	2004
Weighted average number of ordinary shares for the purposes of basic loss per share and diluted loss per share	<u>4,652,622,262</u>	<u>4,594,923,632</u>

The computation of diluted loss per share does not assume the conversion of the Company's option since the exercise price of the Company's options was higher than the average market price for shares of both 2005 and 2004.

Notes to the Financial Statements

For the year ended 31 March 2005

14. INVESTMENT PROPERTIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Valuation at 1 April	477,871	378,200
Additions	31,888	42,611
Reclassification from leasehold improvements	–	32,082
Surplus on revaluation	10,566	24,978
Disposal during the year	(126,000)	–
	<hr/>	<hr/>
Valuation at 31 March	394,325	477,871

All the Group's investment properties have been valued at their open market value at 31 March 2005 by Messrs. Chesterton Petty Limited, a firm of independent professional valuer, 北京寶信房地產評估諮詢有限責任公司 and 上海房地產估價師事務所有限公司, the independent PRC valuers. The valuation of the Group's investment properties give rise to a revaluation net surplus of HK\$10,566,000 (2004: net surplus of HK\$24,978,000), which has been credited to the income statement.

The carrying amount of the investment properties comprises:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
In Hong Kong:		
Long-term lease	12,000	–
Medium-term lease	–	126,000
Outside Hong Kong:		
Medium-term lease	382,325	351,871
	<hr/>	<hr/>
	394,325	477,871

The Group's investment properties, amounting to HK\$365,074,000 (2004: HK\$469,779,000), are rented out under operating leases.

Notes to the Financial Statements

For the year ended 31 March 2005

15. PROPERTY, PLANT AND EQUIPMENT

	Properties under development <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Equipment, motor vehicle and others <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
COST								
At 1 April 2004								
– as previously reported	482,102	299,298	4,233	4,054	10,718	19,341	–	819,746
Restatement (note 3)	(169,811)	(96,971)	–	–	–	–	–	(266,782)
As restated	312,291	202,327	4,233	4,054	10,718	19,341	–	552,964
Additions	166,040	9,795	–	–	1,328	1,805	43,286	222,254
Reclassification of construction in progress	–	(84,549)	–	–	–	–	84,549	–
Reclassification to properties under development for sale	(43,435)	–	–	–	–	–	–	(43,435)
Disposals	–	–	–	–	(496)	(487)	–	(983)
At 31 March 2005	434,896	127,573	4,233	4,054	11,550	20,659	127,835	730,800
DEPRECIATION								
At 1 April 2004	–	–	317	1,913	5,928	6,978	–	15,136
Provided for the year	–	–	191	1,205	1,264	3,910	3,332	9,902
Eliminated on disposals	–	–	–	–	(233)	(345)	–	(578)
At 31 March 2005	–	–	508	3,118	6,959	10,543	3,332	24,460
NET BOOK VALUES								
At 31 March 2005	434,896	127,573	3,725	936	4,591	10,116	124,503	706,340
At 31 March 2004	312,291	202,327	3,916	2,141	4,790	12,363	–	537,828

Notes to the Financial Statements

For the year ended 31 March 2005

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Equipment, motor vehicle and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
COST				
At 1 April 2004	1,852	378	3,536	5,766
Additions	–	–	13	13
At 31 March 2005	1,852	378	3,549	5,779
DEPRECIATION				
At 1 April 2004	753	126	1,170	2,049
Provided for the year	472	82	1,620	2,174
At 31 March 2005	1,225	208	2,790	4,223
NET BOOK VALUES				
At 31 March 2005	627	170	759	1,556
At 31 March 2004	1,099	252	2,366	3,717

The carrying amount of the properties under development and land and buildings comprises:

	Properties under development		Land and buildings	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
THE GROUP				
In the PRC:				
long-term lease	178,350	74,829	–	–
medium-term lease	256,546	237,462	3,725	3,916
	434,896	312,291	3,725	3,916

Notes to the Financial Statements

For the year ended 31 March 2005

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Properties under development of the Group are situated in the PRC. At 31 March 2005, properties under development of the Group included interest capitalised of HK\$42,071,000 (2004: HK\$42,071,000).

