國中

ANNUAL REPORT 2008

國｜中｜控｜股｜有｜限｜公｜司

INTERCHINA HOLDINGS CO LTD

Stock Code: 202

Contents

Mission

Premium Enterprises is focused on developing and incubating revolutionary concepts to meet the needs of modern consumers. At the cutting-edge of innovation and technology, the company endeavors to participate in the creation of services and products that will have a positive and enduring impact on society at large.

Zhang Yang

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors of Interchina Holdings Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2008.

Since the Group was found in 2000, it has taken environmental protection and water treatment and city infrastructure operation as our core business. In the past year, the Company has achieved major breakthrough in environmental protection and water treatment as the Group has acquired 70.21% equity interest in 黑龍江黑龍股份有限公司 ("Black Dragon") and the proposal of renaming the company as Heilongjiang Interchina Water Company Limited ("Heilongjiang Interchina Water") was approved at the general meeting of Black Dragon. Upon completion of the acquisition, the company will hold three water treatment projects with total daily average processing capacity of 280,000 tonnes, further expanding the coverage of our environmental protection and water treatment investment operation.

Since the Group's sewage treatment plant located in the Haigang District of Qinhuangdao in Hebei Province commenced operation in 2004, its operation has been satisfactory and recorded a remarkable turnover. The right of price determination with respect to the plant's water treatment was obtained as early as the end of 2007 instead of 2009 as originally scheduled. Obtaining such right will allow the Group more flexibility in adjusting water charges upward according to the price index which will bring more profits to the Group. In addition, the sewage treatment project in Ma'anshan, Anhui Province, the PRC with average daily processing capacity of 60,000 tonnes has commenced operation in August 2007. This has further stabilised the source of revenue and earnings in environmental protection and water treatment of the Group. Other water supply development projects have also made encouraging progress. The sewage treatment project in Changli, Hebei Province, the PRC will commence its trial run in October this year with average daily processing capacity of 40,000 tonnes. Furthermore, the Group is discussing with the Hanzhong Municipal Government in details on the operation of the water supply project in Hanzhong City of Shaanxi Province, the PRC. It is expected that the related procedures will be finalized and operation will commence by the end of this year.

The Group will continue to increase investment in the environmental protection and water treatment operation. The Group is planning to provide a new financing platform to the Group's environmental protection and water treatment operation through Heilongjiang Interchina Water. It will raise fund from A share market in the PRC and further expand the development in the environmental protection and water treatment operation. In the future, the Group will focus on investing high quality water supply and sewage treatment projects in the PRC and continue to take environmental protection and water treatment as our core business for stable expansion of investment while ensuring the quality of these projects. As at 31 March 2008, the average daily processing capacity of the Group's environmental protection and water treatment operation has increased considerably to 600,000 tonnes. Further significant increase is expected by March 2009. It will not only reinforce our market positioning in developing our water treatment operation, but will also contribute to the establishment of the Group's brand name.

The Wang Guo Commercial Plaza in Interchina Mall (Phase One), a commercial complex invested by the Group in Changsha, Hunan Province, the PRC, has been completed and is undergoing the inspection and acceptance procedure. The four hotel equities are expected to be completed during the year. In view of the impact on the real estate industry in the PRC caused by a series of macroeconomic control measures over real estates developments in the PRC, uncertainties of investment in this sector have increased. The huge capital needed to continue the development of the project also increased the risks of investment and reduced the financial resources available to other core business operation. Therefore, the Group has tried to explore the feasibility of different forms of cooperation with major developers and strategic partners. We do not eliminate the possibility of selling the development project in Changsha to direct its resources to other core business projects to optimise the Group's assets portfolio.

During the year, the Group has successfully acquired two companies which have property rights in Beijing and Shanghai respectively and increased our property investments in the PRC. The occupancy of our investment properties in 2009 is expected to be over 90%, which could provide stable revenue and cash flow for the Group. In addition, the Group has completed the acquisition of 29.52% equity interest of China Pipe Group Limited in July 2008. It will provide stable return for the Group.

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

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

By order of the Board,
Zhang Yang
Chairman

Hong Kong, 18 July 2008

FINANCIAL REVIEW

The Group's turnover for the year ended 31 March 2008 (the "Year") amounted to HK$68,739,000 (2007: HK$33,213,000), representing an increase of 107.0% as compared with last year. During the Year, the Group added property investments in Shanghai and Beijing, which increased its rental income. Besides, the sewage treatment plant at Ma'anshan commenced operation during the third quarter, which brought revenue to its environmental protection and water treatment operation.

The Group's loss attributable to shareholders for the Year was HK$52,481,000 (2007: HK$31,590,000), representing an increase of 66.1% as compared with last year. The main reason was the recognition by the Company a share-based payment expense of HK$32,986,000 (2007: Nil) based on the fair value of the share options granted in respect of the share option scheme during the Year in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") 2 "Share-based Payment", for which loss attributable to the shareholders increased significantly as compared with last year. Also, loss attributable to the shareholders last year included recognised gain of HK$48,448,000 on disposal of subsidiaries. By excluding the effects of the share-based payment expense and the gain on disposal of subsidiaries, the loss for the year would be decreased by 75.6% as compared with last year.

As at 31 March 2008, total assets and net assets of the Group valued at HK$2,735,827,000 (2007: HK$1,612,914,000) and HK$2,037,373,000 (2007: HK$807,812,000) respectively, representing an increase of 69.6% and 152.2% respectively as compared with those as at 31 March 2007.

As at 31 March 2008, the Group's cash on hand and deposits in bank (including segregated and trust accounts) totaled approximately HK$34,539,000 (2007: HK$245,840,000), representing a decrease of 86.0% against the balance as at 31 March 2007. Approximately 78.3% of the deposits were denominated in Hong Kong dollars while the remaining balance in Renminbi. The Group's net current assets amounted to HK$959,781,000 (2007: HK$213,408,000). The Group's outstanding bank borrowings were HK$299,988,000 (2007: HK$353,169,000) which mainly comprised bank borrowings of approximately HK$100,357,000 repayable within one year, and HK$199,631,000 of bank borrowings repayable after one year. In addition, the Group's 2-year convertible notes amounted to nil (2007: HK$4,587,000). The gearing ratio was 11.0% (total borrowings/total assets).

As at 31 March 2008, approximately 9.3% of the Group's bank borrowings were denominated in Hong Kong dollars while the rest in Renminbi. The Group's bank borrowings were arranged on fixed or floating rate basis of which approximately 84.1% were secured by the Group's investment properties, property, plant and equipment and interests in leasehold land.

BUSINESS REVIEW AND PROSPECT

Environmental Protection and Water Treatment Operation

During the Year, the sewage treatment capacity for the environmental protection and sewage treatment projects of the Group that had commenced operation increased to 180,000 tonnes on average per day, which was mainly attributable to the commencement of operation in August 2007 of the sewage treatment plant located at Ma'anshan in Anhui Province with a daily treatment capacity of 60,000 tonnes. Besides, the water price with respect to the water processed by the sewage treatment plant located in the Haigang District of Qinhuangdao in Hebei Province increased approximately 9.0%, which further increased the turnover of environmental protection and water treatment operation to HK$36,970,000.

In order to accelerate the pace of business development, the Group acquired 70.21% equity interest of 黑龍江黑龍股份有限公司 ("Black Dragon") (stock code: 600187, its shares are listed on the Shanghai Stock Exchange but are currently suspended for trading) during the Year and engaged in a series of activities for the resumption of trading in the shares of Black Dragon. These activities included the grant of loans to Black Dragon for the acquisition of water treatment projects so as to complete the business restructuring, and conducted the share reform scheme for Black Dragon in the capacity as the potential substantial shareholder of Black Dragon. Upon the completion of the acquisition, Black Dragon will own two water treatment projects in Shaanxi Province, and one in Qinghai Province, with a daily aggregate sewage treatment capacity of 280,000 tonnes. The Group planned to provide an additional financing platform through the water treatment operations offered to the Group by Black Dragon, so as to further expand the scale of development in the environmental protection and water treatment operations of the Group. The relevant procedures for approving the acquisition of Black Dragon are in final stage. On the other hand, the Group continued to accelerate the pace in the development of existing projects according to the plans as set for the water operations project, the progresses for which had been satisfactory. The sewage treatment project located at Changli, Hebei Province, with a sewage treatment capacity of 40,000 tonnes on average per day, will be completed in October 2008, and commence trial operation in water treatment. It is expected to bring revenue to the Group in due course. Furthermore, the Group is still discussing with the Hanzhong Municipal Government about details on the operation of the water supply project in Hanzhong City ("Operation Details") and the progress of discussion is satisfactory. It is expected that the process relating to the Operation Details will be finalised and operation will commence in the first quarter next year, supplying approximately 100,000 tonnes of water to Hangzhong City per day.

In addition to the Qinhuangdao and Ma'anshan sewage treatment plants as well as the water treatment projects owned by Black Dragon, it is expected that upon the commencement of operations of both Changli sewage treatment plant as well as the water supply plant in Hanzhong City, the treatment capacity of the Group's environmental protection and water treatment operation will increase to 600,000 tonnes per day, and the revenue from the Group's environmental protection and water treatment operation will substantially increase. Environmental protection and water treatment operation will be a major and stable source of revenue of the Group.

The Group will continue to seek opportunities of merger and acquisition of quality water treatment projects, to further increase its investment in environmental protection and water treatment operation, so as to keep on expanding the development scale of environmental protection and water treatment operation of the Group.

City Development and Investment Operation

The construction of the Interchina Mall, the Group's mega-scale luxurious residential and commercial complex in Changsha, comprised three phases. The total land use area is about 290,000 square meters, of which the total gross floor area of Wang Guo Commercial Plaza and four hotel equities in Interchina Mall (Phase One) is about 140,000 square meters. Completion and inspection procedures are now being conducted for Wang Guo Commercial Plaza. The structural works for the four hotel equities were completed. It is expected to complete construction and conduct completion and inspection procedures by mid-2009.

Currently, the PRC government has imposed a series of macro-economic control measures on real estate industries. As the control had been imposed for a certain period of time, there had been certain effect on the real estate industries, and further placed risks to investing in that industry. Therefore, the Group is negotiating with competent developers and strategic partners for different possible means of cooperation, in order to reduce the risk of investment to the minimum. Where there are suitable opportunities, the Group does not eliminate the possibility of selling the development project in Changsha.

Property Investment Operation

During the Year, the Group's property investment operation is mainly comprised of the leasing of retail properties and offices in Beijing and Shanghai, the PRC. The turnover for this operation in 2008 was HK$18,107,000, representing an increase of 510.0% compared with last year.

During the Year under review, the Group successfully acquired 60% equity interests in Money Capture Investments Limited ("MCI") and 100% equity interests in Success Flow International Limited ("Success Flow"), so that the leasable area for the Group's investment properties were increased to 24,000 square meters. The rental income of the Group was thus enhanced. MCI mainly holds a shopping mall of about 18,000 square meters in the CBD of Shanghai, the PRC, whereas Success Flow mainly holds a shopping mall of about 6,000 square meters in the CBD of Beijing, the PRC. All spaces in these two shopping malls were leased out.

As the Group is optimistic about the prospect of the leasing market in the PRC, the Group will continue to identify appropriate investment properties so as to provide reasonable and stable rental income to the Group.

Securities and Financial Operation

The Group's securities and futures operation generated commission and interest income from clients amounting to HK$13,662,000 (2007: HK$5,027,000), representing an increase of 171.8% as compared with the corresponding period last year, which is mainly attributable to the development of securities operation driven by the continuous economic growth in Hong Kong. However, the Group will continue to strengthen internal control over the borrowings to margin clients, especially in reducing the margin ratio for non-index constituent stocks, so as to reduce the risk resulted from the fluctuation of the securities market.

Strategic Investment

In July 2008, the Group successfully completed the acquisition of 29.52% equity interest of China Pipe Group Limited ("China Pipe") (stock code: 380, its shares are listed on the Hong Kong Stock Exchange). China Pipe is principally engaged in trading and distribution of construction materials (mainly pipes and pipe components) with an annual turnover exceeding HK$600,000,000. It will provide stable return for the Group.

OUTLOOK

As the economy of the PRC is undergoing a rapid restructuring and becoming more open, the Group will capture the opportunities thus arise and seeks diversified developments in our four main businesses comprising of environmental protection and water treatment, city development and investment, property investment and securities and financial operation.

