THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Interchina Holdings Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

國中控股有限公司

INTERCHINA HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 202)

VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST
IN AND SHAREHOLDER LOANS DUE FROM
BURLINGAME (SHANGHAI) INVESTMENT LIMITED
AND
THE DISPOSAL OF THE ENTIRE INTEREST IN AND SHAREHOLDER LOAN DUE FROM
INTERCHINA (CHANGSHA) INVESTMENT AND MANAGEMENT COMPANY LIMITED
AND
THE DISPOSAL OF 38.9% EQUITY INTEREST IN
CHANGSHA INTERCHINA STAR CITY COMPANY LIMITED

A notice convening an extraordinary general meeting of Interchina Holdings Company Limited to be held at Royal I, 1/F, Majestic Hotel, 348 Nathan Road, Kowloon, Hong Kong on 10 February 2007 at 9:00 a.m. is enclosed. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete the enclosed proxy form and return it to the office of the Company's share registrar, Tengis Limited, Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjourned meeting should you so wish.

5 January 2007

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Announcement"	the announcement of the Company dated 20 October 2006
"BIC"	Burlingame International Company Limited, a wholly owned subsidiary of the Company
"BIC Shareholder Loan"	a non-interest bearing shareholder loan owing by BSI to BIC as at the BSI Completion
"Board"	the board of Directors
"BSI"	Burlingame (Shanghai) Investment Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company, 99.9975% shareholding of which is owned by BIC and 0.0025% shareholding of which is owned by CAI
"BSI Agreement"	a conditional sale and purchase agreement entered into between BIC, CAI and Mr. Zhang on 19 October 2006 in relation to the disposals of BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan
"BSI Completion"	completion of the BSI Agreement
"BSI Consideration"	the total consideration for the purchase of the BSI Sale Interest, BIC Shareholder Loan and CAI Shareholder Loan, being HK$219,000,000 (subject to adjustment)
"BSI Leasehold Land"	a parcel of land under resettlement of original inhabitants in progress of a site area of approximately 8,910 square meters and situated in Qiu 6/1, No. 81 Jiefang, Tilanqiao Jiedao, Dongdaming Road, Hongkou District, Shanghai, PRC, which is beneficially owned as to 90% by BSI through its 90% owned subsidiary, Shanghai Hung Tai Real Estate Co., Ltd.
"BSI Sale Interest"	100% equity interest in the capital of BSI
"business day"	a day (other than Saturdays and days on which a tropic cyclone warning No. 8 or above or a rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for the transaction of normal banking business

"CAI"	Chinese Asial Investments Limited, a wholly owned subsidiary of the Company
"CAI Shareholder Loan"	a non-interest bearing shareholder loan owing by BSI to CAI as at the BSI Completion
"CIC"	Changsha Interchina Star City Company Limited, a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by ICIM
"CIC Leasehold Land"	the leasehold land of a total site area of approximately 237,281.96 square meters and situated in Land Parcels R-11 West, R-11 East, R-18 South and R-18 North, New Sports City, Yuhua District, Changsha City, Hunan Province, PRC, and the property under construction of an gross floor area of approximately 139,071.18 square meters upon completion of the construction work and situated in Interchina Mall and New Sports City Blocks 1-4 (for hotel and serviced apartment use), located at Land Parcel R-18 North New Sports City, Yuhua District, Changsha City, Hunan Province, PRC, all of which are wholly owned by CIC
"CIC Sale Interest"	38.9% equity interest in the capital of CIC
"Company"	Interchina Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"Disposals"	collectively the disposals of the BSI Sale Interest, the BIC Shareholder Loan, the CAI Shareholder Loan, the ICIM Sale Interest, the CIC Sale Interest and the ICIM Shareholder Loan
"EGM"	the extraordinary general meeting of the Company to be convened and held to approve the Disposals and the transactions contemplated thereunder
"EGM Notice"	the notice of the EGM which is set out on pages 151 to 152 of this circular
"EGM Resolution"	the resolution duly passed by the Shareholders in the EGM to approve the Disposals

"Framework Agreement"	a conditional framework agreement entered into between the Company and SLHG on 19 October 2006 in relation to the Disposals
"Group"	the Company and its subsidiaries
"HK GAAP"	the general accepted accounting principles in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ICIM"	Interchina (Changsha) Investments And Management Company Limited, a company incorporated in the PRC and is wholly owned by the Company
"ICIM & CIC Agreement"	a conditional sale and purchase agreement entered into between the Company and TWI on 19 October 2006 in relation to the disposals of ICIM Sale Interest, CIC Sale Interest and the ICIM Shareholder Loan
"ICIM & CIC Completion"	completion of the ICIM & CIC Agreement
"ICIM & CIC Consideration"	the total consideration for the purchase of the ICIM Sale Interest, CIC Sale Interest and ICIM Shareholder Loan, being HK$398,870,000 (subject to adjustment)
"ICIM & CIC Transfer"	the due transfer of the ICIM Sale Interest and CIC Sale Interest by the Company to TWI
"ICIM Sale Interest"	100% equity interest in the capital of ICIM
"ICIM Shareholder Loan"	a non-interest bearing shareholder loan owing by ICIM to the Company as at ICIM & CIC Completion
"Latest Practicable Date"	3 January 2007
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Zhang"	Zhang Yun, a PRC individual
"PRC"	The People's Republic of China
"Shareholder(s)"	holder(s) of Shares

"Shares"	ordinary share(s) of HK$0.10 each in the capital of the Company
"SLHG"	Shanghai Lam Hong (Group) Company Limited, a company incorporated in the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Total Consideration"	collectively the BSI Consideration and the ICIM & CIC Consideration, being HK$617,870,000
"TWI"	Tangible Wealth Investments Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of SLHG
"UCNAV of BSI"	unaudited consolidated net asset value of BSI
"UNAV of ICIM & CIC"	unaudited net asset value of ICIM & CIC
"Valuer A"	DTZ Debenham Tie Leung Limited, a firm of professional property surveyors
"Valuer B"	RHL Appraisal Ltd., a firm of professional property surveyors
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

(Conversion of RMB to HK$ is based on the exchange rate of RMB1.04 = HK$1)

國中控股有限公司

INTERCHINA HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 202)

Executive Directors:
Mr. Zhang Yang *(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

Registered Office:
Room 701, 7/F.
Aon China Building
29 Queen's Road Central
Hong Kong

5 January 2007

To the Shareholders of the Company

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST
IN AND SHAREHOLDER LOANS DUE FROM
BURLINGAME (SHANGHAI) INVESTMENT LIMITED
AND
THE DISPOSAL OF THE ENTIRE INTEREST IN AND SHAREHOLDER LOAN DUE FROM
INTERCHINA (CHANGSHA) INVESTMENT AND MANAGEMENT COMPANY LIMITED
AND
THE DISPOSAL OF 38.9% EQUITY INTEREST IN
CHANGSHA INTERCHINA STAR CITY COMPANY LIMITED**

INTRODUCTION

It was announced by the Company on 20 October 2006 that the Company entered into a framework agreement with SLHG on 19 October 2006 for the sale and purchase of the entire equity interest in BSI, the entire equity interest in ICIM, 38.9% equity interest in CIC, the BIC Shareholder Loan, the CAI Shareholder Loan and the ICIM Shareholder Loan at a total consideration of HK$617,870,000.

Pursuant to the Framework Agreement, BIC, CAI and Mr. Zhang entered into an agreement on 19 October 2006 regarding the sale and purchase of the entire equity interest in BSI, the BIC Shareholder Loan and the CAI Shareholder Loan.

Pursuant to the Framework Agreement, the Company and TWI entered into an agreement on 19 October 2006 regarding the sale and purchase of the entire equity interest in ICIM, 38.9% equity interest in CIC and the ICIM Shareholder Loan.

The Disposals, when aggregate together, constitute a very substantial disposal for the Company under the Listing Rules and will be subject to the approval of the Shareholders at the EGM. As at the Latest Practicable Date, to the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM. The purpose of this circular is to provide the Shareholders with further information of the Disposals and the EGM Notice.

THE FRAMEWORK AGREEMENT

Date

19 October 2006

Parties

Party A : the Company

Party B : SLHG

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SLHG and its ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, each of SLHG and its associates (as defined in the Listing Rules) does not hold any Share as at the Latest Practicable Date.

As informed by SLHG, SLHG is a private company whose principal activities are property development, construction, property transaction consultation service, construction materials, goods and technology import and export.

Assets to be disposed

(1) Regarding BSI

(a) 100% equity interest in the capital of BSI;

(b) a non-interest bearing shareholder loan owing by BSI to BIC as at the BSI Completion, which as at the Latest Practicable Date amounts to approximately HK$112,576,000; and

(c) a non-interest bearing shareholder loan owing by BSI to CAI as at the BSI Completion, which as at the Latest Practicable Date amounts to approximately HK$9,468,000.