Construction in progress represents the construction work of a water supply plant and a sewage treatment plant. In prior year, the construction in progress included also a sewage treatment plant which has put into operation during the year, accordingly, an amount of HK\$84,549,000 was transferred from construction in progress to plant and machinery during the year. At 31 March 2005, construction in progress of the Group included interest capitalised of HK\$3,003,000 (2004: HK\$6,354,000).

At 31 March 2005, the net book value of equipment, motor vehicle and others includes an amount of HK\$346,430 (2004: HK\$402,000) in respect of assets held under finance leases.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted investments, at cost less impairment loss	<u>412,184</u>	<u>232,003</u>

Details of the principal subsidiaries of the Company as at 31 March 2005 are set out in note 43.

Notes to the Financial Statements

For the year ended 31 March 2005

17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Cost of investments	943	—

As at 31 March 2005, the Group had interests in following associate:

Name of entity	Form of business structure	Place of incorporation registration and operation	Percentage of registered capital held by the Group	Nature of business
天津水與燃氣信息技術開發有限公司	Incorporated	PRC	18.6%	Environmental services

The Group held 20% equity interest of the associate through a non-wholly owned subsidiary.

The Group's entitlement to share in the profits of its associate is in proportion to its ownership interest.

The associate has not commenced its operation during the year.

Notes to the Financial Statements

For the year ended 31 March 2005

18. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1 April 2004 and 31 March 2005	<u>22,142</u>
AMORTISATION	
At 1 April 2004	18,964
Charge for the year	<u>332</u>
At 31 March 2005	<u>19,296</u>
NET BOOK VALUES	
At 31 March 2005	<u>2,846</u>
At 31 March 2004	<u>3,178</u>

The goodwill is amortised on a straight-line basis over 10 years.

19. LOAN RECEIVABLE

The loan receivable is repayable by monthly instalments over five years. The first instalment payment was due on the first day of August 2003. The loan receivable is unsecured and non-interest bearing.

Notes to the Financial Statements

For the year ended 31 March 2005

20. OTHER NON-CURRENT ASSETS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Contribution to the compensation fund and fidelity fund with the Stock Exchange	200	354
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	100	100
Guarantee fund contributions to HKSCCL	486	382
Statutory deposits with HKFE Clearing Corporation Limited	1,500	1,500
Club memberships	542	380
	<u>2,828</u>	<u>2,716</u>

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Club membership	<u>380</u>	<u>380</u>

21. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Consumables	<u>604</u>	<u>1,561</u>

All consumables were carried at cost for both years.

Notes to the Financial Statements

For the year ended 31 March 2005

22. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:				
Margin clients accounts receivable	3,859	167,154	–	–
Accounts receivable arising from the business of dealing in futures and options:				
Clearing houses, brokers and dealers	17,948	2,504	–	–
Trade receivables	11,811	27,539	–	–
Other receivable, deposits and prepayments	58,155	65,484	5,569	1,434
	91,773	262,681	5,569	1,434

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

The Group allows an average credit period of 60 days to its credit trade customers.

The following is an aged analysis of trade receivables at the reporting dates:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0-30 days	5,163	2,900
31-60 days	1,500	4,237
61-90 days	1,500	–
Over 90 days	3,648	20,402
	11,811	27,539

Notes to the Financial Statements

For the year ended 31 March 2005

23. INVESTMENTS IN SECURITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Trading securities		
Listed equity securities in Hong Kong at market value	<u>154</u>	<u>374</u>

24. BANK BALANCES-TRUST AND SEGREGATED ACCOUNTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Segregated accounts	1,014	1,221
Trust accounts	<u>7,610</u>	<u>9,322</u>
	<u>8,624</u>	<u>10,543</u>

Notes to the Financial Statements

For the year ended 31 March 2005

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	13,585	480	—	—
Accounts payable to clients arising from the business of dealing in futures and options	8,648	3,282	—	—
Trade payables	12,540	10,057	—	—
Other payables	304,670	207,981	5,594	8,900
	339,443	221,800	5,594	8,900

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

Accounts payables to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors the aged analysis does not give additional value in view of the nature of business of futures and options dealing.