In the coming year, once the acquisition of 70.21% equity interest of Black Dragon is successfully completed, the aggregate sewage treatment capacity of the Group's environmental protection and water treatment operation will increase 280,000 tonnes on average per day. Moreover, with the completion of the sewage treatment project in Changli, Hebei Province, the PRC and the water supply project in Hanzhong, Shaanxi Province, the PRC in early 2009, it will provide the Group with a source of stable income and contribute to a sustainable development of the Group. We will continue to increase our investment in the environmental protection and water treatment operation. As such industry will grow in line with the rapid expanding economy in the PRC, we are confident that it will bring us a considerable income.

In addition, in July 2008, the Company completed the acquisition of 29.52% equity interest of China Pipe, which will provide the Group with stable return in the interest of the Company and the shareholders as a whole.

As for the city development and investment operation, although the government has taken macro-economic tightening measures to curb the overheating real estate market in the PRC, the Group will continue to develop its Changsha property development project. Nevertheless, we do not exclude the possibility of disposing such project to achieve a maximised investment return for the Group.

Looking ahead, the Group will endeavor to make more investment decisions with far-reaching vision and develop a diversified portfolio with a prudent approach. We will capitalise on the strength of China's economy and create the highest value for the Group and our shareholders.

Liquidity and Financial Resources

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

In August 2007, the Company completed the issuance of a total of 1,012,800,000 shares of HK$0.1 each upon conversion of the 2-year convertible notes bearing interest at 3.5% p.a. to settle the remaining consideration of HK$132,676,800 for the Group to buy back 60% controlling interest in a 40% owned associate which held interests in an investment property located in Shanghai, the PRC. The details of which were set out in the announcement issued on 7 August 2007. All the relevant convertible notes had been converted into share capital during the Year.

In September 2007, the authorised share capital of the Company was increased from HK$1,000,000,000 divided into 10,000,000,000 shares to HK$4,000,000,000 divided into 40,000,000,000 shares.

Pursuant to the Share Subscription Agreement dated 5 July 2007, the Company completed the issuance of 2,700,000,000 new shares of HK$0.1 each and granted options to subscribe for two tranches of convertible notes for a total of HK$1,850,000,000. Since October 2007 to 31 December 2007, the Company issued 5-year convertible notes bearing interest at 3% p.a. convertible into a total of 6,500,000,000 shares of HK$0.1 each in respect of the first tranche convertible note options, and all of the convertible notes had been converted into share capital during the Year. The net proceeds in the sum of approximately HK$930,000,000 (after deducting expenses of issuing new shares and convertible notes) were mainly used as working capital for environmental protection and water treatment, city development operation and property investment. In addition, subsequent to the end of the Year, and as of 30 June 2008, the Company issued 5-year convertible notes bearing interest at 3% p.a. convertible into a total of 3,000,000,000 shares of HK$0.1 each in respect of the second tranche convertible note options, and all of the convertible notes had been converted into share capital. The outstanding convertible note options amounted to HK$900,000,000. Details of which were set out in the convertible bonds monthly announcement published on 2 July 2008. The proceeds from the above issue were mainly applied as usual working capital.

During the Year, a total of 459,490,000 share options were granted by the Company at an exercise price of HK$0.146 per share. During the Year, a total of 371,490,000 share options granted were exercised, for which a total of 371,490,000 new shares were issued. The proceeds in the sum of HK$54,238,000 generated from the exercise of share options was used as general working capital of the Group.

Significant investments and acquisitions

On 11 June 2007, the Company and Mr. Li Gong Tao ("Mr. Li") entered into a sales and purchase agreement with respect to the acquisition of 60% equity interest in Money Capture Investments Limited ("MCI") together with the interests in shareholder's loans made by Mr. Li for a total consideration of HK$195,039,455. The major assets of MCI are the entire interests in the properties located at the second basement, the first basement, the first floor and second floor of No.1546 Dalian Road, Shanghai, the PRC of a total building area of approximately 18,000 square metres held through its subsidiary. After the acquisition, MCI became the wholly-owned subsidiary of the Company. Relevant details of the acquisition were set out in a circular of the Company dated 6 July 2007. The acquisition was completed in August 2007.

On 17 May 2007, the Group entered into the sales and purchase agreement with Black Dragon Group (being supplemented by the supplemental agreement dated 29 June 2007, second supplemental agreement dated 15 November 2007 and third supplemental agreement dated 17 December 2007). Pursuant to such agreement, the Group would acquire about 70.21% of the issued capital in Black Dragon at a total consideration of RMB 420,000,000. Black Dragon is a limited liability company established on 3 November 1998 in the People's Republic of China ("PRC"), with its A Shares listing on the Shanghai Stock Exchange but currently suspended for trading. Black Dragon is principally engaged in the production of paper products and marketing. Details of the acquisition were set out in a circular of the Company dated 31 January 2008. On 25 February 2008, the shareholders of the Company passed the ordinary resolution for the acquisition.

On 5 October 2007, the Company entered into the sale and purchase agreement with Mega Winner Investments Limited ("Mega Winner") with respect to the acquisition of the entire issued share capital of Success Flow International Limited ("Success Flow") and the amount due from Success Flow to Mega Winner for a total consideration of HK$167,000,000. Success Flow is mainly engaged in investment holding, which indirectly holds the entire equity interests in北京龍堡物業管理有限公司. 北京龍堡物業管理有限公司 owns 23 retail units situated in Guo Zhong Commercial Building on no. 33 Dongshikou Avenue, Dongcheng District, Beijing, the PRC of a total gross floor area of approximately 6,000 square meters. Details of the acquisition were set out in a circular of the Company dated 26 October 2007. The acquisition was completed in November 2007.

On 18 December 2007, the Company entered into the acquisition agreement with Maxable International Enterprises Limited with respect to the acquisition of 3,700,000,000 shares in China Pipe, representing approximately 29.52% of the then issued share capital of China Pipe, for a consideration of HK$296,000,000. The shares of China Pipe are listed on the Stock Exchange. Details of the acquisition were set out in a circular of the Company dated 15 April 2008. On 17 May 2008, the shareholders of the Company passed the ordinary resolution for the acquisition. The acquisition was completed in mid of July 2008.

Save as those disclosed above, during the Year, the Group did not have other significant investments or acquisitions or disposal of subsidiaries.

Pledge of Group's Assets

As at 31 March 2008, the Group's assets were pledged as security for its liabilities, comprising investment properties with a net book value of HK$62,611,000 (2007: HK$65,852,000) and property, plant and equipment with a net book value of HK$278,770,000 (2007: HK$400,864,000) and interests in leasehold land with a net book value of HK$41,938,000 (2007: HK$38,638,000).

Foreign Exchange Exposure

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar or Renminbi. As Renminbi becomes more volatile, the Group's operations and performances might thus be affected. Presently, the Group does not have any currency hedging policy but will closely monitor the fluctuation of Renminbi exchange rate and take appropriate measures to minimize any adverse impact that may be caused by such fluctuation.

Employment and Remuneration Policy

As at 31 March 2008, the Group had a total of 240 employees in the PRC and Hong Kong. Staff costs for the Year amounted to HK$27,464,000 (2007: HK$25,989,000) and share-based payment expenses amounted to HK$32,986,000 (2007: Nil). 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.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. ZHANG Yang, aged 44, was appointed as a Director in March 2000 and became the chairman of the Group in September 2000. Mr. Zhang was also appointed as a director and chairman of Kai Yuan Holdings Limited ("Kai Yuan"), the shares of which are listed on the Stock Exchange, during the period from December 2001 to April 2007. Mr. Zhang was also appointed as an non-executive director and honourable chairman of China Pipe Group Limited ("China Pipe"), the shares of which are listed on the Stock Exchange, in July 2007. Mr. Zhang studied in Industrial Automation Department of Shanghai Second Staff University. He has over twenty years of experience in industrial investment and management. Mr. Zhang is responsible for the strategic planning and overall management control of the Group.

Mr. ZHU Yongjun, aged 40, has been appointed as an executive Director and Deputy Chairman in May 2008. Mr. Zhu was also appointed as an executive director of China Pipe, the shares of which are listed on the Stock Exchange, in June 2007. 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. CHAN Wing Yuen, Hubert, aged 50, was appointed as a Director and chief executive officer of the Company in March 2002 and November 2003, respectively. Mr. Chan was also appointed as an executive director of China Pipe, the shares of which are listed on the Stock Exchange, in June 2007. Mr. Chan received a Higher Diploma from the Hong Kong Polytechnic University in 1982. Mr. Chan is an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. Mr. Chan is also a member of the Hong Kong Securities Institute and the Hong Kong Institute of Directors Ltd. Prior to joining the Group, Mr. Chan spent over ten years with the Stock Exchange where he held the position of director of Mainland Affairs Department of the Listing Division. Mr. Chan also spent two and a half years as a director and deputy general manager of Guangdong Investment Limited. Mr. Chan was the company secretary and director of compliance of Sunevision Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. In addition, Mr. Chan was an independent non-executive director of Rising Development Holdings Limited, the shares of which are listed on the Stock Exchange.

Mr. LAM Cheung Shing, Richard, aged 50, was appointed as a Director and the deputy chief executive officer of the Company in August 2001. In addition, he was appointed as a company secretary of the Company in March 2004. Mr. Lam was appointed in June 2007 and is currently an executive director of China Pipe, the shares of which are listed on the Stock Exchange. Mr. Lam was being an executive director of Kai Yuan, the shares of which are listed on the Stock Exchange, from December 2001 to July 2007 and was redesignated and is currently a non-executive director of Kai Yuan. 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. Lam was an independent non-executive director of Leadership Publishing Group Limited, the shares of which are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Hon Sum, aged 49, was appointed as an independent non-executive Director in May 2000. Mr. Wong is a certified public accountant in Hong Kong. He has over twenty years of experience in the field of audit, accountancy, finance, taxation and business advisory. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He is also a member of the Hong Kong Securities Institute. Mr. Wong was an independent non-executive director of China Mining Resources Group Limited, the shares of which are listed on the Stock Exchange.

DIRECTORS' PROFILE

Ms. HA Ping, aged 43, was appointed as an independent non-executive Director in May 2000. Ms. Ha received her Honorary Doctorate from Queen's University of Brighton. Ms. Ha is the chairman of All Leaders Publication Group Limited and was an independent non-executive director of a Smart Energy Finance (Holdings) Limited during the period from June 2000 to May 2007, the shares of which are listed on the Stock Exchange.

Dr. TANG Tin Sek, aged 49, was appointed as an independent non-executive Director in August 2006. Dr. Tang is a certified public accountant and a partner of Terence Tang & Partners. Dr. Tang has over 27 years of experience in corporate finance, business advisory, financial management and auditing. Dr. Tang is also a member of The Chinese Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and Chartered Association of Certified Accountants in the United Kingdom. Dr. Tang obtained a bachelor of science degree from The University of Hong Kong in 1980, a master of business administration degree from The University of Sydney, Australia in 1990 and a doctorate in accountancy from The Hong Kong Polytechnic University in 2004. Dr. Tang is also an independent non-executive director of CEC International Holdings Limited, Sinofert Holdings Limited and New Smart Energy Group Limited, the shares of all of which are listed on the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

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

The Board has adopted the Company's Corporate Governance Code (the "Interchina CG Code") exceeds the CG Code and periodically reviews its corporate governance practices of the Company to ensure its continuous compliance with the CG Code. For the year ended 31 March 2008, the Company had complied with the code provisions of the CG Code save for the following:

i) The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, all directors of the Company (including executive and non-executive directors) are not appointed for any specific term. However, all directors are subject to retirement by rotation at each annual general meeting in accordance with the Company's Articles of Association and shall be eligible for re-election. The Board shall ensure that all directors shall be subject to retirement by rotation at least once every three years so as to accomplish the same purpose as a specific term of appointment.

ii) The code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the 2007 annual general meeting of the Company ("2007 AGM"). The Chairman did not attend the 2007 AGM due to other business engagements.

THE BOARD

The Board currently comprises four executive directors and three independent non-executive directors.