(2) Regarding ICIM

(a) 100% equity interest in the capital of ICIM; and

(b) a non-interest bearing shareholder loan owing by ICIM to the Company as at the ICIM & CIC Completion, which as at the Latest Practicable Date amounts to approximately HK$221,433,000.

(3) Regarding CIC

38.9% equity interest in the capital of CIC.

The principal asset of ICIM is the 61.1% equity interest in the capital of CIC. The ultimate purpose of disposing 100% equity interest in the capital of ICIM is for disposing the entire equity interest in the capital of CIC.

Total Consideration

The total consideration is HK$617,870,000, of which:

(a) HK$219,000,000 being consideration for the BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan; and

(b) HK$398,870,000 being consideration for the ICIM Sale Interest, CIC Sale Interest and ICIM Shareholder Loan.

The Total Consideration is payable in the manner set forth in the paragraphs headed "BSI Consideration" and "ICIM & CIC Consideration" respectively in this circular.

The BSI Consideration is determined by reference to the UCNAV of BSI (which were prepared in accordance with HK GAAP) of HK$76,200,000 as at 31 August 2006 adjusted to HK$225,439,000. Such upward adjustment is made because according to the valuation report issued by the independent Valuer A the estimated market value of the BSI Leasehold Land as at 31 August 2006 is of RMB300,000,000 (equivalent to approximately HK$288,462,000). The said adjusted UCNAV of BSI of HK$225,439,000 is calculated on the basis of the UCNAV of BSI plus the said estimated market value of the BSI Leasehold Land of RMB300,000,000 (equivalent to approximately HK$288,462,000) less the book value of the BSI Leasehold Land of HK$261,267,000, and finally adding the amount of the BIC Shareholder Loan and the CAI Shareholder Loan. The BSI Consideration represents a discount of approximately 2.86% of the said adjusted UCNAV of BSI (including the BIC Shareholder Loan and the CAI Shareholder Loan).

The ICIM & CIC Consideration is determined by reference to the UNAV of ICIM & CIC (which were prepared in accordance with HK GAAP) of RMB102,960,000 (equivalent to approximately HK$99,000,000) as at 31 August 2006 adjusted to HK$305,402,000 (excluded the investment cost of ICIM in CIC in the sum of RMB55,000,000 (equivalent to approximately HK$52,885,000)). Such upward adjustment is made because according to the valuation report issued by the independent Valuer B the estimated market value of the CIC Leasehold Land as at 31 August 2006 is of RMB604,090,000 (equivalent to approximately HK$580,856,000). The said adjusted UNAV of ICIM & CIC of HK$305,402,000 is calculated on the basis of the UNAV of ICIM & CIC plus the said estimated market value of the CIC Leasehold Land of RMB604,090,000 (equivalent to approximately HK$580,856,000) less the book value of the CIC Leasehold Land of HK$595,887,000, and finally adding the amount of the ICIM Shareholder Loan. The ICIM & CIC Consideration represents a premium of approximately 30.60% of the said adjusted UNAV of ICIM & CIC (including the ICIM Shareholder Loan).

The reason for the Company agreeing to give a discount of approximately 2.86% regarding the BSI Consideration but to gain a premium of approximately 30.60% regarding the ICIM & CIC Consideration is due to the different status of the BSI Leasehold Land and the CIC Leasehold Land. The BSI Leasehold Land is a bare land which has not yet developed and the approximate site area of 8,910 square meters is considered to be a small site area. Therefore, the BSI Consideration was fixed on the basis of more or less equal to the market value of the BSI Leasehold Land. The CIC Leasehold Land is of a larger size which provides higher growth potential for the value. Also, construction work on part of the CIC Leasehold Land has commenced in April 2004 and the units will be available for sale in near future. Therefore, SLHG agreed to a large premium on top of the market value of the CIC Leasehold Land.

The Total Consideration is subject to adjustment, further details of which are set forth in the paragraphs headed "BSI Consideration" and "ICIM & CIC Consideration" respectively in this circular.

The Total Consideration are determined after arm's length negotiations and the Directors consider that the above basis for determining the Total Consideration is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Conditions

The Framework Agreement is subject to the following conditions having been fulfilled:

(1) the Company having obtained clearance of the Announcement and this circular by the Stock Exchange regarding the Framework Agreement and the transactions contemplated thereunder; and

(2) the Company having obtained approval from the Shareholders in respect of the transactions contemplated under or incidental to the Disposals.

If the conditions set out above are not fulfilled within 6 months after the signing of the Framework Agreement or such other date as the parties thereto may agree, the Framework Agreement will lapse and be of no further effect and no party to the Framework Agreement will have any claim against or liability to the other party, save in respect of any antecedent breaches of the terms of the Framework Agreement.

Completion

The BSI Completion and the ICIM & CIC Completion shall take place simultaneously, further details of which are set forth in the paragraphs headed "BSI Completion" and "ICIM & CIC Completion" respectively in this circular.

Default

The Company shall pay SLHG a default payment agreed in the BSI Agreement and the ICIM & CIC Agreement, further details of which are set forth in the paragraphs headed "BSI Completion" and "ICIM & CIC Completion" respectively in this circular.

Transferees

BIC and CAI, both being subsidiaries of the Company, and the Company shall respectively enter into the BSI Agreement with Mr. Zhang, as the assigned transferee of SLHG, and the ICIM & CIC Agreement with TWI, as the assigned transferee of SLHG.

Reason for entering into the Framework Agreement

The reason for entering into the Framework Agreement in addition to the BSI Agreement and the ICIM & CIC Agreement is due to the request of SLHG that SLHG decided to assign Mr. Zhang to be transferee of the BSI Sale Interest, the BIC Shareholder Loan and the CAI Shareholder Loan and TWI to be the transferee of the ICIM Sale Interest, the CIC Sale Interest and the ICIM Shareholder Loan, and the Framework Agreement serves as the master agreement for the Disposals, under which SLHG is responsible for the due performance of the obligations on the part of Mr. Zhang and TWI under the BSI Agreement and ICIM & CIC Agreement respectively. As informed by SLHG, Mr. Zhang engages in business of commercial property development in the PRC and is a business associate of SLHG in certain business transactions for years, and he is not a shareholder or a director of SLHG or TWI.

THE BSI AGREEMENT

Date

19 October 2006

Parties

Vendors : BIC and CAI

Purchaser : Mr. Zhang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Zhang is a third party independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, each of Mr. Zhang and his associates (as defined in the Listing Rules) does not hold any Share as at the Latest Practicable Date.

Assets to be disposed

The BSI Sale Interest, the BIC Shareholder Loan and CAI Shareholder Loan.

BSI Consideration

The BSI Consideration, being HK$219,000,000, is payable in the following manner:

(1) HK$43,800,000, being 20% of the BSI Consideration, is payable within 15 days after the signing of the BSI Agreement; and

(2) HK$65,700,000, being 30% of the BSI Consideration, is payable within 10 days after the passing of the EGM Resolution; and

(3) HK$109,500,000, being 50% of the BSI Consideration, is payable within 6 months after the passing of the EGM Resolution.

The BSI Consideration is subject to downward adjustment when the difference between the amount of the consolidated net assets of BSI shown in the management accounts as at 31 August 2006 and shown in the audited accounts for the same period is more than 5%. The BSI Agreement has not provided for the time limit for the delivery of the audited accounts of BSI as at 31 August 2006 by BIC and CAI to Mr. Zhang. The formula for adjustment of the BSI Consideration is:

$$A = C - (M \times 95\% - N)$$

Where:

A	=	adjusted BSI Consideration
C	=	the BSI Consideration (that is, HK$219,000,000)
M	=	the amount of the consolidated net assets of BSI shown in the management accounts as at 31 August 2006
N	=	the amount of the consolidated net assets of BSI shown in the audited accounts as at 31 August 2006

The Directors consider that such adjustment is in line with the market practice and is fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

BSI Condition

BSI Completion is subject to the Company having obtained approval from the Shareholders in respect of the transactions contemplated under or incidental to the BSI Agreement.

If the condition set out above is not fulfilled within 6 months after the signing of the BSI Agreement or such other date as the parties thereto may agree, the BSI Agreement will lapse and be of no further effect and no party to the BSI Agreement will have any claim against or liability to the other party, save in respect of any antecedent breaches of the terms of the BSI Agreement. Upon the lapse of the BSI Agreement, the Company shall forthwith return all parts of the BSI Consideration received without interest.

BSI Completion

BSI Completion will take place when the ICIM & CIC Transfer is completed, subject to the condition set out in the paragraph headed "BSI Condition" in this circular is fulfilled.

If BIC or CAI disposes the BSI Sale Interest to any third party or do not proceed to BSI Completion in accordance with the terms of the BSI Agreement, other than in the event that the condition set out in the paragraph headed "BSI Condition" is not fulfilled, the

Company shall pay an amount equivalent to 10% of the BSI Consideration (subject to adjustment) as default payment and return all parts of the BSI Consideration received to Mr. Zhang.