Included in other payables are payables for construction works of approximately HK\$137,000,000 (2004: HK\$136,000,000) and deposit received for the pre-sale of properties approximately HK\$72,000,000 (2004: Nil).

The following is an aged analysis of trade payables at the reporting dates:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0-30 days	12,540	10,057

Notes to the Financial Statements

For the year ended 31 March 2005

26. BORROWINGS

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Secured bank loans	292,189	281,662
Secured bank loan repayable within three months from the date of advances	–	20,000
Secured bank overdrafts	–	6,945
Secured other borrowings	165,680	290,878
Unsecured other borrowings	105,000	–
	562,869	599,485
The maturity profile is as follows:		
On demand or within one year		
– bank borrowings	44,613	60,762
– other borrowings	270,680	290,878
	315,293	351,640
Bank borrowings		
More than one year but not exceeding two years	103,414	8,982
More than two years but not exceeding five years	59,338	157,701
More than five years	84,824	81,162
	247,576	247,845
	562,869	599,485
	THE COMPANY	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unsecured other borrowings repayable within one year	105,000	–

The bank loans bear interest at market rates and are either repayable on demand or in instalments over a period of 1 to 20 years. The other borrowings bear interest at market rates and repayable on demand.

Notes to the Financial Statements

For the year ended 31 March 2005

27. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable under finance leases:				
Within one year	76	96	64	87
In the second to fifth year inclusive	300	112	277	108
	376	208	341	195
Less: Future finance charges	(35)	(13)	–	–
Present value of finance leases	341	195	341	195
Less: Amount due for settlement within one year			(64)	(87)
Amount due for settlement after one year			277	108

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

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

Notes to the Financial Statements

For the year ended 31 March 2005

28. SHARE CAPITAL

	Number of shares 2005 & 2004	Nominal value 2005 & 2004 <i>HK\$'000</i>
Authorised		
Ordinary shares of HK\$0.10 each	<u>10,000,000,000</u>	<u>1,000,000</u>

	Number of shares		Share capital	
	2005	2004	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Issued and fully paid:				
At the beginning of the year				
Ordinary shares of HK\$0.10 each	4,594,923,632	4,594,923,632	459,492	459,492
Exercise of share options	90,000,000	–	9,000	–
	<u>4,684,923,632</u>	<u>4,594,923,632</u>	<u>468,492</u>	<u>459,492</u>
At the end of the year				
Ordinary shares of HK\$0.10 each	<u>4,684,923,632</u>	<u>4,594,923,632</u>	<u>468,492</u>	<u>459,492</u>

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

Notes to the Financial Statements

For the year ended 31 March 2005

29. 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. Upon the termination of the Old Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

As at 31 March 2005, the number of shares in respect of which options had been granted and remained outstanding under the Old Share Option Scheme was nil (2004: 109,000,000), representing nil (2004: 2.4%) of the shares of the Company in issue at that date.

The following tables discloses details of the Company's options under the Old Share Option Scheme held by employees (including directors) and movement in such holdings during the year ended 31 March 2005 and 31 March 2004 respectively:

2005						
Exercised price per share HK\$	Exercisable period	Date of share options granted	Balance at 1.4.2004	Exercise during the year	Lapsed during the year	Balance at 31.3.2005
0.161	1 April 2001 to 31 March 2005	29 March 2001	<u>109,000,000</u>	<u>90,000,000</u>	<u>19,000,000</u>	<u>—</u>

No option had been granted during the year. All options were held by a director of the Company.