The Board members for the year ended 31 March 2008 and up to the date of the annual report are as follows:

Executive directors

Mr. Zhang Yang *(Chairman)*
Mr. Zhu Yongjun *(Deputy Chairman)* (Appointed on 19 May 2008)
Mr. Chan Wing Yuen, Hubert
Mr. Lam Cheung Shing, Richard

Independent non-executive directors

Mr. Wong Hon Sum
Ms. Ha Ping
Dr. Tang Tin Sek

The brief biographical details of the directors are set out in the "Directors' Profile" section on pages 12 to 14 of this annual report.

THE BOARD *(Continued)*

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

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

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

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Board held seven Board meetings during the year ended 31 March 2008. Mr. Zhang Yang and Ms. Ha Ping had attended four meetings. Mr. Chan Wing Yuen, Hubert, Mr. Lam Cheung Shing, Richard, Mr. Wong Hon Sum and Dr. Tang Tin Sek had attended seven meetings.

During the year ended 31 March 2008, the Board has dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control, material acquisitions and investments, significant capital and financial matters. The Board has delegated the day-to-day operations of the Group to the senior management under the supervision of the Board.

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

Roles of Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are Mr. Zhang Yang and Mr. Chan Wing Yuen, Hubert respectively to ensure a clear distinction between the chairman's responsibility to lead the Board and the chief executive officer's responsibility to manage the Company's business. The division of responsibilities between the chairman and chief executive officer is clearly established and set out in the Interchina CG Code.

THE BOARD *(Continued)*

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. However, during the year under review, no new Director was appointed by the Board.

The code provision A.4.2 of the CG Code stipulates that every director should be subject to retirement by rotation at least once every three years. According to the Company's articles of association, all directors are subject to retirement by rotation at each annual general meeting and shall be eligible for re-election. The Board shall ensure that all directors shall be subject to retirement by rotation at least once every three years so as to accomplish the same purpose as a specific term of appointment.

Subordinate Committees of the Board

- Audit Committee
- Remuneration Committee
- Corporate Governance Committee

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

Audit Committee

The Audit Committee, established in September 2002, comprises the Group's three independent non-executive directors, namely, Mr. Wong Hon Sum (being the Chairman of the Committee), Ms. Ha Ping and Dr. Tang Tin Sek. Two of its members have appropriate professional qualifications or accounting or related financial management expertise. No member of this Committee is a member of the former or existing auditors of the Company. The membership of the Audit Committee has exceeded the Listing Rules requirement that the majority of its members must be independent and one of whom must have appropriate professional qualification.

The Audit committee is mainly responsible for:

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

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

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

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

The Audit Committee held three meetings during the year ended 31 March 2008. Ms. Ha Ping had attended two meetings. Mr. Wong Hon Sum and Dr. Tang Tin Sek had attended 3 meetings. The external auditors, HLB Hodgson Impey Cheng ("HLB"), and the related representatives of the Group also attended these meetings.

THE BOARD *(Continued)*

Subordinate Committees of the Board *(Continued)*

Audit Committee (Continued)

During the meetings held in the financial year ended 31 March 2008, the Audit Committee has performed the works which are set out as follows:

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

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

iii) approve the remuneration for the audit services provided by the external auditors in respect of the financial year ended 31 March 2007.

Remuneration Committee

The Remuneration Committee, established in April 2005, comprises the Group's two independent non-executive directors and one executive director, namely, Mr. Wong Hon Sum (being the Chairman of the Committee), Ms. Ha Ping and Mr. Chan Wing Yuen, Hubert.

The Remuneration Committee is mainly responsible for:

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

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

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

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

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

The Remuneration Committee held one meeting during the year ended 31 March 2008 with full attendance from its members. During the meeting, the Remuneration Committee proposed to determine the number of underlying shares and terms of share option to be granted to executive directors and non-executive directors.

THE BOARD *(Continued)*

Subordinate Committees of the Board *(Continued)*

Corporate Governance Committee

The Corporate Governance Committee, established in July 2005, comprises the Group's one independent non-executive director and one executive director, namely, Mr. Wong Hon Sum (being the Chairman of the Committee) and Mr. Chan Wing Yuen, Hubert.

The Corporate Governance Committee is mainly responsible for:

i. reviewing the policies relating to corporate governance;

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

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

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

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

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

vii. delegating such of its powers as this Committee deems appropriate to the management of the Company.

Where circumstances are considered appropriate, some board decisions are approved by way of written resolutions passed by all the directors.

The Corporate Governance Committee held two meetings during the year ended 31 March 2008 with full attendance from its members. The Committee reviewed the corporate governance disclosure of the Group's annual results of the Group for the year ended 31 March 2007 and interim results for the period ended 30 September 2007 as required by the CG Code.

THE BOARD *(Continued)*

Directors' Securities Transactions

In April 2005, the Company adopted the Company's Code of Conduct regarding Directors' Securities Transactions ("Interchina Model Code") and the terms of the Interchina Model Code are no less exacting than the required standard set out in the Model Code for Securities Transactions By Directors of Listed Issuers contained in Appendix 10 of the Listing Rules ("Model Code").

Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

Directors' and Auditors' Responsibility Statements

The Directors acknowledged responsibility for reviewing the accounts of the Company prepared by the Board for the year ended 31 March 2008 and ensuring the accounts are prepared in accordance with the Hong Kong Financial Reporting Standards. A statement by the auditors about their reporting responsibilities is contained in the independent auditors' report.

Internal Control

The Board is responsible for the effectiveness of the internal control system. During the year under review and up to the date of this report, the Board and the Audit Committee have reviewed the effectiveness of its internal control system on all major operations of the Group by appointing an independent professionals on their behalf. No major issue but areas for improvement have been identified. All recommendations from the independent professionals will be properly followed up to ensure that they are implemented within a reasonable period of 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.

External Auditors

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

For the year ended 31 March 2008, the auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services is HK$800,000 (2007: HK$700,000) and HK$2,190,000 (2007: HK$550,000) for non-audit services.

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

THE BOARD *(Continued)*

Interests of Directors and Senior Management

Details of Directors' interests in shares of the Company as at 31 March 2008 are as follows:

Name of Directors	Number of Shares	Share Option (Number of Shares)
Mr. Zhang Yang	2,492,625,000	–
Mr. Chan Wing Yuen, Hubert	77,000,000	–
Mr. Lam Cheung Shing, Richard	77,000,000	–
Mr. Wong Hon Sum	–	5,000,000
Ms. Ha Ping	–	5,000,000
Dr. Tang Tin Sek	–	5,000,000

The share options held by senior management as at 31 March 2008 totalled 15,000,000 shares, representing approximately 0.09% of the issued share capital of the Company.

Shareholders' rights

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

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

Registered shareholders are notified by post for the shareholders' meetings, such as at least 21 days' notice for AGM and 14 days' notice for EGM respectively. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are provided for in the articles of association of the Company. Poll results will be published in the newspapers on the business day following the shareholders' meeting and posted on the website of the SEHK.

THE BOARD *(Continued)*

Investor Relations

There are no changes to the Memorandum and Articles of Association during the year ended 31 March 2008.

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

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

As at 31 March 2008, the public float of capitalization of the Company was approximately HK$1,210,000,000 (2007: HK$845,000,000).

Financial Calendar for 2008/09

Events	Dates
Announcement of 2007/08 annual results	18 July 2008
Annual General Meeting	September 2008
Announcement of 2008/09 interim results	December 2008

The directors of the Company present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 48 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 30.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2008 (2007: 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 107.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2008 are set out on page 108 of the annual report.

BORROWINGS

Details of the bank borrowings as at 31 March 2008 are set out in note 32 to the consolidated financial statements.

CONVERTIBLE NOTES

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

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 34 and note 37 to the consolidated financial statements respectively.

At 31 March 2008, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance.

SHARE CAPITAL

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

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

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Zhang Yang *(Chairman)*
Mr. Zhu Yongjun *(Deputy Chairman)* (Appointed on 19 May 2008)
Mr. Chan Wing Yuen, Hubert
Mr. Lam Cheung Shing, Richard

Independent non-executive directors:

Mr. Wong Hon Sum
Ms. Ha Ping
Dr. Tang Tin Sek (Appointed on 26 August 2006)

In accordance with the Company's Articles of Association and Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule"). Mr. Zhang Yang, Mr. Zhu Yongjun and Mr. Wong Hon Sum will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2008, 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:

		Number of ordinary shares held	
Director	**Capacity/ nature of interest**	**Long position**	**Approximate percentage of interest**
Zhang Yang ("Mr. Zhang")	Interests of controlled corporation *(Note 1)*	103,495,000	0.60%
	Beneficial owner *(Note 2)*	14,389,130,000	83.24%
Lam Cheung Shing, Richard ("Mr. Lam")	Beneficial owner	77,000,000	0.45%
Chan Wing Yuen, Hubert ("Mr. Chan")	Beneficial owner	77,000,000	0.45%
Ha Ping ("Ms. Ha")	Beneficial owner *(Note 3)*	5,000,000	0.03%
Wong Hon Sum ("Mr. Wong")	Beneficial owner *(Note 4)*	5,000,000	0.03%
Tang Tin Sek ("Dr. Tang")	Beneficial owner *(Note 5)*	5,000,000	0.03%

Notes:

1. These Shares represent the 103,495,000 Shares held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang, who is a Director and the chairman of the Company.

2. Theses Shares represent (i) 2,389,130,000 Shares held by Mr. Zhang; and (ii) 12,000,000,000 Shares to be allotted and issued to Mr. Zhang upon the exercise in full of the conversion rights attaching to the convertible notes to be issued by the Company, details of which are set out in announcement of the Company dated 6 July 2007.

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

4. These Shares represent the Shares which may be allotted and issued to Mr. Wong upon the exercise in full of the subscription rights attaching to the options granted by the Company.

5. These Shares represent the Shares which may be allotted and issued to Dr. Tang upon the exercise in full of the subscription rights attaching to the options granted by the Company.

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

Save as disclosed above, as at 31 March 2008, 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 459,490,000 shares in the Company at a price of HK$0.146 per share, exercisable during the period from 28 August 2007 to 2 September 2012. The closing price of the Company's shares immediately before the date on which the options were granted was HK$0.146. 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 38 to the consolidated financial statement.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Chan Tim Shing	Beneficial owner	1,560,000,000	9.02%

Save as disclosed above, as at 31 March 2008, 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 confirm that the transaction has been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreement governing such transaction that is fair and reasonable and in the interests of the shareholders of the Group as a whole.

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 49 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 87.5%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 47.0%.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases during the year was 63.4%. The percentage of purchase attributable to the Group's largest supplier to the total purchase during the year was 20.7%.

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 15 to 22.

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, 18 July 2008

國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

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

We have audited the consolidated financial statements of Interchina Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 106, which comprise the consolidated balance sheet and the company balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 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, 18 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	8	**68,739**	33,213
Cost of sales		**(11,532)**	(4,934)
Other revenue	9	**5,148**	1,868
Other operating income	9	**443**	1,448
Reversal of impairment of trade receivable		**–**	15,561
Interest income		**2,876**	4,881
Staff costs	10	**(60,450)**	(25,989)
Amortisation and depreciation		**(11,593)**	(13,178)
Selling costs		**(9,961)**	(13,952)
Administrative costs		**(42,293)**	(38,326)
Fair value change in investment properties	15	**36,835**	4,439
Loss from operations	11	**(21,788)**	(34,969)
Finance costs	12	**(28,200)**	(36,453)
Share of results of associates	19	**2,608**	(6,164)
Gain on disposal of subsidiaries	40	**8,360**	48,448
Loss before taxation		**(39,020)**	(29,138)
Taxation	13	**(14,712)**	(2,010)
Loss for the year		**(53,732)**	(31,148)
Attributable to:			
Equity holders of the Company		**(52,481)**	(31,590)
Minority interests		**(1,251)**	442
		(53,732)	(31,148)
Loss per share for loss attributable to the ordinary equity holders of the Company			
Basic and diluted	14	**(HK 0.53 cents)**	(HK 0.56 cents)

All of the Group's activities are classed as continuing.