THE ICIM & CIC AGREEMENT

Date

19 October 2006

Parties

Vendor	:	the Company
Purchaser	:	TWI

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, TWI and its ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best knowledge of the Directors, each of TWI and its associates (as defined in the Listing Rules) does not hold any Share as at the Latest Practicable Date.

Assets to be disposed

The ICIM Sale Interest, the CIC Sale Interest and the ICIM Shareholder Loan.

ICIM & CIC Consideration

The ICIM & CIC Consideration, being HK$398,870,000, is payable in the following manner:

(1) HK$79,774,000, being 20% of the ICIM & CIC Consideration, is payable within 15 days after the signing of the ICIM & CIC Agreement; and

(2) HK$119,661,000, being 30% of the ICIM & CIC Consideration, is payable within 10 days after the passing of the EGM Resolution; and

(3) HK$199,435,000, being 50% of the ICIM & CIC Consideration, is payable within 6 months after the passing of the EGM Resolution.

The ICIM & CIC Consideration is subject to downward adjustment when the difference between the amount of the consolidated net assets of ICIM and CIC shown in the management accounts as at 31 August 2006 and shown in the audited accounts for the same period is more than 5%. The ICIM & CIC Agreement has not provided for the time limit for the delivery of the audited accounts of ICIM & CIC as at 31 August 2006 by the Company to TWI. The formula for adjustment of the ICIM & CIC Consideration is:

$A = C - (M \times 95\% - N)$

Where:

A = adjusted ICIM & CIC Consideration

C = the ICIM & CIC Consideration (that is, HK$398,870,000)

M = the amount of the consolidated net assets of ICIM & CIC shown in the management accounts as at 31 August 2006

N = the amount of the consolidated net assets of ICIM & CIC shown in the audited accounts as at 31 August 2006

The Directors consider that such adjustment is in line with the market practice and is fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

ICIM & CIC Conditions

ICIM & CIC Completion is subject to the following conditions having been fulfilled:

(1) the Company having obtained clearance of the Announcement and this circular by the Stock Exchange regarding the ICIM & CIC Agreement and the transactions contemplated thereunder; and

(2) the Company having obtained approval from the Shareholders in respect of the transactions contemplated under or incidental to the ICIM & CIC Agreement.

If the conditions set out above are not fulfilled within 6 months after the signing of the ICIM & CIC Agreement or such other date as the parties thereto may agree, the ICIM & CIC Agreement will lapse and be of no further effect and no party to the ICIM & CIC Agreement will have any claim against or liability to the other party, save in respect of any antecedent breaches of the terms of the ICIM & CIC Agreement. Upon the lapse of the ICIM & CIC Agreement, the Company shall forthwith return all parts of the ICIM & CIC Consideration received without interest.

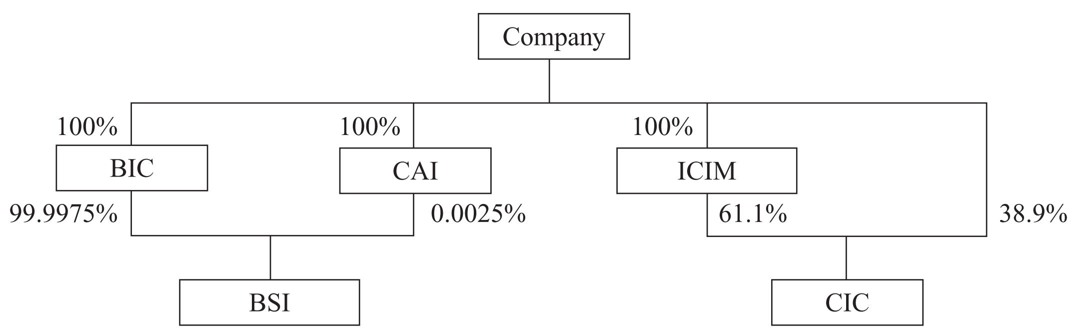
ICIM & CIC Completion

ICIM & CIC Completion will take place when all the PRC government procedure with the government authority of Changsha City of Hunan Province for the due transfer of the ICIM Sale Interest and the CIC Sale Interest by the Company to TWI (that is, applying for change of the shareholders of ICIM and CIC) are completed, subject to all the conditions set out in the paragraph headed "ICIM & CIC Conditions" in this circular are fulfilled.

If the Company disposes the ICIM Sale Interest and the CIC Sale Interest to any third party or does not proceed to ICIM & CIC Completion in accordance with the terms of the ICIM & CIC Agreement, other than in the event that the conditions set out in the paragraph headed "ICIM & CIC Conditions" are not fulfilled, the Company shall pay an amount equivalent to 10% of the ICIM & CIC Consideration (subject to adjustment) as default payment and return all parts of the ICIM & CIC Consideration received to TWI.

SHAREHOLDING STRUCTURE OF BSI, ICIM AND CIC

As at the Latest Practicable Date, the shareholding structure of BSI, ICIM and CIC is as follows:



INFORMATION ON BSI

BSI was incorporated in Hong Kong on 1 December 1989. It is an investment holding company which subsidiary is principally engaged in property investment and development in the PRC. As at the Latest Practicable Date, the main asset of the group of BSI is the BSI Leasehold Land, being the parcel of land under resettlement of original inhabitants in progress of a site area of approximately 8,910 square meters and situated in Qiu 6/1, No. 81 Jiefang, Tilanqiao Jiedao, Dongdaming Road, Hongkou District, Shanghai, PRC.

The followings are audited consolidated financial results on BSI for the two years ended 31 March 2006 and the six months ended 30 September 2006, which were prepared in accordance with HK GAAP:

	For the six months ended 30 September 2006 (HK$)	For the Year ended 31 March 2006 (HK$)	For the Year ended 31 March 2005 (HK$)
Net loss before tax	1,929,000	2,646,281	7,982,534
Net loss after tax	1,929,000	2,646,281	7,982,534

The audited net assets value of BSI prepared under HK GAAP was approximately HK$75,887,000 as at 30 September 2006.

INFORMATION ON ICIM

ICIM was incorporated in the PRC on 24 May 2002. ICIM does not conduct any business activity or hold any asset except the holding of the 61.1% equity interest in the capital of CIC.

The followings are audited financial result on ICIM for the two years ended 31 March 2006 and for the six months ended 30 September 2006, which were prepared in accordance with HK GAAP:

	For the six months ended 30 September 2006 (HK$)	For the Year ended 31 March 2006 (HK$)	For the Year ended 31 March 2005 (HK$)
Net profit/(loss) before tax	(2,748,000)	(5,605,000)	2,471,000
Net profit/(loss) after tax	(2,748,000)	(5,605,000)	2,471,000

The audited net assets value of ICIM prepared under HK GAAP was approximately HK$132,302,000 as at 30 September 2006.

INFORMATION ON CIC

CIC was incorporated in the PRC on 23 September 2002. The principal business activity of CIC is property investment and development in the PRC. As at the Latest Practicable Date, the main asset of CIC is the CIC Leasehold Land, being the leasehold land of a total site area of approximately 237,281.96 square meters and situated in Land Parcels R-11 West, R-11 East, R-18 South and R-18 North, New Sports City, Yuhua District, Changsha City, Hunan Province, PRC, which construction work has not commenced, and the property under construction of an gross floor area of approximately 139,071.18 square meters upon completion of the construction work and situated in Interchina Mall and New Sports City Blocks 1-4, located at Land Parcel R-18 North New Sports City, Yuhua District, Changsha City, Hunan Province, PRC, which construction work commenced in April 2004.

The followings are audited financial result on CIC for the two years ended 31 March 2006 and the six months ended 30 September 2006, which were prepared in accordance with HK GAAP:

	For the six months ended 30 September 2006 *(HK$)*	For the Year ended 31 March 2006 *(HK$)*	For the Year ended 31 March 2005 *(HK$)*
Net loss before tax	12,042,000	24,403,000	17,418,000
Net loss after tax	12,042,000	24,403,000	17,418,000

The audited net assets value of CIC prepared under HK GAAP was approximately HK$12,440,000 as at 30 September 2006.

REASONS FOR THE DISPOSALS

The Group is principally engaged in the investment in environmental and water treatment operation and city development and investment operation as well as strategic investment in Hong Kong and the PRC.

The Directors consider that, after the introduction of new macroeconomic control measures on property developers in the PRC, there is an increased uncertainty for favourable return which the Company may obtain from its investment in property development in the PRC through BSI and CIC. The Directors believe that the Disposals at this stage are appropriate and will allow the Group additional working capital for the existing environmental protection and water treatment operation. The Group will continue to identify business opportunities in property investment in the PRC which will provide a stable and favourable return and as a result enhancing the earning base and investment value of the Group. Therefore, the Directors consider that the terms and conditions of the Framework Agreement, the BSI Agreement and the ICIM & CIC Agreement are fair and reasonable and the Disposals are in the best interest of the Company and its Shareholders as a whole.