2004						
Exercised price per share HK\$	Exercisable period	Date of share options granted	Balance at 1.4.2003	Exercise during the year	Lapsed during the year	Balance at 31.3.2004
0.161	1 April 2001 to 31 March 2005	29 March 2001	<u>109,000,000</u>	<u>—</u>	<u>—</u>	<u>109,000,000</u>

No option had been granted or exercised in the year 2004. All options were held by a director of the Company.

29. SHARE OPTIONS (continued)

(a) Old Share Option Scheme (continued)

Options granted under the Company's share option schemes should be accepted within the specified time limit in accordance with the share option offer letter dispatched to the eligible employees from the date of grant.

(b) New Share Option Scheme

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

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

29. SHARE OPTIONS (continued)

(b) New Share Option Scheme (continued)

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the directors, 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 Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

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

Notes to the Financial Statements

For the year ended 31 March 2005

30. SHARE PREMIUM AND RESERVES

	Share premium <i>HK\$'000</i>	Accumulated (losses) retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
At 1 April 2003	276,969	(6,268)	270,701
Profit for the year	–	7,914	7,914
At 1 April 2004	276,969	1,646	278,615
Exercise of share option	5,490	–	5,490
Loss for the year	–	(291,585)	(291,585)
At 31 March 2005	<u>282,459</u>	<u>(289,939)</u>	<u>(7,480)</u>

The Company did not have any reserves available for distribution to shareholders at 31 March 2005.

31. DEFERRED TAXATION

The following is the major deferred tax liabilities and assets recognised and the movements thereon during the current and the prior reporting years:

	Accelerated tax depreciation <i>HK\$'000</i>	Estimated tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	(528)	528	–
Credit (charge) to income statement	<u>528</u>	<u>(528)</u>	<u>–</u>
At 31 March 2004 and 2005	<u>–</u>	<u>–</u>	<u>–</u>

At the balance sheet date, the Group has unused estimated tax losses of HK\$373,314,000 (2004: HK\$297,604,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 March 2005

32. ACQUISITION OF A SUBSIDIARY

	2004 HK\$'000
Net assets acquired:	
Property, plant and equipment	1,931
Trade and other receivables	141,083
Amount due from a fellow subsidiary	32,075
Cash and bank balances	166,054
Trade and other payables	(20,576)
Amount due to a fellow subsidiary	(89,698)
Minority interests	(23,218)
Less: Amounted represented interest in an associate acquired in previous year	<u>(53,712)</u>
	153,939
Goodwill arising on the acquisition of a subsidiary	<u>1,134</u>
	<u>155,073</u>
Satisfied by:	
Cash	<u>155,073</u>
Net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash and bank balances acquired	166,054
Cash consideration	<u>(155,073)</u>
	<u>10,981</u>

Notes to the Financial Statements

For the year ended 31 March 2005

33. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged investment properties with an aggregate carrying value of approximately HK\$394,325,000 (2004: HK\$455,511,000), property, plant and equipment with an aggregate carrying value of approximately HK\$687,086,000 (restated 2004: HK\$518,535,000) and properties under development for sale with an aggregate carrying value of approximately HK\$86,903,000 (2004: Nil) to secure general banking facilities granted to the Group.

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Guarantees given to bankers in respect of banking facilities utilised by:				
Subsidiaries	–	–	27,508	61,196
Property buyers	–	100,000	–	–
	<u>–</u>	<u>100,000</u>	<u>27,508</u>	<u>61,196</u>

- (i) In prior year, an indemnity had been given by the Group in favour of a bank for issuing a guarantee of HK\$5,000,000 to HKFE Clearing Corporation Limited. The guarantee has been terminated and released during the year.
- (ii) The Group provides a guarantee, to the extent of RMB5,000,000, to Ma'anshan Government, PRC, for the commitment to invest in Ma'anshan, details as per announcement dated 21 May 2004.