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

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	15	630,820	65,852
Interests in leasehold land and land use rights	16	41,938	38,638
Property, plant and equipment	17	608,661	624,543
Interests in associates	19	–	77,419
Goodwill	20	11,006	2,846
Other non-current assets	21	2,401	2,412
		1,294,826	811,710
Current assets			
Properties under development for sale	22	607,714	348,527
Inventories	23	844	–
Trade and other receivables and prepayments	24	735,907	206,668
Loan receivables	25	61,899	–
Financial assets at fair value through profit or loss	26	98	169
Bank balances – trust and segregated accounts	27	4,346	86,410
Cash and cash equivalents	28	30,193	159,430
		1,441,001	801,204
Current liabilities			
Trade and other payables and deposits received	29	277,266	443,406
Amount due to a related company	30	78,564	444
Tax payable		2,297	382
Derivative financial instruments	31	22,736	–
Bank borrowings – due within one year	32	100,357	143,495
Obligations under finance leases – due within one year	33	–	69
		481,220	587,796
Net current assets		959,781	213,408
Total assets less current liabilities		2,254,607	1,025,118

CONSOLIDATED BALANCE SHEET *(Continued)*

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Equity			
Share capital	36	**1,728,619**	665,190
Share premium and reserves		**301,905**	119,305
Equity attributable to ordinary equity holders of the Company		**2,030,524**	784,495
Minority interests		**6,849**	23,317
		2,037,373	807,812
Non-current liabilities			
Bank borrowings – due after one year	32	**199,631**	209,674
Obligations under finance leases – due after one year	33	**–**	141
Convertible notes	34	**–**	4,587
Deferred tax liabilities	35	**17,603**	2,904
		217,234	217,306
		2,254,607	1,025,118

Approved by the Board of Directors on 18 July 2008 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.

BALANCE SHEET
At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	–	581
Interests in subsidiaries	18	873,249	412,184
Interests in associates	19	–	45,008
Other non-current assets	21	380	380
		873,629	458,153
Current assets			
Trade and other receivables and prepayments	24	181,309	60,301
Amounts due from subsidiaries	18	1,130,627	704,219
Cash and cash equivalents	28	110	88,570
		1,312,046	853,090
Current liabilities			
Trade and other payables and deposits received	29	6,845	3,355
Amounts due to subsidiaries	18	349,540	568,979
Amount due to a related company	30	78,564	444
Derivative financial instruments	31	22,736	–
		457,685	572,778
Net current assets		854,361	280,312
Total assets less current liabilities		1,727,990	738,465
Equity			
Share capital	36	1,728,619	665,190
Share premium and reserves	37	(629)	68,615
		1,727,990	733,805
Non-current liabilities			
Convertible notes	34	–	4,587
Deferred tax liabilities	35	–	73
		–	4,660
		1,727,990	738,465

Approved by the Board of Directors on 18 July 2008 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 2008

	Equity attributable to equity holders of the Company									
The Group	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000* *(Note 1)*	Share options reserve *HK$'000*	Exchange reserve *HK$'000*	Convertible notes reserve *HK$'000* *(Note 2)*	Accu-mulated losses *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 April 2006	558,492	282,741	571,996	–	12,951	–	(738,889)	687,291	21,704	708,995
Exchange differences on translation of overseas subsidiaries	–	–	–	–	21,506	–	–	21,506	1,171	22,677
Net income directly recognised in equity	–	–	–	–	21,506	–	–	21,506	1,171	22,677
Net loss for the year	–	–	–	–	–	–	(31,590)	(31,590)	442	(31,148)
Total recognised income/ (expenses) for the year	–	–	–	–	21,506	–	(31,590)	(10,084)	1,613	(8,471)
Issue of convertible notes	–	–	–	–	–	10,303	–	10,303	–	10,303
Conversion of convertible notes	106,698	–	–	–	–	(9,589)	–	97,109	–	97,109
Recognition of deferred tax for convertible notes	–	–	–	–	–	(124)	–	(124)	–	(124)
At 31 March 2007 and 1 April 2007	665,190	282,741	571,996	–	34,457	590	(770,479)	784,495	23,317	807,812
Exchange differences on translation of overseas subsidiaries	–	–	–	–	145,488	–	–	145,488	–	145,488

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 March 2008

The Group	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000 (Note 2)	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
	Equity attributable to equity holders of the Company									
Net income directly recognised in equity	–	–	–	–	145,488	–	–	145,488	–	145,488
Net loss for the year	–	–	–	–	–	–	(52,481)	(52,481)	(1,251)	(53,732)
Total recognised income/(expenses) for the year	–	–	–	–	145,488	–	(52,481)	93,007	(1,251)	91,756
Issue of new shares	270,000	–	–	–	–	–	–	270,000	–	270,000
Issue of share options	–	–	–	32,986	–	–	–	32,986	–	32,986
Exercise of share options	37,149	43,605	–	(26,516)	–	–	–	54,238	–	54,238
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(13,497)	(13,497)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(1,720)	(1,720)
Issue of convertible notes	–	–	–	–	–	288,269	–	288,269	–	288,269
Conversion of convertible notes	756,280	40,108	–	–	–	(288,769)	–	507,619	–	507,619
Recognition of deferred tax for convertible notes	–	–	–	–	–	(90)	–	(90)	–	(90)
At 31 March 2008	**1,728,619**	**366,454**	**571,996**	**6,470**	**179,945**	**-**	**(822,960)**	**2,030,524**	**6,849**	**2,037,373**

Notes:

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		(39,020)	(29,138)
Adjustments for:			
Depreciation of property, plant and equipment	17	10,986	11,503
Amortisation of interests in leasehold land and land use rights	16	607	1,675
Fair value change in investment properties	15	(36,835)	(4,439)
Share of results of associates	19	(2,608)	6,164
Loss/(gain) on disposal of property, plant and equipment		5	(118)
Loss on derivative financial instruments		1,301	–
Fair value change in derivative financial instruments		1,500	–
Written-off of property, plant and equipment		640	–
Gain on disposal of subsidiaries	40	(8,360)	(48,448)
Share-based payment expenses	38	32,986	–
Discount on acquisition of a subsidiary	39	(443)	–
Interest income		(2,876)	(4,881)
Interest expenses		28,200	36,153
Operating cash flows before movements in working capital		(13,917)	(31,529)
Increase in properties under development for sale		(107,407)	(56,514)
Decrease in inventories		80	–
Increase in trade and other receivables and prepayments		(476,843)	(89,462)
Increase in amount due from an associate		(249,016)	(873)
Decrease in financial assets at fair value through profit or loss		71	3
Increase in loan receivables		(61,899)	–
Decrease/(increase) in bank trust and segregated accounts		82,064	(81,134)
(Decrease)/increase in trade and other payables and deposits received		(155,528)	269,484
Increase/(decrease) in amount due to a related company		78,120	(6)
Cash (used in)/generated from operations		(904,275)	9,969
Profits tax (paid)/refund		(2,071)	193
Interest received		2,876	4,881
Net cash (used in)/generated from operating activities		(903,470)	15,043

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(91,124)	(125,705)
Proceeds on disposal of property, plant and equipment		8,062	203
Acquisition of subsidiaries		(118,396)	–
Proceeds on disposal of subsidiaries	40	31,421	254,073
Net refund in non-current assets		11	54
Net cash (used in)/generated from investing activities		(170,026)	128,625
FINANCING ACTIVITIES			
Interest paid		(27,269)	(19,359)
New bank loan raised		–	78,788
Repayment of obligations under finance leases		(210)	(66)
Repayment of bank loans		(53,181)	(125,483)
Repayment of other loans		–	(40,000)
Issue of new shares		270,000	–
Issue of new shares under the share options		54,238	–
Proceeds from issue of convertible note options		20,000	–
Proceeds from issue of convertible notes	34	650,000	111,698
Net cash generated from financing activities		913,578	5,578
Net (decrease)/increase in cash and cash equivalents		(159,918)	149,246
Cash and cash equivalents at beginning of the year		159,430	16,894
Effect of foreign exchange rate changes		30,681	(6,710)
Cash and cash equivalents at end of the year		30,193	159,430
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		34,539	245,840
Less: Bank balances – trust and segregated accounts	27	(4,346)	(86,410)
		30,193	159,430

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in environmental protection and water treatment operation, city development and investment operation, property investment operation and securities and financial operation. Details of the principal activities of its subsidiaries are set out in note 48 to the consolidated financial statements.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange 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 5.

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

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

The Group and the Company has adopted, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA that are relevant to its operations for the current year's financial statements. A summary of the new HKFRSs is set out as below:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

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

The adoption of the above new HKFRSs did not have significant impact on the Group's results and financial position for the current or prior accounting period, except for new disclosures relating to financial instruments made in the consolidated financial statements.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

HK(IFRIC)-Int 12 gives guidance on the accounting by operators for public-to-private service concession arrangements and sets out the general principles on recognising and measuring the obligations and related rights in service concession arrangements. For arrangements falling within its scope, depending on the terms of the arrangement, the infrastructure assets will, instead of being recognised as property, plant and equipment, be recognised as either (i) a financial asset; (ii) an intangible asset; or (iii) both a financial asset and an intangible asset. The directors of the Company are in the process of assessing the impact of the application of HK(IFRIC)-Int 12 on the Group.

The directors of the Company are currently assessing the impact of the above new or amended HKFRSs but is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

(i) Subsidiaries

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

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

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

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

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

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

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

Basis of consolidation *(Continued)*

(ii) Associates

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

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

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

Revenue recognition

(i) 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) 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.

(iv) Interest income

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

(v) Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Investment properties

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

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

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

Investment properties *(Continued)*

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

Interests in leasehold land and land use rights

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

Impairment of assets

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

Impairment of financial assets

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

(i) Assets carried at amortised cost

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

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

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

(ii) Assets carried at cost

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

Taxation

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

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

Taxation *(Continued)*

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

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

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

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

Goodwill

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

Goodwill arising on the acquisition of associates is included in the carrying amount of the associates. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

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

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

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

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

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

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 balance sheet.

Provision

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

Other non-current assets

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

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

Financial Instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables (including advance to associates, advance to an investee company, loan receivables, pledged deposits, securities trading receivables and deposits, time deposits, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the 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.

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

Financial Instruments *(Continued)*

Loans and receivables *(Continued)*

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

Available-for-sale financial assets

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

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

Financial liabilities and equity

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

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

Financial liabilities at fair value through profit or loss

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

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

Financial Instruments *(Continued)*

Other financial liabilities

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

Convertible notes

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

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

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

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

Equity instruments

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

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

Financial Instruments *(Continued)*

Financial guarantee contracts

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

Derivative financial instruments that do not qualify for hedge accounting

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

Derecognition

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

Properties under development for sale

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

Assets held under finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability, net of interest charges, is included in the balance sheet as 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.

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

Borrowings

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

Borrowing costs

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the 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 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 balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

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

Operating leases

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

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

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

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.

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.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimated impairment of goodwill

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

Estimate of fair value of investment properties

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

Impairment of properties under development

Included in the consolidated balance sheet at 31 March 2008 are properties under development with an aggregate carrying amount of approximately HK$230 million. Management assessed the recoverability of these amounts based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development and a forecast of future sales. If the actual net realisable values of the underlying properties are more or less than expected as a result of changes in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

Useful lives of property, plant and equipment

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

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

Trade debtors

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

Fair values of other financial assets and liabilities

The fair values of loans and receivables 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.

7. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four (2007: four) operating divisions, namely environmental protection and water treatment operation, city development and investment operation, property investment operation, securities and financial operation. These divisions are on the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

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

For the year ended 31 March 2008	Environmental protection and water treatment operation *HK$'000*	City development and investment operation *HK$'000*	Property investment operation *HK$'000*	Securities and financial operation *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000*
TURNOVER						
External sales	36,970	–	18,107	13,662	–	68,739
Inter-segment sales	–	–	–	–	–	–
	36,970	–	18,107	13,662	–	68,739
SEGMENT RESULTS	15,165	(20,640)	48,348	2,587	–	45,460
Interest income and unallocated gains						2,876
Unallocated corporate expenses						(70,124)
Loss from operations						(21,788)
Finance costs						(28,200)
Share of results of associates						2,608
Gain on disposal of subsidiaries						8,360
Loss before taxation						(39,020)
Taxation						(14,712)
Loss for the year						(53,732)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2008

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31 March 2008	Environmental protection and water treatment operation HK$'000	City development and investment operation HK$'000	Property investment operation HK$'000	Securities and financial operation HK$'000	Elimination HK$'000	Consolidated total HK$'000
Assets/liabilities						
Segment assets	861,221	900,112	662,756	122,701	–	2,546,790
Unallocated corporate assets						189,037
Total assets						2,735,827
Segment liabilities	89,358	155,779	9,690	12,271	–	267,098
Unallocated corporate liabilities						411,456
Tax liabilities						19,900
Total liabilities						698,454
Other segment information						
Depreciation and amortisation	8,801	1,972	700	120	–	11,593
Capital expenditure	27,421	131,065	631	231	–	159,348
Unallocated amounts						2,193
						161,541
Fair value change in investment properties	–	–	36,835	–	–	36,835

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31 March 2007	Envi-ronmental protection and water treatment operation *HK$'000*	City development and investment operation *HK$'000*	Property investment operation *HK$'000*	Securities and financial operation *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000*
TURNOVER						
External sales	25,218	–	2,968	5,027	–	33,213
Inter-segment sales	–	–	426	–	(426)	–
	25,218	–	3,394	5,027	(426)	33,213
SEGMENT RESULTS	(154)	(19,504)	6,299	(1,301)	–	(14,660)
Interest income and unallocated gains						4,881
Unallocated corporate expenses						(25,190)
Loss from operations						(34,969)
Finance costs						(36,453)
Share of results of associates						(6,164)
Gain on disposal of subsidiaries						48,448
Loss before taxation						(29,138)
Taxation						(2,010)
Loss for the year						(31,148)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31 March 2007	Environmental protection and water treatment operation *HK$'000*	City development and investment operation *HK$'000*	Property investment operation *HK$'000*	Securities and financial operation *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000*
Assets/liabilities						
Segment assets	368,983	739,907	50,871	240,508	–	1,400,269
Interests in associates	888	–	76,531	–	–	77,419
Unallocated corporate assets						135,226
Total assets						1,612,914
Segment liabilities	94,799	246,260	3,731	183,803	–	528,593
Unallocated corporate liabilities						273,223
Tax liabilities						3,286
Total liabilities						805,102
Other segment information						
Depreciation and amortisation	9,128	2,493	206	55	–	11,882
Unallocated amounts						1,296
						13,178
Capital expenditure	101,979	22,580	–	60	–	124,619
Unallocated amounts						1,086
						125,705
Fair value change in investment properties	–	–	4,439	–	–	4,439

7. SEGMENT INFORMATION *(Continued)*

Geographical segments

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

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

	Hong Kong		The PRC		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**14,203**	5,567	**54,536**	27,646	**68,739**	33,213
Segment results	**236**	(263)	**45,224**	(14,397)	**45,460**	(14,660)
Interest income and unallocated gains					**2,876**	4,881
Unallocated corporate expenses					**(70,124)**	(25,190)
Loss from operations					**(21,788)**	(34,969)

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

	Hong Kong		The PRC		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Carrying amounts of segment assets	**364,769**	448,578	**2,371,058**	1,164,336	**2,735,827**	1,612,914
Additions to property, plant and equipment, investment properties, and intangible assets	**2,424**	1,146	**159,117**	124,559	**161,541**	125,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

8. TURNOVER

Turnover represents the amount received and receivable for sewage treatment business, property rental and management fee, commission income generated from securities and commodities brokering and interest income from clients, for the year, and is analysed as follow:

	2008 *HK$'000*	2007 *HK$'000*
Sewage treatment income	36,970	25,218
Property rental and management fee	18,107	2,968
Brokerage commission income	9,562	4,024
Interest income from clients	4,100	1,003
	68,739	33,213

9. OTHER REVENUE AND OTHER OPERATING INCOME

	2008 *HK$'000*	2007 *HK$'000*
Other revenue:		
Dividend income	5	5
Technical consultancy service income	2,934	–
Sundry income	2,209	1,863
	5,148	1,868
Other operating income:		
Discount on acquisition (note 39(a))	443	–
Compensation from termination of disposal contract	–	1,448
	443	1,448

10. STAFF COSTS

	2008 *HK$'000*	2007 *HK$'000*
Salaries and allowances (including directors' remuneration)	25,843	24,516
Retirement benefit scheme contributions	1,621	1,473
Share-based payment expenses (note 38(b))	32,986	–
	60,450	25,989

10. STAFF COSTS *(Continued)*

(a) Directors' emoluments

At 31 March 2008, the Company's Board is composed of three executive directors and three non-executive directors. The aggregate amount of emoluments payable to the directors of the Company during the year was HK$29,454,000 (2007: HK$10,327,000).

The remuneration of every director for the year ended 31 March 2008 and 2007 is shown as below:

Name of director	Directors' Fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Executive directors										
Zhang Yang	200	200	4,173	3,900	240	120	5,459	–	10,072	4,220
Chan Wing Yuen, Hubert	200	200	3,589	2,746	240	120	5,459	–	9,488	3,066
Lam Cheung Shing, Richard	200	200	2,393	1,831	180	90	5,459	–	8,232	2,121
	600	600	10,155	8,477	660	330	16,377	–	27,792	9,407
Non-executive director										
Hui Ho Ming, Herbert#	–	250	–	–	–	–	–	–	–	250
	600	850	10,155	8,477	660	330	16,377	–	27,792	9,657
Independent non-executive directors										
Wu Wai Chung, Michael #	–	150	–	–	–	–	–	–	–	150
Wong Hon Sum	200	200	–	–	–	–	354	–	554	200
Ha Ping	200	200	–	–	–	–	354	–	554	200
Tang Tin Sek##	200	120	–	–	–	–	354	–	554	120
	600	670	–	–	–	–	1,062	–	1,662	670
	1,200	1,520	10,155	8,477	660	330	17,439	–	29,454	10,327

During the year, no emolument was 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.

Retired on 26 August 2006
Appointed on 26 August 2006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

10. STAFF COSTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) directors whose emoluments are reflected in note (a) above and amounted to HK$27,792,000 (2007: HK$9,407,000). The emoluments payable to the remaining two (2007: two) individuals during the year were as follows:

	2008 *HK$'000*	2007 *HK$'000*
Salaries and other benefits	1,749	1,159
Retirement benefit scheme contributions	28	38
Share-based payment expenses	2,729	–
	4,506	1,197

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

	2008	2007
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	1	–
	2	2

11. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2008 *HK$'000*	2007 *HK$'000*
Depreciation		
– Owned assets	10,986	11,451
– Assets held under finance leases	–	52
Amortisation of leasehold land and land use rights	607	1,675
Auditors' remuneration	800	700
Loss on disposal of property, plant and equipment	5	153
Written-off of property, plant and equipment	640	–
Fair value change in derivative financial instruments	1,500	–
Operating lease rentals in respect of premises	2,463	4,120
Net foreign exchange loss	716	139

12. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interests on:		
Bank loans and overdrafts wholly repayable:		
– within five years	**10,012**	12,032
– over five years	**12,700**	10,267
Other borrowings	**6,953**	17,054
Interest on obligations under finance leases	**6**	10
Interest on convertible notes	**931**	301
	30,602	39,664
Less: Amounts capitalised	**(2,402)**	(3,211)
	28,200	36,453

13. TAXATION

	2008	2007
	HK$'000	*HK$'000*
Current tax	**3,986**	786
Deferred tax (note 35)	**10,726**	1,224
	14,712	2,010

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. Deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to respective years when the asset is realised or the liability is settled.

13. TAXATION *(Continued)*

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

THE GROUP – Year ended 31 March 2008

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(15,657)		(23,363)		(39,020)	
Tax at the statutory tax rate	(2,740)	(17.5)	(7,138)	(30.6)	(9,878)	(25.3)
Tax effect of expenses not deductible for tax purpose	7,571	48.4	871	3.7	8,442	21.6
Tax effect of income not taxable for tax purpose	(5,505)	(35.2)	(2,793)	(12.0)	(8,298)	(21.3)
Tax effect of tax losses not recognised	11,106	70.9	13,199	56.5	24,305	62.3
Underprovision for the year	–	–	141	0.6	141	0.4
Tax charge for the year	10,432	66.6	4,280	18.2	14,712	37.7

THE GROUP – Year ended 31 March 2007

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

14. LOSS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Loss attributable to ordinary equity holders of the Company for the calculation of basic and diluted loss per share	**52,481**	31,590
Number of shares	**2008**	2007
Weighted average number of ordinary shares for the calculation of basic and diluted loss per share	**9,893,806,897**	5,655,988,454

Diluted loss per share for the years ended 31 March 2008 and 2007 were the same as the basic loss per share. The Company's outstanding convertible notes, share options and convertible note options were not included in the calculation of diluted loss per share because the effect of the Company's outstanding convertible notes, share options and convertible note options were anti-dilutive.

15. INVESTMENT PROPERTIES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**65,852**	60,694
Exchange alignment	**47,294**	719
Fair value change	**36,835**	4,439
Acquisition of subsidiaries	**480,839**	–
At end of the year	**630,820**	65,852

The fair value of the Group's investment properties at 31 March 2008 have been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected with the Group. Savills Valuation and Professional Services Limited is a member of the Hong Kong Institute of Valuers, has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2008

15. INVESTMENT PROPERTIES *(Continued)*

The fair value of investment properties shown above comprise:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Investment properties in Hong Kong, held on:		
Long-term leases	**15,000**	13,800
Investment properties outside Hong Kong, held on:		
Medium-term leases	**615,820**	52,052
	630,820	65,852

Investment properties with the net book value of approximately HK$62,611,000 (2007: HK$65,852,000) have been pledged to secure banking facilities granted to the Group.

The Group's investment properties, amounting to HK$611,290,000 (2007: HK$59,451,000) are rented out under operating leases.

16. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP
	HK$'000
Cost	
At 1 April 2006	90,880
Exchange alignment	4,590
Disposal of subsidiaries	(54,490)
At 31 March 2007 and 1 April 2007	40,980
Exchange alignment	4,098
At 31 March 2008	45,078
Accumulated amortisation	
At 1 April 2006	15,158
Exchange alignment	137
Charge for the year	1,675
Disposal of subsidiaries	(14,628)
At 31 March 2007 and 1 April 2007	2,342
Exchange alignment	191
Charge for the year	607
At 31 March 2008	3,140
Carrying amount	
At 31 March 2008	**41,938**
At 31 March 2007	38,638

16. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS *(Continued)*

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

	2008 HK$'000	2007 HK$'000
Land outside Hong Kong, held on long-term leases	**41,938**	38,638

At 31 March 2008, all of the Group's interests in leasehold land and land use rights with an aggregate net book value of approximately HK$41,938,000 (2007: HK$38,638,000) were pledged to secure banking facilities granted to the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

17. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Properties under development	Construction in progress	Leasehold improvements	Furniture and fixtures	Equipment, motor vehicle and others	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 April 2006	499,744	139,006	4,132	7,910	20,583	110,624	781,999
Exchange alignment	25,240	6,227	209	121	751	5,776	38,324
Disposal of subsidiaries	(249,480)	–	–	–	(295)	–	(249,775)
Additions	22,577	74,841	–	1,032	130	313	98,893
Disposals	–	–	–	–	(2,482)	–	(2,482)
At 31 March 2007 and 1 April 2007	298,081	220,074	4,341	9,063	18,687	116,713	666,959
Exchange alignment	29,810	23,356	318	773	802	12,045	67,104
Disposal of a subsidiary	–	–	–	(36)	(850)	–	(886)
Reclassified to properties under development for sale	(151,780)	–	–	–	–	–	(151,780)
Acquisition of subsidiaries	–	–	–	1,803	76	–	1,879
Additions	60,648	26,777	–	1,166	2,194	339	91,124
Disposals	(7,042)	–	(2,064)	(480)	(4,844)	–	(14,430)
At 31 March 2008	229,717	270,207	2,595	12,289	16,065	129,097	659,970
Accumulated depreciation							
At 1 April 2006	–	–	3,493	4,519	12,386	11,188	31,586
Exchange alignment	–	–	176	57	369	565	1,167
Charge for the year	–	–	258	870	2,397	7,978	11,503
Disposal of subsidiaries	–	–	–	–	(38)	–	(38)
Elimination upon disposals	–	–	–	–	(1,802)	–	(1,802)
At 31 March 2007 and 1 April 2007	–	–	3,927	5,446	13,312	19,731	42,416
Exchange alignment	–	–	277	479	400	2,474	3,630
Charge for the year	–	–	–	1,212	1,487	8,287	10,986
Elimination upon disposals	–	–	(1,609)	(389)	(3,725)	–	(5,723)
At 31 March 2008	–	–	2,595	6,748	11,474	30,492	51,309
Net book value							
At 31 March 2008	**229,717**	**270,207**	**–**	**5,541**	**4,591**	**98,605**	**608,661**
At 31 March 2007	298,081	220,074	414	3,617	5,375	96,982	624,543

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

THE COMPANY

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost				
At 1 April 2006	1,887	425	3,752	6,064
Exchange alignment	95	22	189	306
Disposals	–	–	(1,041)	(1,041)
At 31 March 2007 and 1 April 2007	1,982	447	2,900	5,329
Exchange alignment	82	32	37	151
Disposals	(2,064)	(479)	(2,937)	(5,480)
At 31 March 2008	–	–	–	–
Accumulated depreciation				
At 1 April 2006	1,248	252	2,979	4,479
Exchange alignment	64	12	151	227
Charge for the year	258	99	444	801
Disposals	–	–	(759)	(759)
At 31 March 2007 and 1 April 2007	1,570	363	2,815	4,748
Exchange alignment	41	24	28	93
Disposals	(1,611)	(387)	(2,843)	(4,841)
At 31 March 2008	–	–	–	–
Net book value				
At 31 March 2008	**–**	**–**	**–**	**–**
At 31 March 2007	412	84	85	581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

The carrying amounts of the properties under development comprise:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Outside Hong Kong, held on long-term leases	**229,717**	298,081

Properties under development of the Group are situated in the PRC. At 31 March 2008, properties under development of the Group included interest capitalised of HK$40,400,000 (2007: HK$42,846,000).