After the Disposals, the remaining Group will continue its operations in: (a) water treatment in the PRC; (b) securities; (c) investment property in the PRC and Hong Kong. The assets to be disposed under the Disposals have no revenue for the period from 1 April 2006 to 30 September 2006 and the revenue attributable to the remaining Group is 100% of the revenue of the Group for the same period. Upon completion of the Disposals, the remaining Group's consolidated total assets represents approximately 80.22% of the Group's consolidated total assets before the Disposals based on the figures as at 30 September 2006. The Directors are of the view that the remaining Group will have a sufficient level of operations under Rule 13.24 of the Listing Rules. The Company is in negotiation with an independent third party in respect of the possible acquisitions of certain water supply and property investments in the PRC. As at the Latest Practicable Date, no agreement has yet been reached by the respective parties in respect of the above-mentioned acquisitions, which may or may not proceed. Further announcement will be made by the Company as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Financial Review

The Remaining Group's turnover for the six months ended 30 September 2006 (the "Period") amounted to HK$14,817,000 of which HK$12,036,000, HK$1,101,000 and HK$1,680,000 were attributable to environmental protection and water treatment operation, property investment operation and securities and financial operation respectively.

As at 30 September 2006, total assets and net assets (excluding minority interests) of the Remaining Group amounted to HK$1,122,639,000 and HK$782,723,000 respectively.

As at 30 September 2006, the Remaining Group's cash on hand and deposits in bank (including segregated and trust account) totaled approximately HK$641,867,000. The Remaining Group's outstanding bank and other borrowings were HK$267,923,000 which mainly comprised bank and other borrowings of approximately HK$99,234,000 repayable within a year, and HK$168,689,000 of bank and other borrowings repayable after one year. The gearing ratio was 24.54% (total borrowings/total assets).

As at 30 September 2006, approximately 26.82% of the Remaining Group's bank and other borrowings were denominated in Hong Kong dollars while the rest in Renminbi. The Remaining Group's bank and other borrowings were arranged on fixed or floating rate basis of which approximately 85.07% were secured by the Remaining Group's investment property and property, plant and equipment.

Since the Remaining Group's business is primarily based in China and Hong Kong, the Remaining Group's borrowings are designated in local currencies of the project investments in China and Hong Kong so as to match the corresponding payment currencies to mitigate exposure on exchange rate fluctuations.

Business Review and Prospect of the Remaining Group

Upon the completion of the Disposals, the Remaining Group will continue to engage into the environmental protection and water treatment operation, property investment operation and securities and financial operation.

Environmental Protection and Water Treatment Operation

During the Period, the Remaining Group continued to accelerate the pace in the development of existing project according to the schedule of water treatment operation projects contracted for. On the basis of cost effectiveness and feasibility of individual water supply and sewage treatment projects, our resources were focused on the development of water supply and sewage treatment projects with potential. The Remaining Group will also continue to regard environmental protection and water treatment operation as its core businesses for continuous development and expansion.

Since the Remaining Group's sewage treatment plant located in the Haigang District of Qinhuangdao in Hebei Province commenced operation in 2004, the daily average processing capacity was increased from 100,000 tonnes to 120,000 tonnes, bringing a turnover of RMB12,518,000 to the Remaining Group's environmental protection and water treatment operation during the Period. When the Remaining Group obtains the right of price determination with respect to the water processed by the sewage treatment plant next year, the Remaining Group will positively revise its charges flexibly according to the price index. It is expected that this will bring more revenue to the Remaining Group.

Regarding the two sewage treatment projects in Ma'anshan and Changli, the aggregate sewage treatment capacity was 100,000 tonnes on average per day. Both projects are in construction stage. It is expected to be completed by the first quarter of next year, and will commence operation officially in the middle of next year.

Further, the Remaining Group is still discussing with the Hanzhong Municipal Government about details on the operation of the water supply project in Hanzhong City ("Operation Details"). It is expected that the process relating to the Operation Details will be finalized and operation will commence next year, supplying approximately 100,000 tonnes of water to Hangzhong City per day.

It is expected that upon the commencement of operations of both Ma'anshan and Changli sewage treatment plants as well as the water supply plant in Hanzhong City in next year, the amount of water treated daily by the Remaining Group's environmental protection and water treatment operation will increase by 200,000 tonnes to 320,000 tonnes, and the revenue from the Remaining 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 Remaining Group.

In addition to the existing environmental protection and water treatment project, the Remaining Group is negotiating with the Hanzhong Municipal Government over the Acquisition of a water supply company in Hanzhong City (the "Acquisition"). The water supply company is currently the only one water supply company in Hanzhong City. The Remaining Group has reached consensus with the Hanzhong Municipal Government on the acquisition which is expected to be completed by the middle of next year. The Remaining Group will continue to seek opportunities for merger and acquisition of quality water projects in the PRC and further expand its investment in environmental protection and water treatment operation in order to further expand the development scale of the Remaining Group's environmental protection and water treatment operation.

Property Investment Operation

During the Period, the Remaining Group's rental income was mainly generated from investment properties located in Beijing, the PRC and Hong Kong. During the Period, the Remaining Group's rental income amounted to HK$1,101,000, representing a decrease of 49.63% compared with the corresponding period of last year which was mainly due to the disposal of the Remaining Group's 60% controlling interest in a wholly-owned subsidiary, which held interests in an investment property located in Shanghai, the PRC last year. At 30

September 2006, the Remaining Group's interests in associates was HK$91,748,000, which was attributable to the holding of an investment property in Shanghai, the PRC, and contributed a profit of HK$4,663,000 to the Remaining Group during the Period.

Securities and Financial Operation

The Remaining Group's securities and future operation generated commission and interest income from margin clients amounting to HK$1,680,000. Having continuously imposing internal control over the borrowings to margin clients during the Period, especially in reducing the proportion of borrowings for non-index constituent stocks, and the keen competition within the securities and futures industry, the relevant commission and interest income from margin clients decreased by 49.11% compared with the corresponding period last year.

Liquidity and Financial Resources

During the Period, the Remaining Group's financial resources mainly comprised cash inflow generated by its business operations and the proceeds of disposal of subsidiaries as well as bank and other borrowings. Depending on the additional funding required for facilitating its current and future business development plans (including capital expenditure), the Remaining Group will make financial arrangements for the best interest of the shareholders of the Remaining Group and at minimum financial cost.

The Remaining Group disposed its entire interests in and shareholder's loan due from its wholly-owned subsidiary, which held a property development project located in Xian, at a consideration of HK$48,100,000 in May 2006. The proceeds were used as general working capital of the Remaining Group and the working capital of city development and investment operation, and environmental protection and water treatment operation.

It is expected that upon the completion of the Disposals, the working capital of the Remaining Group will increase substantially, which is beneficial to the future business development of the Remaining Group.

Contingent Liabilities

As at 30 September 2006, the Group provides a guarantee of RMB5,000,000 to Ma'anshan Municipal Government, the PRC, for the commitment to invest in the sewage treatment project in Ma'anshan, details as per announcement dated 21 May 2004.

Pledged of the Remaining Group's Assets

As at 30 September 2006, the Remaining Group's assets were pledged as security for the banking facilities and other borrowings granted to the Group, comprising investment properties with a net book value of HK$60,694,000 and property, plant and equipment with a net book value of HK$209,834,000.

Employment and Remuneration Policy

As at 30 September 2006, the Remaining Group had a total of 261 employees in the PRC and Hong Kong. Staff costs for the Period amounted to HK$12,889,000. 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 a retirement benefit scheme for its staff, the Remaining Group also provides staff with various training and development programs.

FINANCIAL EFFECT OF THE DISPOSALS

Upon completion of the Disposals, the Group will have no remaining interest in BSI, ICIM and CIC, and each of BSI, ICIM and CIC will cease to be a subsidiary of the Company.

Based on the unaudited proforma consolidated balance sheet of the Remaining Group as set out in Appendix II, the total assets will drop from HK$1,399,447,000 to HK$1,122,639,000 as at 30 September 2006, representing a decrease of approximately 19.78%; and its total liabilities will drop from HK$700,018,000 to HK$318,793,000 as at 30 September 2006, representing a decrease of approximately 54.46%, as a result of the Disposal.

On the basis of the Total Consideration of the Disposals and the UCNAV of BSI, the UNAV of ICIM & CIC as at 30 September 2006, it is estimated that, upon completion of the Disposals, the Group will record a net gain, less all related expenses, of approximately HK$104,417,000, subject to audit adjustments (if any).

USE OF PROCEEDS

The Directors expect that approximately HK$500,000 of the Total Consideration will be applied for payment of fees and expenses in connection with the Disposals, such as legal fees and auditors fees. The remaining proceeds of the Disposals will be approximately HK$617,370,000 and will be used as to HK$150,000,000 as working capital for environmental protection and water treatment operation, as to HK$300,000,000 as working capital for city development and property investment operation and as to the remaining balance in the sum of HK$167,370,000 as general working capital of the Group.