Notes to the Financial Statements

For the year ended 31 March 2005

35. COMMITMENTS

- (i) At 31 March 2005, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's guarantee lease arrangement for the pre-sale properties.

The operating lease payment will be effective at the time when the sale and purchase agreements have been completed. The directors considered that if the sale and purchase agreements be completed on 1 July 2005, the lease commitment of the Group will be as follows:

	THE GROUP
	2005
	HK\$'000
Within one year	16,086
In the second to fifth year inclusive	85,793
After five years	85,309
	<hr/>
	187,188
	<hr/>

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

- (ii) At 31 March 2005, the Group has written certain repurchase options for the pre-sale properties to the property buyers. The options give the right to the property buyers that they can request the Group to buy back the properties at 100% of the original property sales price on the option exercise date. The exercise date of the options is six years after the completion date of the sale and purchase agreements of the properties with the total contract sum of approximately HK\$131,163,000.

36. BANKING FACILITIES

The bank overdrafts facilities are secured by marketable securities held by the Group on behalf of clients with their consent.

Notes to the Financial Statements

For the year ended 31 March 2005

37. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

At 31 March 2005, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	4,610	3,513	–	342
In the second to fifth year inclusive	7,590	3,382	–	–
After five years	8,531	–	–	–
	20,731	6,895	–	342

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

The Group as lessor

Property rental income earned during the year was HK\$22,953,000 (2004: HK\$30,187,000). Some of the properties held have committed tenants for one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	1,025	8,070
In the second to fifth year inclusive	224	30,208
After five years	–	4,356
	1,249	42,634

Notes to the Financial Statements

For the year ended 31 March 2005

37. OPERATING LEASE COMMITMENTS (continued)

During the year, the Group disposed of an investment property, including the right of the lease, with a carrying amount of HK\$126,000,000. The amounts of the related future minimum lease payments as at 31 March 2004 within one year, in the second to fifth year inclusive and after five years are approximately HK\$7,467,000, HK\$29,867,000 and HK\$4,356,000 respectively.

38. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
–acquisition of shareholdings	–	168,847	–	168,847
–acquisition of property, plant and equipment	486,241	352,897	–	–
–investments in the PRC subsidiaries and a PRC associate	–	–	–	37,750
	<u>486,241</u>	<u>521,744</u>	<u>–</u>	<u>206,597</u>

39. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) under rules and regulations at 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. The forfeited contributions of approximately HK\$222,000 (2004: HK\$3,000) are used to reduce the contributions for the year ended 31 March 2005. The contributions are charged to income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated 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.

39. RETIREMENT BENEFITS SCHEMES (continued)

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

40. RELATED PARTY TRANSACTIONS

The amount due to a related company is unsecured, interest bearing at Hong Kong Inter Bank Offered Rate ("HIBOR") plus 1.75% (2004: HIBOR plus 1.75%) and repayable on demand. The interest paid to the related company for the year was amounting to approximately HK\$759,000 (2004: HK\$1,174,000).

The related company is the company where one of the directors of the Company, is also the shareholder of the related company.

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$347,000.

Included in properties under development for sale as at 31 March 2005 was an amount of approximately HK\$43,435,000 representing a transfer from property, plant and equipment during the year.

42. POST BALANCE SHEET EVENTS

- (a) On 8 April 2005, the Group entered into the legally binding memorandum of understanding in relation to the acquisition of the Shanghai company ("Target Company") at a consideration of RMB150,000,000 which, among other matters, owns the sewage treatment plant in Shanghai.

The Group paid a refundable deposit of RMB10,000,000 to the Target Company. Such deposit shall be refunded to the Group if a formal sale and purchase agreement has not been entered into prior to a pre-agreed date.