Construction in progress represents the construction work of water supply plant and sewage treatment plant. At 31 March 2008, construction in progress of the Group included interest capitalised of HK$10,121,000 (2007: HK$5,439,000).

Property, plant and equipment with the net book value of approximately HK$278,770,000 (2007: HK$400,864,000) have been pledged to secure banking facilities granted to the Group.

At 31 March 2008, the net book value of equipment, motor vehicle and others includes an amount of HK$ Nil (2007: HK$243,000) in respect of assets held under finance leases.

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**908,136**	453,906
Impairment loss recognised	**(34,887)**	(41,722)
	873,249	412,184

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Details of the Company's principal subsidiaries at 31 March 2008 are set out in note 48.

19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of investments, unlisted	**–**	1,010	**–**	1
Share of post-acquisition reserves	**–**	74,045	**–**	–
	–	75,055	**–**	1
Amount due from an associate	**–**	2,364	**–**	45,007
	–	77,419	**–**	45,008

On 11 June 2007, the Group further acquired 60% interest in Money Capture Investments Limited ("Money Capture"). Money Capture became a wholly-owned subsidiary following the acquisition and details of assets and liabilities acquired are set out in note 39(b). After the acquisition of Money Capture, the Group has no associate as at 31 March 2008.

The amount due from an associate is unsecured, non-interest bearing and is repayable on demand.

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

	2008	2007
	HK$'000	*HK$'000*
Turnover	**6,520**	8,559
Profit/(loss) for the period/year	**6,520**	(39,158)
Profit/(loss) attributable to the Group	**2,608**	(6,164)
Total assets	**–**	343,574
Total liabilities	**–**	(153,716)
Net assets	**–**	189,858
Net assets attributable to the Group	**–**	75,055

20. GOODWILL

	THE GROUP *HK$'000*
Cost	
At 1 April 2006, 31 March 2007 and 1 April 2007	2,846
Additions (note 39(b), (c) and (d))	8,160
At 31 March 2008	11,006
Impairment	
At 1 April 2006, 31 March 2007, 1 April 2007 and 31 March 2008	–
Carrying amount	
At 31 March 2008	**11,006**
At 31 March 2007	2,846

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

	2008 *HK$'000*	2007 *HK$'000*
City development and investment operation	**2,846**	2,846
Environmental protection and water treatment operation	**1,043**	–
Property investment operation	**7,117**	–
	11,006	2,846

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

20. GOODWILL *(Continued)*

Impairment test of goodwill

The recoverable amount of above CGU of city development and investment operation, environmental protection and water treatment operation and property investment operation were assessed by reference to value-in-use calculation based on a five-year projection of the relevant cash-generating unit. A discount rate of 5% per annum was applied in the value-in-use model which uses cash flow projections based on financial forecasts approved by the directors of the Company (the "CGU Forecast") covering a five-year period. There are a number of assumptions and estimates involved for the preparation of the cash flow projections for the period covered by the CGU Forecast. Key assumptions included budgeted gross margin and discount rate which are determined by the management of the Group based on past experience and its expectation for market development.

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

21. OTHER NON-CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contribution to the compensation fund and fidelity fund with the Stock Exchange	**197**	197	**–**	–
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	**100**	100	**–**	–
Guarantee fund contributions to HKSCCL	**100**	100	**–**	–
Statutory deposits with HKFE Clearing Corporation Limited	**1,500**	1,500	**–**	–
Club membership	**504**	515	**380**	380
	2,401	2,412	**380**	380

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**348,527**	277,974
Additions	**70,417**	56,514
Transferred from property, plant and equipment	**151,780**	–
Exchange difference	**36,990**	14,039
At end of the year	**607,714**	348,527

The Group's properties under development for sale are situated in Changsha, the PRC and are situated on land held under land use rights expiring on 2073.

Included in the properties under development for sale is net interest capitalised of approximately HK$2,406,000 (2007: HK$2,187,000).

23. INVENTORIES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Finished goods	**844**	–

At 31 March 2008, all inventories are carried at cost.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2007: 60 days) to its trade customers. The aged analysis of trade receivables of HK$34,520,000 (2007: HK$43,378,000) included in trade and other receivables and prepayments is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables:				
0 – 30 days	**34,520**	43,378	**–**	–
Margin clients accounts receivables	**1,227**	1,338	**–**	–
Clearing houses, brokers and dealers	**1,502**	66,238	**–**	–
Prepayments and deposits	**661,716**	20,369	**175,273**	431
Other receivables	**36,942**	75,345	**6,036**	59,870
	735,907	206,668	**181,309**	60,301

The carrying amounts of the trade receivables are denominated in Hong Kong dollars. No trade receivables are past due nor impaired during the year. The maximum exposure to credit risk at the reporting date is the fair value.

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

Included in the prepayments and deposits are deposits paid for the acquisition of Heilongjiang Black Dragon Company Limited and China Pipe Group Limited of approximately HK$347,063,000 and HK$170,000,000 respectively.

At 31 March 2008, all trade receivables of the Group are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

25. LOAN RECEIVABLES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Loan receivables	**61,899**	–

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

26. FINANICAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Held for trading:		
Listed equity securities – Hong Kong, at market value	**98**	169

27. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Segregated accounts	**3**	3
Trust accounts	**4,343**	86,407
	4,346	86,410

Segregated and trust accounts earns interest at floating rates based on daily bank deposit rates. At 31 March 2008 and 2007, all trust and segregated accounts are denominated in Hong Kong dollar.

28. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**30,193**	159,430	**110**	88,570

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

At 31 March 2008, cash and cash equivalents of approximately HK$7,505,000 (2007: HK$26,861,000) are denominated in Renminbi. Renminbi is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC Government.

29. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables of approximately HK$8,851,000 (2007: HK$179,139,000) is as follow:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables:				
0 – 30 days	**8,851**	179,139	**–**	–
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	**95**	606	**–**	–
Other payables and deposits received	**268,320**	263,661	**6,845**	3,355
	277,266	443,406	**6,845**	3,355

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.

Included in the trade payables are payable to a director of the Company and a related company of the Company amounting to HK$716,000 (2007: HK$33,559,000) and HK$Nil (2007: HK$58,349,000) respectively.

Included in the other payables and deposits received are payables for construction works of approximately HK$124,562,000 (2007: HK$84,611,000) and deposits received for the pre-sale of properties of approximately HK$25,890,000 (2007: HK$68,776,000).

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

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

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

31. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company	2008 HK$'000	2007 HK$'000
Financial liabilities related to the convertible note options	22,736	–

During the year, the Group entered into subscription agreements with a director of the Company (the "Subscriber"), pursuant to which the Group, in return for its payment of a premium of HK$20,000,000, granted to the Subscriber (i) an option (the "First Tranche Option") to subscribe for convertible notes of the Company up to an aggregate principal amount of HK$650,000,000 (the "First Tranche Convertible Notes"); and (ii) an option (the "Second Tranche Option") to subscribe for convertible notes of the Company up to an aggregate principal amount of HK$1,200,000,000 (the "Second Tranche Convertible Notes").

The First Tranche Option may be exercised by the Subscriber at any time during the period commencing from the date of such grant and ending on 31 December 2007 and the Second Tranche Option may be exercised by the Subscriber at any time during the period commencing from the date of completion of subscription of the First Tranche Option in full and ending on 31 December 2008.

The value of each of the convertible note option was valued by BMI Appraisals Limited, an independent valuer, at the issue date and at 31 March 2008 using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	At the date of issue	As at 31 March 2008
The First Tranche Option		
Spot price	HK$0.144	–
Conversion price	HK$0.1	–
Risk free rate	3.884%	–
Expected exercise period	0.25 years	–
Nature of the option	Call	–
Volatility	22.51%	–
The Second Tranche Option		
Spot price	HK$0.071	HK$0.073
Conversion price	HK$0.1	HK$0.1
Risk free rate	4.074%	1.287%
Expected exercise period	0.75 years	1.875 years
Nature of the option	Call	Call
Volatility	34.12%	80.66%

31. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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

As at 31 March 2008, the First Tranche Option has been fully exercised and the changes in fair value of convertible note options during the year ended 31 March 2008 are as follows:

	The First Tranche Option *HK$'000*	The Second Tranche Option *HK$'000*
Derivative financial instruments		
At initial recognition	125	21,175
Fair value (decrease)/increase	(61)	1,561
Exercise upon issue of convertible notes	(64)	–
At 31 March 2008	–	22,736

32. BANK BORROWINGS

	THE GROUP	
	2008 ***HK$'000***	2007 *HK$'000*
Bank borrowings, secured	**252,210**	309,735
Bank borrowings, unsecured	**47,778**	43,434
	299,988	353,169
The maturity profile is as follows:		
On demand or repayable within one year: bank borrowings	**100,357**	143,495
Portion classified as current liabilities	**100,357**	143,495
On demand or repayable in the second year: bank borrowings	**41,239**	25,664
Bank borrowings repayable:		
in the third to fifth years,	**99,842**	103,535
inclusive after the fifth year	**58,550**	80,475
Portion classified as non-current liabilities	**199,631**	209,674
Total borrowings	**299,988**	353,169

32. BANK BORROWINGS *(Continued)*

All the bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi range from 5.8% to 7.8% (2007: 5.5% to 6.9%) per annum.

Secured bank borrowings comprise term loans and mortgage loans which bear interest at commercial rates. The term loans are secured by the property, plant and equipment and interests in leasehold land and land use rights held by the Group with carrying values of approximately HK$278,770,000 (2007: HK$400,864,000) and HK$41,938,000 (2007: HK$38,638,000) respectively. The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$62,611,000 (2007: HK$65,852,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable in instalments over a period of 1 to 20 years.

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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollars	**27,887**	30,575
Renminbi	**272,101**	322,594
Total	**299,988**	353,169

33. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		**Present value of minimum lease payments**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
within one year	**–**	77	**–**	69
in the second to fifth years, inclusive	**–**	147	**–**	141
	–	224	**–**	210
Less: Future finance charges	**–**	(14)	**–**	–
Present value of finance leases	**–**	210	**–**	210
Less: Amount due for settlement within one year			**–**	(69)
Amount due for settlement after one year			**–**	141

33. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

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 were secured by the lessor's charge over the leased assets.

34. CONVERTIBLE NOTES

(a) On 12 February 2007, the Company issued convertible notes with principal amount of approximately HK$111,698,000 (the "Old CN"). The Old CN carry interest at 3.0% and will be matured on 11 February 2009. The Old 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 8.57% per annum.

Unless previously converted by the Old CN holder, the Company will redeem the convertible notes on the maturity date at the principal amount of the convertible notes then outstanding.