GENERAL

The Disposals, when aggregate together, constitute a very substantial disposal for the Company under the Listing Rules and will be subject to the approval of the Shareholders at the EGM. As at the Latest Practicable Date, to the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM.

EGM

A notice convening the EGM at which an ordinary resolution will be proposed to approve, among other matters, the Framework Agreement, the BSI Agreement, the ICIM & CIC Agreement and the transactions contemplated therein is set out on pages 151 to 152 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the office of the Company's share registrar, Tengis Limited, Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not prevent you from attending and voting at the EGM or any adjourned meeting should you so wish.

PROCEDURE FOR DEMANDING A POLL

Pursuant to article 73 of the articles of association of the Company, a poll may be demanded in relation to a resolution put to the vote of any general meeting before or on the declaration of the result of the show of hands:

(a) by the chairman of such meeting; or

(b) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or

(c) by any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by any Shareholder or Shareholders present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

The Directors consider the terms of the Framework Agreement, the BSI Agreement, the ICIM & CIC Agreement are fair and reasonable insofar as the Shareholders are concerned and are beneficial to the Company. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed in the EGM to implement the Framework Agreement, the BSI Agreement, the ICIM & CIC Agreement and the transactions contemplated therein.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices.

Yours faithfully,
By Order of the Board of
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Director and Company Secretary

1. ACCOUNTANTS' REPORT ON THE GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the reporting accountants, in connection with the Group.

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

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

5 January 2007

The Directors
Interchina Holdings Company Limited
Room 701, 7/F., Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs,

Introduction

We set out below our report on the financial information (the "Financial Information") regarding Interchina Holdings Company Limited (the "Company") and its subsidiaries (herein collectively referred to as the "Group") for the three years ended 31 March 2004, 2005, 2006 and the six months ended 30 September 2006 (the "Relevant Periods") for inclusion in the circular of the Company dated 5 January 2007 (the "Circular") pursuant to a conditional sale and purchase agreement (the "Framework Agreement") dated 19 October 2006 entered into between the Company and 上海臨江控股(集團)有限公司 (Shanghai Lam Hong (Group) Company Limited) ("SLHG") in connection with transactions at a total consideration of HK$617,870,000 as detailed below:–

(a) the proposed disposal of entire equity interest in Burlingame (Shanghai) Investment Limited ("BSI"), an indirect wholly owned subsidiary of the Company, a non-interest bearing shareholder loan owing by BSI to Burlingame International Company Limited ("BIC"), a direct wholly owned subsidiary of the Company amounted to approximately HK$112,576,000, a non-interest bearing shareholder loan owing by BSI to Chinese Asial Investments Limited ("CAI"), an indirect wholly owned subsidiary of the Company, amounted to approximately HK$9,468,000.

(b) the proposed disposal of entire equity interest in 國中(長沙)體育新城投資項目管理有限公司 (Interchina (Changsha) Investments And Management Company Limited) ("ICIM"), a direct wholly owned subsidiary of the Company, 38.9% equity interest in 長沙國中星城置業有限公司 (Changsha Interchina Star City

Company Limited) ("CIC"), an indirect owned subsidiary of the Company and a non-interest bearing shareholder loan owing by ICIM to the Company amounted to approximately HK$221,433,000.

Under the Framework Agreement, BIC and CAI further entered into an agreement ("BSI Agreement") dated 19 October 2006 with Mr. Zhang Yun ("Mr. Zhang"), who was assigned as a transferee on behalf of SLHG, for the transaction (a) above. The Company also entered into another agreement ("ICIM & CIC Agreement") with Tangible Wealth Investments Limited ("TWI"), a wholly owned subsidiary of SLHG, which was assigned as a transferee on behalf of SLHG for the transaction (b) above.

The Company was incorporated in Hong Kong on 9 February 2000 as a limited company and is engaged in investment holding.

Basis of preparation

The Financial Information has been prepared by the Directors of the Company based on the audited financial statements for the Relevant Periods, on the basis set out in Note 2.1 below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of preparing this report for inclusion in the Circular, to restate these financial statements to conform with the accounting policies, which are in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

As at the date of this report, the Company has direct and indirect interest in the following subsidiaries and associates, all of which are private companies with limited liability. The Company, its subsidiaries and associates have adopted 31 March as their financial year end date, except for the subsidiaries incorporated in the People's Republic of China (the "PRC") which adopted 31 December as their financial year end date, as required by the relevant laws in the PRC. Details of the principal subsidiaries and associates as at the date of this report are as follows in which to give the details of other subsidiaries would, in the opinion of the directors, results in particular of excessive length:–

Details of principal subsidiaries

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Equity interest held by the Group	Principal activities	Notes
BIC	Hong Kong 10 October 1964	HK$425,019,668	100%	Investment holding	2
Best Plain Trading Limited	Hong Kong 18 May 1993	HK$310,000,000	100%	Property letting	2
Dragon World Investment Limited	British Virgin Islands ("BVI") 18 February 1994	US$1,000	100%	Investment holding	1
Charm Base Investment Limited	Hong Kong 15 September 1992	HK$2	100%	Dormant	2
Lead Sales Enterprise Limited	Hong Kong 23 May 1995	HK$2	100%	Dormant	2

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Equity interest held by the Group	Principal activities	Notes
Chinese Asial Investments Limited	Hong Kong 20 January 1993	HK$2	100%	Investment holding	2
BSI	Hong Kong 1 December 1989	HK$119,152,722	100%	Investment holding	2
上海鴻泰房地產有限公司 (“上海鴻泰”)	the PRC 31 January 1994	US$12,000,000	90%	Property development	3
Action Investments Limited	Hong Kong 28 March 2003	HK$100	100%	Property investment	2
Interchina Capital Finance Limited	Hong Kong 3 November 2000	HK$10,000	100%	Investment holding	2
Interchina Securities Limited	Hong Kong 30 June 1992	HK$300,000,000	100%	Securities brokerage	2
Interchina Futures Limited	Hong Kong 15 June 1993	HK$8,500,000	100%	Commodities brokerage	2
國中愛華天津市政環境工程有限公司 (“國中愛華”)	the PRC 18 December 2001	RMB250,000,000	93%	Environmental protection	4
United Star Assets Limited	BVI 30 April 2003	US$50,000	93%	Investment holding	1
Beijing Guoqing Environmental Technology Company Limited (“Beijing Guoqing”)	the PRC 29 November 2002	RMB20,000,000	100%	Environmental protection	5
Interchina Investments Limited	BVI 12 January 2001	US$1	100%	Investment holding	1
Interchina Environmental Protection Company Limited	BVI 28 February 2001	US$1	100%	Investment holding	1
Interchina Water Investments Limited	BVI 17 June 2003	US$1	100%	Investment holding	1
漢中市石門城市供水有限公司 (“漢中石門”)	the PRC 16 July 2002	RMB50,000,000	74.4%	Water supply	6
國水(秦皇島)污水處理有限公司 (“國水(秦皇島)”)	the PRC 29 November 2002	US$4,091,003	93%	Sewage treatment	7
國水(昌黎)污水處理有限公司 (“國水(昌黎)”)	the PRC 14 May 2004	RMB26,000,000	93%	Sewage treatment	8
國水(馬鞍山)污水處理有限公司 (“國水(馬鞍山)”)	the PRC 2 June 2004	HK$36,000,000	93%	Sewage treatment	9
國中(長沙)體育新城投資項目管理有限公司 (“體育新城”)	the PRC 24 May 2002	US$18,080,000	100%	Property management	10
長沙國中星城置業有限公司 (“國中星城”)	the PRC 23 September 2002	RMB90,000,000	100%	Property investment	11
Interchina City Development & Investment Limited	BVI 19 April 2002	US$10,000	100%	Investment holding	1
China Field Investments Limited	BVI 4 January 2002	US$10,000	100%	Investment holding	1

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Equity interest held by the Group	Principal activities	Notes
Keencity Investments Limited	BVI 8 December 2004	US$1	100%	Investment holding	1
Eagle Sharp Investments Limited	BVI 21 January 2003	US$1	100%	Investment holding	1
Interchina Property Holdings Limited	BVI 15 March 2004	US$1	100%	Investment holding	1
Interchina Property Agency Limited	Hong Kong 2 March 2004	HK$1	100%	Property management	2
Interchina Corporate Services Limited	Hong Kong 21 August 2000	HK$10,000	100%	Provision of corporate services	2
Jet Source Investments Limited	Hong Kong 8 August 2003	HK$2	100%	Property investment	2

Details of principal associates

Name of associate	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Equity interest held by the Group	Principal activities	Notes
Money Capture Investments Limited	BVI 8 May 2002	US$100	40%	Investment holding	1
天津水與燃氣信息技術開發有限公司 (“天津水與燃氣”)	the PRC 22 November 2004	RMB5,000,000	18.6%	Environmental services	12

Notes:

1) No audited financial statements have been prepared for these companies which there were no statutory audit requirements.