- (b) On 23 April 2005, the Group entered into a disposal agreement in relation to the disposal of 60% interests in 3 wholly-owned subsidiaries at an aggregate consideration of HK\$137,000,000, which would be satisfied by the purchaser in cash.
- (c) On 9 May 2005, the Group entered into the co-operation agreement with the People's Government of Zhuozhou, Hebei Province in relation to the sewage treatment plants project. Pursuant to the co-operation agreement, the Group has been granted an exclusive right to finance, design, construct, own, manage, maintain and operate two sewage treatment plants (the daily capacity of each shall be 40,000 tonnes) in Zhuozhou, Hebei Province, the PRC for 25 years. Pursuant to the co-operation agreement, the Group shall establish the wholly-owned foreign enterprise ("WFOE") to develop the sewage treatment plants project, the registered capital of which shall be approximately RMB38,000,000. It is proposed by the Group that the total investment of the WFOE will be approximately RMB124,539,000, which is based on the approval from the relevant governmental authority of the PRC.

Notes to the Financial Statements

For the year ended 31 March 2005

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK\$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
Action Investments Limited	Hong Kong	Ordinary	100	100	–	Property letting
Burlingame International Company Limited	Hong Kong	Ordinary	425,019,668	100	–	Investment holding
Equal Smart Profits Limited	The British Virgin Island ("BVI")	Ordinary	US\$1	–	100	Property letting
Interchina City Development & Investment Limited	BVI	Ordinary	US\$10,000	100	–	Investment holding
Interchina Corporate Services Limited	Hong Kong	Ordinary	10,000	100	–	Management
Money Capture Investments Limited	BVI	Ordinary	US\$1	100	–	Investment holding
! Interchina Aihua (Tianjin) Municipal & Environmental Engineering Company Limited	PRC	–	*RMB250,000,000	93	–	Environmental protection
@ Interchina (Changsha) Investment & Management Co., Ltd.	PRC	–	*US\$18,080,000	100	–	Property development
! 長沙國中星城置業有限公司	PRC	–	*RMB90,000,000	38.89	61.11	Property development

Notes to the Financial Statements

For the year ended 31 March 2005

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration/ and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK\$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
! 漢中市石門城市供水有限公司	PRC	–	*RMB50,000,000	–	74.4	Water supply
Interchina Futures Limited	Hong Kong	Ordinary	8,500,000	30	70	Commodities brokerage
Interchina Securities Limited	Hong Kong	Ordinary	300,000,000	5	95	Securities brokerage
Best Plain Trading Limited	Hong Kong	Ordinary	310,000,000	–	100	Property letting
Burlingame (Shanghai) Investment Limited	Hong Kong	Ordinary	119,152,722	–	100	Investment holding
Interchina Environmental Protection Company Limited	BVI	Ordinary	US\$1	–	100	Investment holding
@ Interchina (Qinhuangdao) Sewage Treatment Co., Ltd.	PRC	–	*US\$4,091,003	–	93	Sewage treatment
Interchina Water Treatment Limited	BVI	Ordinary	US\$10,000	–	93	Investment holding
! Shanghai Hung Tai Real Estate Company Limited	PRC	–	*US\$12,000,000	–	90	Property development
@ 西安國中星城置業 有限公司	PRC	–	*US\$26,000,000	–	100	Property development
Interchina Property Agency Limited	Hong Kong	Ordinary	10,000	–	100	Real estate agency

Notes to the Financial Statements

For the year ended 31 March 2005

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK\$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
@ 國水(昌黎)污水處理 有限公司	PRC	-	*RMB26,000,000	-	93	Sewage treatment
@ 國水(咸陽)水務有限公司	PRC	-	*RMB60,000,000	-	93	Water supply
@ 國水(馬鞍山)污水處理 有限公司	PRC	-	*36,000,000	-	93	Sewage treatment
@ 湖南泛星國際企業管理 有限公司	PRC	-	*RMB10,000,000	-	100	Property management

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

! Sino foreign equity joint venture

@ Wholly-owned foreign enterprise