On 2 March 2007, 14 March 2007 and 6 July 2007, the Old CN of approximately HK$60,000,000, HK$46,698,000 and HK$5,000,000 were converted into 600,000,000, 466,980,000 and 50,000,000 ordinary shares of HK$0.10 each of the Company.

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

Unless previously converted by the 2009 CN holder, the Company will redeem the convertible notes on the maturity date at the principal amount of the convertible notes then outstanding.

On 10 August 2007, the 2009 CN of approximately HK$132,677,000 were converted into 1,012,800,000 ordinary shares of HK$0.131 each of the Company.

34. CONVERTIBLE NOTES *(Continued)*

(c) During the year, the Group entered into the subscription agreement with the Subscriber pursuant to which the Company has agreed to grant to the subscriber (i) the First Tranche Option to subscribe for the First Tranche Convertible Notes; and (ii) the Second Tranche Option to subscribe for the Second Tranche Convertible Notes.

(d) During the year, the Company issued the First Tranche Convertible Notes with principal amount of HK$650,000,000. The First Tranche Convertible Notes carry interest at 3.0% and will be matured on 4 July 2012. The First Tranche Convertible Notes are denominated in Hong Kong dollars. The initial conversion price is HK$0.10 per share. The effective interest rate of the liability component is 8.57% per annum.

On 26 October 2007, 30 October 2007, 9 November 2007, 28 December 2007, 4 January 2008 and 30 January 2008, the First Tranche Convertible Notes of approximately HK$150,000,000, HK$50,000,000, HK$50,000,000, HK$300,000,000, HK$50,000,000 and HK$50,000,000 were converted into 1,500,000,000, 500,000,000, 500,000,000, 3,000,000,000, 500,000,000 and 500,000,000 ordinary shares respectively at HK$0.10 each of the Company. Following the conversion, 6,500,000,000 ordinary shares under the First Tranche Convertible Notes were issued.

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

	2008 *HK$'000*	2007 *HK$'000*
Liability component at beginning of the year	**4,587**	–
Proceeds of issue	**782,677**	111,698
Equity component	**(288,269)**	(10,303)
Liability component at date of issue	**498,995**	101,395
Conversion into ordinary share	**(499,926)**	(97,109)
Imputed interest expense for the year	**931**	301
Liability component at end of the year	**–**	4,587

35. DEFERRED TAX LIABILITIES

THE GROUP

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

	Revaluation of properties *HK$'000*	**Convertible notes** *HK$'000*	**Total** *HK$'000*
At 1 April 2006	1,607	–	1,607
Charge to the consolidated income statement	1,224	–	1,224
Issue of convertible notes	–	73	73
At 31 March 2007 and 1 April 2007	2,831	73	2,904
Exchange difference	9	–	9
Acquisition of subsidiaries	3,874	–	3,874
Charge to the consolidated income statement	10,889	(163)	10,726
Issue of convertible notes	–	50,447	50,447
Conversion of convertible notes	–	(50,357)	(50,357)
At 31 March 2008	**17,603**	**–**	**17,603**

At 31 March 2008, the Group had unused estimated tax losses of approximately HK$591,915,000 (2007: HK$502,621,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

THE COMPANY

No deferred tax asset has been recognised in respect of estimated tax losses of approximately HK$388,247,000 (2007: HK$315,692,000) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

36. SHARE CAPITAL

	Number of shares		Nominal value	
Ordinary shares of HK$0.10 each	**2008**	2007	**2008** *HK$'000*	2007 *HK$'000*
Authorised:	**40,000,000,000**	10,000,000,000	**4,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**6,651,903,632**	5,584,923,632	**665,190**	558,492
Issue of new shares (note c)	**2,700,000,000**	–	**270,000**	–
Exercise of share options (note d)	**371,490,000**	–	**37,149**	–
Conversion of convertible notes (note b and e)	**7,562,800,000**	1,066,980,000	**756,280**	106,698
At end of the year	**17,286,193,632**	6,651,903,632	**1,728,619**	665,190

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

Notes:

(a) On 1 September 2007, the Company increased the authorised share capital from HK$1,000,000,000 to HK$4,000,000,000 by the creation of an additional 30,000,000,000 new ordinary shares of HK$0.10 each.

(b) During the year, the Old CN and the First Tranche Convertible Notes with principal amounts of HK$5,000,000 and HK$650,000,000 were converted into shares at the conversion price of HK$0.10 per Share. The 2009 CN with principal amounts of HK$132,677,000 was converted into shares at the conversion price of HK$0.131 per share.

(c) During the year, the Company has entered into the subscription agreement for issuing an aggregate of 2,700,000,000 new shares at the par value of HK$0.10.

(d) On 28 August 2007 and 30 October 2007, the Company allotted and issued 294,490,000 and 77,000,000 new shares of HK$0.10 each pursuant to the exercise of share options granted to the Group's directors, employees and consultants. The exercise price was HK$0.146 per share.

(e) On 2 March 2007 and 14 March 2007, the Old CN with principal amounts of HK$60,000,000 and HK$46,698,000 were converted into shares at the conversion price of HK$0.10 per share.

37. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY						
At 1 April 2006	282,741	–	–	–	(200,592)	82,149
Exchange difference	–	(1,454)	–	–	–	(1,454)
Issue of convertible notes	–	–	10,303	–	–	10,303
Conversion of convertible notes	–	–	(9,589)	–	–	(9,589)
Recognition of deferred tax for convertible notes	–	–	(124)	–	–	(124)
Loss for the year	–	–	–	–	(12,670)	(12,670)
At 31 March 2007 and 1 April 2007	282,741	(1,454)	590	–	(213,262)	68,615
Exchange difference	–	(3,336)	–	–	–	(3,336)
Issue of convertible notes	–	–	288,269	–	–	288,269
Conversion of convertible notes	40,108	–	(288,769)	–	–	(248,661)
Issue of share options	–	–	–	32,986	–	32,986
Exercise of share options	43,605	–	–	(26,516)	–	17,089
Recognition of deferred tax for convertible notes	–	–	(90)	–	–	(90)
Loss for the year	–	–	–	–	(155,501)	(155,501)
At 31 March 2008	**366,454**	**(4,790)**	**–**	**6,470**	**(368,763)**	**(629)**

The Company did not have any reserves available for distribution to shareholders at 31 March 2008 (2007: Nil).

38. SHARE OPTIONS

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

(a) Old Share Option Scheme

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

No option under the Old Share Option Scheme remained outstanding at 31 March 2008 and 2007.

38. SHARE OPTIONS *(Continued)*

(b) New Share Option Scheme

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

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

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

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

38. SHARE OPTIONS *(Continued)*

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

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

Name of category of participant	Number of share options: Outstanding as at 1 April 2006	Granted during the year	Exercised during the year	Outstanding as at 31 March 2007	Granted during the year	Exercised during the year	Outstanding as at 31 March 2008	Date of grant	Exercise period	Exercise price HK$
Director										
Mr. Zhang Yang	–	–	–	–	77,000,000	(77,000,000)	–	28-08-2007	29-08-2007 to 02-09-2012	0.146
Mr. Chan Wing Yuen, Hubert	–	–	–	–	77,000,000	(77,000,000)	–	28-08-2007	29-08-2007 to 02-09-2012	0.146
Mr. Lam Cheung Shing, Richard	–	–	–	–	77,000,000	(77,000,000)	–	28-08-2007	29-08-2007 to 02-09-2012	0.146
Mr. Wong Hon Sum	–	–	–	–	5,000,000	–	5,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Ms. Ha Ping	–	–	–	–	5,000,000	–	5,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Dr. Tang Tin Sek	–	–	–	–	5,000,000	–	5,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Consultants										
In aggregate	–	–	–	–	58,000,000	(25,000,000)	33,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
Employees										
In aggregate	–	–	–	–	155,490,000	(115,490,000)	40,000,000	28-08-2007	29-08-2007 to 02-09-2012	0.146
	–	–	–	–	459,490,000	(371,490,000)	88,000,000			

(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.

38. SHARE OPTIONS *(Continued)*

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

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

Date of grant:	28 August 2007
Total number of share options:	459,490,000
Option value:	HK$0.070891 (employees) HK$0.078000 (consultants)
Valuables	
– Maturity date	2 September 2012
– Annual risk free rate*	4.4%
– Stock price at the date of grant	HK$0.146
– Exercise price	HK$0.146
– Option life (expressed as weighted under binomial option pricing model)	5.02 years
– Expected volatility	66%
– Expected ordinary dividend	Nil

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

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

The Group recognised the total expense of HK$32,986,000 for the year ended 31 March 2008 (2007: HK$ Nil) in relation to share options granted by the Company.

At 31 March 2008, the Company had 88,000,000 share options (2007: Nil) outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 88,000,000 additional ordinary shares of HK$0.10 each of the Company and additional share capital of HK$8,800,000 (2007: HK$ Nil) and cash proceeds to the Company of approximately HK$12,848,000 (2007: HK$ Nil) (before share issue expenses).

39. ACQUISITION OF SUBSIDIARIES

(a) On 12 March 2008, the Group acquired 100% equity interest in Wee On Development Limited ("Wee On") at an aggregate consideration of HK$848,000, which was satisfied by cash.

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

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

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

As the revenue and results of the Wee On 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 2007, are not disclosed as the information does not give additional value.

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

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

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

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) On 5 October 2007, the Group acquired 100% equity interest in Success Flow and its subsidiaries (the "Success Flow Group") at an aggregate consideration of HK$167,000,000, which was satisfied by cash. The fair value of the identifiable assets and liabilities of the Success Flow Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

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

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

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

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) On 30 April 2007, the Company further acquired 4.67% equity interest in Interchina (Tianjin) and its subsidiaries (the "Interchina (Tianjin) Group") at an aggregate consideration of HK$14,540,000, which was satisfied by cash. The fair value of the identifiable assets and liabilities of the Interchina (Tianjin) Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

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

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

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

40. DISPOSAL OF SUBSIDIARIES

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

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

	2008 *HK$'000*
Interests in associates	1,010
Property, plant and equipment	886
Deposits, prepayments and other debtors	18,971
Cash and bank balances	3,427
Amount due from ultimate holding company	3,998
Other creditors and accruals	(84)
Minority interests	(1,720)
Net assets disposed of	26,488
Gain on disposal	8,360
Total consideration	34,848
Satisfied by:	
Cash	34,848
Net cash inflow arising from the disposal:	
Cash consideration received	34,848
Less: Cash and bank balances disposed	(3,427)
	31,421

During the year, the above subsidiary was engaged in environmental protection and water treatment operation and did not contribute any turnover to the Group and incurred a loss for the period of approximately HK$4,938,000 to the Group.

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) On 28 March 2007, the Company disposed of 100% equity interest in Burlingame (Shanghai) Investment Limited ("BSI") and a non-interest bearing shareholder loan owing by BSI to the Group at an aggregate consideration of HK$206,000,000, which was satisfied by the third party in cash.

On 26 May 2006, China Field Investments Limited ("China Field"), a wholly-owned subsidiary of the Company disposed of 100% equity interest in New Experience Investments Limited ("New Experience") and the shareholder's loan amounted to HK$20,750,000 owned by New Experience to China Field at an aggregate consideration of HK$48,100,000, which was satisfied by the third party in cash.

The net assets of BSI and New Experience at the date of disposal were as follows:

	2007 *HK$'000*
Interests in leasehold land and land use rights	39,862
Property, plant and equipment	249,737
Deposits, prepayments and other debtors	22,941
Cash and bank balances	27
Amount due from ultimate holding company	442
Other creditors and accruals	(106,575)
Amount due to associates	(782)
Net assets disposed of	205,652
Gain on disposal	48,448
Total consideration	254,100
Satisfied by:	
Cash	254,100
Net cash inflow arising from the disposal:	
Cash consideration received	254,100
Less: Cash and bank balances disposed of	(27)
	254,073

During the year, the above subsidiaries were engaged in city development and investment operation and had incurred a loss of approximately HK$23,751,000 to the Group.