2) We have acted as auditors of these companies for the year ended 31 March 2006 and six months ended 30 September 2006. The financial statements of these companies for the year ended 31 March 2004 and 2005 have been audited by another auditors, Deloitte. Audited financial statements have been prepared in accordance with accounting policies generally accepted in Hong Kong for these companies for each of the three years ended 31 March 2004, 2005, 2006 and for the six months ended 30 September 2006.

3) The statutory financial statements of 上海鴻泰 each of the three years ended 31 December 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 上海中惠會計師事務所有限公司.

4) The statutory financial statements of 國中愛華 each of the three years ended 31 December 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 天津中聯有限責任會計師事務所.

5) The statutory financial statements of Beijing Guoqing each of the three years ended 31 December 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 北京中交會計師事務所有限公司.

6) The statutory financial statements of 漢中石門 each of the three years ended 31 December 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 漢中恒信有限責任會計師事務所.

7) The statutory financial statements of 國水(秦皇島) each of the three years ended 31 December 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 秦皇島正源會計師事務所有限責任公司.

8) The statutory financial statements of 國水(昌黎) each of the three years ended 31 December, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 秦皇島正源會計師事務所有限責任公司.

9) The statutory financial statements of 國水(馬鞍山) each of the three years ended 31 December, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 安徽永涵會計師事務所.

10) The statutory financial statements of 體育新城 each of the three years ended 31 December 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 湖南里程有限責任會計師事務所.

11) The statutory financial statements of 國中星城 each of the three years ended 31 December 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 天職孜信會計師事務所.

12) The statutory financial statements of 天津水與燃氣 for the year ended 31 December 2005 were prepared in accordance with the relevant accounting principles and financial regulations applied in the PRC and were audited by 天津市火炬有限責任會計師事務所.

We have acted as auditors of the Company and have audited the consolidated financial statements of the Group for the year ended 31 March 2006 and six months ended 30 September 2006. Deloitte Touche Tohmatsu ("Deloitte") have acted as auditors of the Company and have audited the consolidated financial statements of the Group for the years ended 31 March 2004 and 2005.

Respective responsibilities of Directors and Reporting Accountants

The Directors of the Company, during the Relevant Periods, are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA 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 Financial Information 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.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the consolidated audited financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fundamental uncertainties relating to going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in the Financial Information concerning the fundamental uncertainties in respect of the adoption of the going concern basis on which the Financial Information has been prepared. As disclosed in note 2.1 to the Financial Information, the Group incurred accumulated losses of HK$559,921,000, HK$630,577,000, HK$738,889,000 and HK$747,874,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 and net current liabilities of HK$134,638,000, HK$78,851,000 and HK$88,783,000 as at 31 March 2005, 2006 and 30 September 2006 respectively. Further details of the circumstances relating to this fundamental uncertainties are described in note 2.1 to the Financial Information. We consider that the appropriate disclosures have been made and our opinion is not qualified in this respect.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 March 2004, 2005, 2006 and 30 September 2006 and of the consolidated results and cash flows of the Group for the periods then ended.

Comparative financial information

Respective responsibilities of Directors and Reporting Accountants

The Directors of the Company are responsible for the preparation of the unaudited financial information of the Group including the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended 30 September 2005 (the "Comparative Financial Information"), together with the notes thereto.

It is our responsibility to form an independent conclusion, based on our review, on the Comparative Financial Information.

Review work performed

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the Comparative Financial Information, together with the notes thereon, for which the directors are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of the Group management and applying analytical procedures to the Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Review conclusion

On the basis of our review which does not constitute an audit, for the purpose of this report and on the basis of preparation set out in Note 2.1 below, we are not aware of any material modifications that should be made to the Comparative Financial Information presented for the six months ended 30 September 2005.

A. FINANCIAL INFORMATION

Consolidated Income Statement

	Notes	Year ended 31 March 2004 HK$'000 (Restated)	Year ended 31 March 2005 HK$'000 (Restated)	Year ended 31 March 2006 HK$'000	Six months ended 30 September 2006 HK$'000	Six months ended 30 September 2005 HK$'000 (Unaudited and restated)
Turnover	6	89,422	225,003	134,740	14,817	83,152
Cost of sales		–	(173,792)	(88,445)	(2,280)	(52,491)
Other operating income	7	1,682	1,813	623	858	294
Interest income		3,968	183	421	1,122	109
Staff costs	8	(31,846)	(31,577)	(32,279)	(14,027)	(16,418)
Amortisation and depreciation		(19,533)	(11,799)	(12,821)	(5,937)	(6,531)
Selling costs		(5,252)	(9,811)	(16,690)	(8,140)	(12,928)
Administrative costs		(55,221)	(49,676)	(42,036)	(18,066)	(24,594)
Other operating expenses		–	–	(17,738)	–	–
Surplus arising from revaluation of investment properties		24,978	10,566	1,008	–	–
Impairment loss on goodwill		(6,618)	–	–	–	–
Gain on disposal of investment properties		–	1,180	–	–	–
Profit/(loss) from operations	9	1,580	(37,910)	(73,217)	(31,653)	(29,407)
Finance costs	10	(31,043)	(34,491)	(26,135)	(12,120)	(13,336)
Share of results of associates		(2,371)	–	(9,473)	4,663	(776)
Gain on disposal of subsidiaries	37	–	–	237	29,828	237
Loss before taxation		(31,834)	(72,401)	(108,588)	(9,282)	(43,282)
Taxation	11	(130)	(100)	(937)	(284)	(355)
Loss for the year/period		(31,964)	(72,501)	(109,525)	(9,566)	(43,637)
Attributable to:						
Equity holders of the Company		(26,793)	(70,656)	(108,312)	(8,985)	(42,530)
Minority interests		(5,171)	(1,845)	(1,213)	(581)	(1,107)
		(31,964)	(72,501)	(109,525)	(9,566)	(43,637)
Dividend		–	–	–	–	–
Loss per share for loss attributable to the equity holders of the Company (Hong Kong cents)						
Basic	12	0.583	1.519	2.166	0.161	0.908
Diluted	12	0.583	1.519	2.166	N/A	N/A

Consolidated Balance Sheet

	Notes	As at 31 March 2004 HK$'000 (Restated)	As at 31 March 2005 HK$'000 (Restated)	As at 31 March 2006 HK$'000 (Restated)	As at 30 September 2006 HK$'000
Non-current assets					
Investment properties	13	477,871	394,325	60,694	60,694
Interests in leasehold land and land use rights	14	77,422	75,857	75,722	74,924
Property, plant and equipment	15	448,663	617,175	750,413	726,059
Interest in associates	17	–	943	83,448	91,748
Goodwill	18	3,178	2,846	2,846	2,846
Loan receivables – due after one year	19	8,000	5,600	–	–
Other non-current assets	20	2,716	2,828	2,466	2,413
		1,017,850	1,099,574	975,589	958,684
Current assets					
Inventories	21	1,560	604	–	–
Construction contract under progress		–	3,266	–	–
Properties under development for sale	22	259,432	397,066	277,974	296,320
Loan receivables – due within one year	19	2,600	2,600	–	–
Trade and other receivables and prepayments	23	262,681	91,773	140,835	119,098
Financial assets at fair value through profit and loss	24	374	154	172	164
Tax prepaid		222	893	649	365
Bank balances – trust and segregated accounts	25	10,543	8,624	5,277	3,694
Cash and cash equivalents	26	47,951	55,737	16,894	21,122
		585,363	560,717	441,801	440,763

	Notes	As at 31 March 2004 HK$'000 (Restated)	As at 31 March 2005 HK$'000 (Restated)	As at 31 March 2006 HK$'000 (Restated)	As at 30 September 2006 HK$'000
Current liabilities					
Trade and other payables and deposits received	27	221,800	339,443	299,530	259,335
Amount due to a related company	28	6,606	40,555	450	7,616
Bank borrowings, secured – due within one year	29	60,762	44,613	155,402	155,544
Other borrowings, secured – due within one year	29	290,878	165,680	65,203	66,984
Other borrowings, unsecured – due within one year	29	–	105,000	–	40,000
Obligations under finance leases – due within one year	30	87	64	67	67
		580,133	695,355	520,652	529,546
Net current assets/(liabilities)		5,230	(134,638)	(78,851)	(88,783)
Total assets less current liabilities		1,023,080	964,936	896,738	869,901
Capital and reserves attributable to the Company's equity holders					
Share capital	32	459,492	468,492	558,492	558,492
Share premium and reserves		290,117	224,918	128,799	119,814
		749,609	693,410	687,291	678,306
Minority interests		24,328	22,483	21,704	21,123
		773,937	715,893	708,995	699,429
Non-current liabilities					
Bank borrowings, secured – due after one year	29	247,845	247,576	145,926	168,689
Other borrowings, unsecured – due after one year	29	–	–	40,000	–
Obligations under finance leases – due after one year	30	108	277	210	176
Deferred tax liabilities	34	1,190	1,190	1,607	1,607
		249,143	249,043	187,743	170,472
		1,023,080	964,936	896,738	869,901