41. BANKING FACILITIES

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

42. CAPITAL COMMITMENTS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment and properties under development for sale	**110,375**	282,181

43. COMMITMENTS

(a) At 31 March 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's guarantee lease arrangement for the pre-sale properties. The lease commitment of the Group will be as follows:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**5,073**	6,341
In the second to fifth year inclusive	**29,042**	41,488
After five years	**18,628**	26,611
	52,743	74,440

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

(b) At 31 March 2008, the Group had commitments to the property buyers of certain pre-sales properties that the Group would buy back the properties at 100% of the original property sales price on the request from the property buyers. The commitments are six years after the completion date of the sale and purchase agreements of the properties with the total contract sum of approximately HK$61,175,000 (2007: HK$120,889,000).

44. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**2,906**	2,802
In the second to fifth year inclusive	**5,086**	6,818
After five years	**12,581**	11,855
	20,573	21,475

Operating lease payments represent rentals payable by the Group for certain of its office properties and land use rights in the PRC and Hong Kong. Leases for the office properties are negotiated for an average term of three years. Lease for land use rights in the PRC and Hong Kong are negotiated for 3 to 20 years.

The Group as lessor

Property rental income earned during the year was HK$18,107,000 (2007: HK$2,968,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2008, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**9,341**	1,732
In the second to fifth year inclusive	**20,627**	62
	29,968	1,794

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 (2007: Nil) are used to reduce the contributions for the year ended 31 March 2008. The contributions are charged to income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund. The Group's employer contributions vest ranging from 30% to 100% with the employees according to the years of employment except those employer contributions which are under the statutory requirement.

45. RETIREMENT BENEFITS SCHEMES *(Continued)*

(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:

(i) Transactions with related parties

(a) During the year, the Group paid interest amounted to approximately HK$5,295,000 (2007: HK$953,000) to a related company of the Company.

(b) During the year, the Group received rental income amounted to approximately HK$540,000 (2007: HK$540,000) from a director of the Company.

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

(ii) Compensation of key management personnel

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

	2008	2007
	HK$'000	*HK$'000*
Salaries and other short-term benefits	**10,755**	9,077
Pension scheme contributions	**660**	330
Share-based payment expenses	**16,377**	–
	27,792	9,407

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

47. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Categories of financial instruments

	2008 *HK$'000*	2007 *HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	384,604	433,166
Financial assets at fair value through profit or loss	98	169
Financial liabilities		
Financial liabilities at fair value through profit or loss	22,736	–
Amortised cost	667,583	797,019

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 resulted 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.

(i) Market risk

(1) 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. Therefore, the Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. At 31 March 2008, if there is a 5% increase or decrease in the Hong Kong dollars against the RMB with all other variables held constant, the Group's translation reserve would be increased or decreased by approximately HK$53,820,000 (2007: HK$36,841,000).

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(i) Market risk *(Continued)*

(2) Price risk

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

Sensitivity analysis

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

If the prices of the respective equity instruments have been 5% higher or lower, loss before taxation for the Group would be decreased or increased by approximately HK$5,000 (2007: HK$8,000) as a result of the changes on fair value of financial assets at fair value through profit or loss.

(ii) Credit risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(iii) Liquidity risk management

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

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

	Weighted average effective interest rate	Less than 1 year	Between 2 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 2008						
Trade and other payables	–	179,496	93,843	3,927	277,266	277,266
Derivative financial instruments	–	22,736	–	–	22,736	22,736
Amount due to a related company	6.0%	83,271	–	–	83,271	78,564
Bank borrowings	6.6%	107,166	140,446	63,874	311,486	299,988
		392,669	234,289	67,801	694,759	678,554
At 31 March 2007						
Trade and other payables	–	291,025	148,454	3,927	443,406	443,406
Convertible notes	–	4,587	–	–	4,587	4,587
Amount due to a related company	6.0%	472	–	–	472	444
Obligations under finance leases	10%	76	148	–	224	210
Bank borrowings	6.2%	145,635	135,433	83,551	364,619	353,169
		441,795	284,035	87,478	813,308	801,816

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(iv) Cash flow and fair value interest rate risk

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease 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 or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2008 would increase or decrease by approximately HK$5,018,000 (2007: HK$7,175,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Fair value estimation

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

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

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

47. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value estimation *(Continued)*

The fair values of the Group's financial assets and financial liabilities (including trade receivables, prepayments and other receivables, cash and bank balances, trade payables, accruals, other payables, deposits received, amount due to a related company, bank borrowings) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The directors of the Company consider that the carrying amounts of these financial assets and financial liabilities recorded at 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 divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

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

	2008 *HK$'000*	2007 *HK$'000*
Total borrowings (note 32 and 33)	**299,988**	353,169
Less: Cash and bank balances	**(30,193)**	(159,430)
	269,795	193,739
Total equity	**2,037,373**	807,812
Gearing ratio	**13%**	24%

48. 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	Class of share held	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)	%	%	
Action Investments Limited	Hong Kong	Ordinary	100	100	–	Property letting
Burlingame International Company Limited	Hong Kong	Ordinary	425,019,668	100	–	Investment holding
Interchina City Development and investment Limited	The British Virgin Islands ("BVI")	Ordinary	US$10,000	100	–	Investment holding
Interchina Corporate Services Limited	Hong Kong	Ordinary	10,000	100	–	Management services
Interchina (Tianjin) Water Treatment Company Limited	PRC	–	RMB528,734,754	100	–	Environmental proctection
@ Interchina (Changsha) Investment and Management Company Limited	PRC	–	*US$18,080,000	100	–	Property development
# 長沙國中星城置業有限公司	PRC	–	*RMB90,000,000	38.89	61.11	Property development
# 漢中市石門城市供水有限公司	PRC	–	*RMB50,000,000	–	80	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

	Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary shares/ registered capital*	Percentage of issued ordinary shares/registered capital held by the Company Directly	Indirectly	Principal activity
				HK$ (unless otherwise stated)	%	%	
	Interchina Water Treatment Limited	BVI	Ordinary	US$10,000	–	100	Investment holding
@	國水(昌黎)污水處理有限公司	PRC	–	*RMB26,000,000	–	100	Sewage treatment
@	國水(馬鞍山)污水處理有限公司	PRC	–	*50,660,000	–	100	Sewage treatment
@	湖南泛星國際企業管理有限公司	PRC	–	*RMB20,000,000	–	100	Property management
	Interchina Environmental Protection Company Limited	BVI	Ordinary	US$1	–	100	Investment holding
@	Interchina (Qinhuangdao) Sewage Treatment Company Limited	PRC	–	*US$4,091,003	–	100	Sewage treatment
	Success Flow International Limited	BVI	Ordinary	US$1	100	–	Investment holding
	Guo Xin (China) Limited	Hong Kong	Ordinary	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	Ordinary	US$100	100	–	Investment holding
#	Shanghai Interchina Club Company Limited	PRC	–	*US$769,210	–	100	Provision of entertainment services

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary shares/ registered capital* *HK$ (unless otherwise stated)*	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Equal Smart Profits Limited	BVI	Ordinary	US$1	–	100	Property letting
Interchina Finance (H.K.) Limited	Hong Kong	Ordinary	10,000	–	100	Provision of corporate finance services

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

\# Sino foreign equity joint venture
@ Wholly-owned foreign enterprise

49. SUBSEQUENT EVENTS

(a) On 17 May 2007 and 29 June 2007, Interchina (Tianjin), entered into a conditional agreement and a supplemental agreement with the Heilong Group Limited ("Heilong") for the sale and purchase of 229,725,000 domestic shares of Heilongjiang Black Dragon Company Limited ("Black Dragon"), representing approximately 70.21% of issued share capital of Black Dragon at a consideration of approximately RMB350,000,000 (the "Acquisition"). On 15 November 2007, Interchina (Tianjin) and Heilong entered into another supplemental agreement for amending the total consideration for the Acquisition to RMB420,000,000. In addition, Interchina (Tianjin) and Heilong entered into the agency agreement, whereby Black Dragon agreed to appoint Interchina (Tianjin) to act as its agent to handle the acquisition of the water projects on behalf of Black Dragon (the "Water Projects") and Interchina (Tianjin) will provide the loan not exceeding the amount of approximately RMB173,000,000 to Black Dragon as consideration for the Water Projects. Up to the date of approval of this report, the acquisition still not completed and the details of the transactions are set out in the Company's circular dated 30 January 2008 and details of the loan providing to Black Dragon are set out in the Company's circular dated 3 December 2007.

49. SUBSEQUENT EVENTS *(Continued)*

(b) Pursuant to the Subscription Agreement as disclosed in note 34 and 36 to the consolidated financial statement, the Company issued part of the Second Tranche Convertible Notes in the aggregate principal amount of HK$300,000,000 in April 2008. The holders of the Second Tranche Convertible Notes converted into shares at the conversion price of HK$0.10 per share. 3,000,000,000 ordinary shares were issued upon the conversion of the Second Tranche Convertible Notes. Details of the transactions are set out in the Company's monthly announcement in relation to the convertible notes on 30 April 2008.

(c) On 18 December 2007, the Company entered into an acquisition agreement with Maxable International Enterprises Limited in relation to the acquisition of 29.52% of the issued share capital of China Pipe Group Limited ("China Pipe") at a consideration of HK$296,000,000. Details of the transactions are set out in the Company's announcement and circular dated 18 December 2007 and 17 May 2008 respectively.

(d) On 19 May 2008, the board of directors appointed Mr. Zhu Yongjun as an executive director and deputy chairman of the Company. Details of the appointment are set out in the Company's announcement dated 19 May 2008.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 July 2008.

FIVE YEAR FINANCIAL SUMMARY
31 March 2008

RESULTS

	For the year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**68,739**	33,213	134,740	225,003	89,422
Loss from ordinary activities before taxation	**(39,020)**	(29,138)	(108,588)	(72,401)	(30,269)
Taxation charge	**(14,712)**	(2,010)	(937)	(100)	(1,100)
Loss for the year	**(53,732)**	(31,148)	(109,525)	(72,501)	(31,369)
Minority interests	**1,251**	(442)	1,213	1,845	5,069
Loss attributable to ordinary equity holders of the Company	**(52,481)**	(31,590)	(108,312)	(70,656)	(26,300)

ASSETS AND LIABILITIES

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,735,827**	1,612,914	1,417,395	1,660,291	1,614,957
Total liabilities	**(698,454)**	(805,102)	(708,400)	(944,398)	(828,086)
Minority interests	**(6,849)**	(23,317)	(21,704)	(22,483)	(25,449)
Equity attributable to ordinary equity holders of the Company	**2,030,524**	784,495	687,291	693,410	761,422

PARTICULARS OF MAJOR PROPERTIES

INVESTMENT PROPERTIES

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

PROPERTIES UNDER DEVELOPMENT

Name/location	Lease expiry	Gross floor (sq. meters)	Effective % held	Stage of completion	Anticipated date of completion
3 pieces of land, R-11 East, R-11 West and R-18 South, Changsha New Sport City, Yuhua District, Changsha, PRC. （長沙體育新城 R-11東地塊，R-11西地塊及R-18南地塊）	2073	214,255	100%	Planning	Not yet determined

Type of property: Commercial

PROPERTIES UNDER DEVELOPMENT FOR SALE

Name/location	Lease expiry	Gross floor (sq. meters)	Effective % held	Stage of completion	Anticipated date of completion
Interchina Mall, Yuhua District, Changsha, PRC	2073	63,852	100%	Construction work substantially completed	September 2008
Interchina Mall – Hotel Yuhua District, Changsha, PRC	2073	75,221	100%	Superstructure	June 2009

Type of property: Commercial

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zhang Yang *(Chairman)*
Mr. Zhu Yongjun *(Deputy Chairman)*
Mr. Chan Wing Yuen, Hubert
Mr. Lam Cheung Shing, Richard

Independent Non-executive Directors
Mr. Wong Hon Sum
Ms. Ha Ping
Dr. Tang Tin Sek

AUDIT COMMITTEE

Mr. Wong Hon Sum *(Chairman)*
Ms. Ha Ping
Dr. Tang Tin Sek

REMUNERATION COMMITTEE

Mr. Wong Hon Sum *(Chairman)*
Mr. Chan Wing Yuen, Hubert
Ms. Ha Ping

CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Hon Sum *(Chairman)*
Mr. Chan Wing Yuen, Hubert

PRINCIPAL BANKERS

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

AUDITORS

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

COMPANY SECRETARY

Mr. Lam Cheung Shing, Richard

SOLICITORS

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

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Hong Kong

SHARE REGISTRARS

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

STOCK CODE

0202