Balance Sheet

		As at 31 March			As at 30 September
		2004	**2005**	**2006**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*15*	3,717	1,556	1,585	1,585
Investment in subsidiaries	*16*	232,003	412,184	412,184	412,184
Interest in associates	*17*	–	–	68,705	62,660
Other non-current assets	*20*	380	380	380	380
		236,100	414,120	482,854	476,809
Current assets					
Trade and other receivables and prepayments	*23*	1,434	5,569	76,849	57,732
Amounts due from subsidiaries		1,173,125	1,112,815	780,152	674,014
Cash and cash equivalents	*26*	8,062	2,547	38	100
		1,182,621	1,120,931	857,039	731,846
Current liabilities					
Trade and other payables and deposits received	*27*	8,900	5,594	14,254	6,142
Amount due to subsidiaries		665,108	922,890	644,548	521,703
Amount due to a related company	*28*	6,606	40,555	450	7,616
Other borrowings, unsecured – due within one year	*29*	–	105,000	–	40,000
		680,614	1,074,039	659,252	575,461
Net current assets		502,007	46,892	197,787	156,385
Total assets less current liabilities		738,107	461,012	680,641	633,194
Capital and reserves attributable to the Company's equity holders					
Share capital	*32*	459,492	468,492	558,492	558,492
Share premium and reserves	*33*	278,615	(7,480)	82,149	74,702
		738,107	461,012	640,641	633,194
Non-current liabilities					
Other borrowings, unsecured – due after one year	*29*	–	–	40,000	–
		738,107	461,012	680,641	633,194

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Special reserve	Exchange reserve	Convertible notes reserve	Accumulated losses	Sub-total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)		*(Note 2)*	(Restated)	(Restated)	(Restated)	(Restated)
Balance as at 1 April 2003, as previously reported	459,492	276,969	571,996	1,072	–	(521,808)	787,721	–	787,721
Effect on adoption of new accounting policy									
– HKAS 1	–	–	–	–	–	–	–	25,034	25,034
– HK(SIC) – Int 21	–	–	–	–	–	(2,160)	(2,160)	–	(2,160)
– HKAS 17	–	–	–	–	–	(9,160)	(9,160)	(1,019)	(10,179)
Balance as at 1 April 2003, as restated	459,492	276,969	571,996	1,072	–	(533,128)	776,401	24,015	800,416
Acquisition of subsidiaries	–	–	–	–	–	–	–	23,218	23,218
Exchange differences on translation of overseas operations not recognised in the income statement	–	–	–	1	–	–	1	–	1
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	(17,734)	(17,734)
Loss for the year	–	–	–	–	–	(26,793)	(26,793)	(5,171)	(31,964)
Balance as at 31 March 2004	459,492	276,969	571,996	1,073	–	(559,921)	749,609	24,328	773,937
Balance as at 1 April 2004, as restated	459,492	276,969	571,996	1,073	–	(559,921)	749,609	24,328	773,937
Exchange differences on translation of overseas operations not recognised in the income statement	–	–	–	(33)	–	–	(33)	–	(33)
Exercise of share option	9,000	5,490	–	–	–	–	14,490	–	14,490
Loss for the year	–	–	–	–	–	(70,656)	(70,656)	(1,845)	(72,501)
Balance as at 31 March 2005	468,492	282,459	571,996	1,040	–	(630,577)	693,410	22,483	715,893
Balance as at 1 April 2005, as restated	468,492	282,459	571,996	1,040	–	(630,577)	693,410	22,483	715,893
Exchange differences on translation of overseas operations not recognised in the income statement	–	–	–	11,911	–	–	11,911	434	12,345
Issue of convertible notes	–	–	–	–	6,354	–	6,354	–	6,354
Conversion of convertible notes	90,000	282	–	–	(6,354)	–	83,928	–	83,928
Loss for the year	–	–	–	–	–	(108,312)	(108,312)	(1,213)	(109,525)
Balance as at 31 March 2006	558,492	282,741	571,996	12,951	–	(738,889)	687,291	21,704	708,995

	Share capital	Share premium	Special reserve	Exchange reserve	Convertible notes reserve	Accumulated losses	Sub-total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)		*(Note 2)*	(Restated)	(Restated)	(Restated)	(Restated)
Balance as at 1 April 2006, as restated	558,492	282,741	571,996	12,951	–	(738,889)	687,291	21,704	708,995
Loss for the period	–	–	–	–	–	(8,985)	(8,985)	(581)	(9,566)
Balance as at 30 September 2006	558,492	282,741	571,996	12,951	–	(747,874)	678,306	21,123	699,429
Balance as at 1 April 2005, as previously reported	468,492	282,459	571,996	1,040	–	(617,301)	706,686	–	706,686
Effect on adoption of new accounting policy									
– HKAS 1	–	–	–	–	–	–	–	23,705	23,705
– HK(SIC)-Int 21	–	–	–	–	–	(1,190)	(1,190)	–	(1,190)
– HKAS 17	–	–	–	–	–	(12,086)	(12,086)	(1,222)	(13,308)
Balance as at 1 April 2005, as restated	468,492	282,459	571,996	1,040	–	(630,577)	693,410	22,483	715,893
Exchange differences on translation of overseas operations not recognised in the income statement	–	–	–	13,419	–	–	13,419	–	13,419
Loss for the period	–	–	–	–	–	(42,530)	(42,530)	(1,107)	(43,637)
Balance as at 30 September 2005 (unaudited)	468,492	282,459	571,996	14,459	–	(673,107)	664,299	21,376	685,675

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 subsequent 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) on the notes are redeemed (in which case it is released directly to accumulated losses.)

Consolidated Cash Flow Statement

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)			(Unaudited)
Loss before taxation	(31,834)	(72,401)	(108,588)	(9,282)	(43,282)
Adjustment for:					
Depreciation of property, plant and equipment	17,865	9,902	11,226	5,139	5,739
Amortisation of interests in leasehold land and land use rights	1,565	1,565	1,595	798	792
Amortisation of goodwill	103	332	–	–	–
Impairment of trade receivables	–	–	17,738	–	–
Surplus arising on revaluation of investment properties	(24,978)	(10,566)	(1,008)	–	–
Impairment loss recognised on goodwill	6,618	–	–	–	–
Share of results of associates	2,371	–	9,473	(4,663)	776
Gain on disposal of investment properties	–	(1,180)	–	–	–
Loss on disposal of property, plant and equipment	78	69	40	310	–
Gain on disposal of subsidiaries	–	–	(237)	(29,828)	(237)
Interest income	(3,968)	(183)	(421)	(1,122)	(109)
Interest expenses	31,043	34,491	26,135	12,120	13,336
Operating cash flows before movements in working capital	(1,137)	(37,971)	(44,047)	(26,528)	(22,985)
(Increase)/decrease in inventories	(490)	957	–	–	–
(Increase)/decrease in properties under development for sale	–	(94,199)	(2,143)	(18,346)	12,623
(Increase)/decrease in trade and other receivables and prepayments	258,843	170,908	(77,023)	(1,239)	(142,120)
(Increase)/decrease in amounts due from associates	(66,584)	–	4,822	(3,383)	25,143
Decrease/(increase) in financial assets at fair value through profit and loss	30	220	(18)	8	(27)
Decrease/(increase) in bank trust and segregated accounts	4,868	1,919	3,347	1,583	(1,102)
Decrease/(increase) in construction contract under progress	–	(3,266)	3,266	–	(922)
(Decrease)/increase in trade and other payables and deposits received	76,569	107,553	(2,046)	(8,129)	12,551
Increase/(decrease) in amount due to a related company	(80,227)	33,949	(40,105)	7,166	44,430
Decrease in loan receivables	1,400	2,400	8,200	–	1,200
Cash generated from/(used in) operations	193,272	182,470	(145,747)	(48,868)	(71,209)
Profit tax paid	(410)	(771)	(277)	–	–
Interest income received	3,968	183	421	1,122	109
Cash generated from/(used in) operating activities	196,830	181,882	(145,603)	(47,746)	(71,100)

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)			(Unaudited)
INVESTING ACTIVITIES					
Acquisition of a subsidiary	10,981	–	–	–	–
Acquisition of additional interest in subsidiaries	(21,228)	–	–	–	–
Purchase of investment properties	(42,611)	(31,888)	–	–	–
Purchase of property, plant and equipment	(414,249)	(221,907)	(33,275)	(8,757)	(8,210)
Proceeds on disposal of investment properties	–	127,180	–	–	–
Proceeds on disposal of property, plant and equipment	3	337	23	–	–
Proceeds on disposal of subsidiaries	–	–	131,233	48,074	131,233
Acquisition of investment in an associate	–	(943)	–	–	–
Net refund/(payment) in other non-current assets	(660)	(112)	362	53	301
Net cash (used in)/generated from investing activities	(467,764)	(127,333)	98,343	39,370	123,324
FINANCING ACTIVITIES					
Proceeds from issue of shares	–	14,490	–	–	–
Interest paid	(31,035)	(17,527)	(20,094)	(8,860)	(11,230)
New bank loan raised	453,292	278,534	28,846	33,653	–
Repayment of obligations under finance leases	(240)	(199)	(64)	(34)	(32)
Repayment of bank loans	(64,989)	(315,083)	(25,991)	(12,155)	(1,289)
Repayment of other loans	(40,600)	–	(65,000)	–	(65,000)
Repayment of bank overdraft	(46,984)	(6,945)	–	–	–
Proceeds from issue of convertible notes	–	–	90,000	–	–
Net cash generated from/(used in) financing activities	269,444	(46,730)	7,697	12,604	(77,551)
Net increase/(decrease) in cash and cash equivalents	(1,490)	7,819	(39,563)	4,228	(25,327)
Cash and cash equivalents at the beginning of the year/period	49,441	47,951	55,737	16,894	55,737
Effect of foreign exchange rate changes	–	(33)	720	–	720
Cash and cash equivalents at the end of the year/period	47,951	55,737	16,894	21,122	31,130
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	58,494	64,361	22,171	24,816	40,856
Less: Bank balances – trust and segregated accounts	(10,543)	(8,624)	(5,277)	(3,694)	(9,726)
	47,951	55,737	16,894	21,122	31,130

Notes to the Financial Statements

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (herein referred to as the "Group") are principally engaged in environmental protection and water treatment operation, city development and investment operation, property investment operation and securities and financial operation.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2.1 BASIS OF PREPARATION

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

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

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

The preparation of the financial statements requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

In preparing the financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK$134,638,000, HK$78,851,000 and HK$88,783,000 as at 31 March 2005, 2006 and 30 September 2006 respectively. The Directors have been and are taking active steps to improve the liquidity position of the Group as described below. The financial statements do not include any adjustments that would result from a failure of implementation of the measures noted below. If these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The financial statements have been prepared on the assumption that the Group will continued to operate as going concern notwithstanding the conditions prevailing as at 30 September 2006 and subsequently thereto up to the date of approval of these financial statements. In order to improve the Group's financial position, immediate liquidity and cash flows, the Directors have adopted several financing measures together with other measures in progress at the date of this report which include, but are not limited to, the following:–

(i) On 19 October 2006, the Group has entered into a framework disposal agreement with an independent third party in respect of the disposal of the entire issued share capital of two subsidiaries, 38.9% issued share capital of a subsidiary and their respective shareholder loan at an aggregate consideration of HK$617,870,000 which shall be satisfied in cash. Details were set out in the Company's announcement dated 20 October 2006;

(ii) Wealth Land Development Corp., a shareholder of the Company and a company beneficially owned by Mr. Zhang Yang, the Chairman and director of the Company agree to provide continuing financial support to the Group.

As such, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

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

For the year ended 31 March 2004, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 Income taxes ("SSAP12 (Revised)") issued by the Hong Kong Society of Accountants ("HKSA"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no effect on the results for the year ended 31 March 2004.

For the year ended 31 March 2006, the Group has applied, for the first time, the following new/revised standards and interpretations of HKFRSs below, which are effective for the financial year beginning on 1 April 2005 and relevant to the operations:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC) – Int 15	Operating Leases – Incentives
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK(SIC) – Int 27	Evaluating the Substance of Transaction Involving the Legal Forms of a Lease
HK – Int 2	The Appropriate Accounting Policies for Hotel Properties
HK – Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HK – Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new and revised HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37, HK(SIC)-Ints 15, 27, HK-Ints 2, 3, 4 and HKFRS 5 did not result in substantial changes to the Group's accounting policies.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share tax attributable to associates.

(b) HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

(c) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of interests in leasehold land and land use rights from property, plant and equipment to operating leases and retrospective application is required. The up-front prepayments made for the interests in leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation. In prior years, interests in leasehold land and land use rights was classified under property, plant and equipment at cost and amortised over the terms of the leases except those classified as properties under development which was stated at cost less impairment.

(d) The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

(i) Equity securities

In prior years, listed equity securities held for trading purpose were disclosed as investments in securities and stated at market value with changes to such value accounted through profit or loss. Under HKAS 39, listed equity securities held for trading purpose are classified as financial assets at fair value through profit or loss and are continued to be stated at closing price with all realised and unrealized gains or losses to be recognised in the income statement. Prospective application is required for adoption of HKAS 39.

(ii) Convertible notes

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 a market interest rate for equivalent nonconvertible 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 retained earnings). The issuance costs incurred for the arrangement of convertible notes were charged to the income statement in the year of issue. Retrospective application is required for adoption of HKAS 32.

(e) The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as gain or loss on revaluation of investment properties. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

(f) The adoption of revised HK(SIC) – Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

(g) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required. Until 31 March 2005:

(i) positive goodwill was capitalised and amortised on a straight line basis over its useful economic life of 10 years and was subject to impairment testing when there were indications of impairment; and

(ii) negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38:

(i) the Group ceased amortisation of remaining goodwill from 1 April 2005;

(ii) accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of positive goodwill;

(iii) from the year ended 31 March 2006 onwards, positive goodwill is tested annually for impairment, as well as when there is indication of impairment; and

(iv) in accordance with the transitional provision in HKFRS 3, all negative goodwill was derecognised as at 1 April 2005 with a corresponding decrease in accumulated losses.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

(i) HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

(ii) HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

(iii) HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005;

(iv) HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1 April 2005, including the reclassification of any amount held in revaluation surplus for investment property; and

(v) HKFRS 3 – prospectively after 1 April 2005.

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies for the Relevant Periods and for the six months ended 30 September 2005 as described above are as follows:

(a) Effect on the consolidated balance sheet at 31 March 2004, 2005, 2006 and 30 September 2006:

	HK(SIC)-Int 21	HKAS 17	HKAS 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2004				
Assets				
Increase in interests in leasehold land and land use rights	–	77,422	–	77,422
Decrease in property, plant and equipment	–	(89,165)	–	(89,165)
Decrease in investments in securities	–	–	(374)	(374)
Increase in financial assets at fair value through profit and loss	–	–	374	374
				(11,743)
Liabilities/equity				
Decrease in minority interests	–	(1,119)	–	(1,119)
Increase in deferred tax liabilities	1,190	–	–	1,190
Increase in accumulated loss	(1,190)	(10,624)	–	(11,814)
				(11,743)
At 31 March 2005				
Assets				
Increase in interests in leasehold land and land use rights	–	75,857	–	75,857
Decrease in property, plant and equipment	–	(89,165)	–	(89,165)
Decrease in investments in securities	–	–	(154)	(154)
Increase in financial assets at fair value through profit and loss	–	–	154	154
				(13,308)
Liabilities/equity				
Decrease in minority interests	–	(1,222)	–	(1,222)
Increase in deferred tax liabilities	1,190	–	–	1,190
Increase in accumulated loss	(1,190)	(12,086)	–	(13,276)
				(13,308)

	HK(SIC)-Int 21 HK$'000	HKAS 17 HK$'000	HKAS 39 HK$'000	Total HK$'000
At 31 March 2006				
Assets				
Increase in interests in leasehold land and land use rights	–	75,722	–	75,722
Decrease in property, plant and equipment	–	(90,880)	–	(90,880)
Decrease in investments in securities	–	–	(172)	(172)
Increase in financial assets at fair value through profit and loss	–	–	172	172
				(15,158)
Liabilities/equity				
Decrease in minority interests	–	(1,349)	–	(1,349)
Increase in deferred tax liabilities	1,607	–	–	1,607
Increase in accumulated loss	(1,607)	(13,809)	–	(15,416)
				(15,158)
At 30 September 2006				
Assets				
Increase in interests in leasehold land and land use rights	–	74,924	–	74,924
Decrease in property, plant and equipment	–	(90,880)	–	(90,880)
Decrease in investments in securities	–	–	(164)	(164)
Increase in financial assets at fair value through profit and loss	–	–	164	164
				(15,956)
Liabilities/equity				
Decrease in minority interests	–	(1,401)	–	(1,401)
Increase in deferred tax liabilities	1,607	–	–	1,607
Increase in accumulated loss	(1,607)	(14,555)	–	(16,162)
				(15,956)

(b) Effect on the balances of equity at 1 April 2003, 1 April 2004, 1 April 2005 and 1 April 2006:

	HK(SIC)-Int 21	HKAS 17	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2003			
Decrease in minority interests	–	(1,019)	(1,019)
Increase in accumulated loss	(2,160)	(9,160)	(11,320)
Decrease in total equity			(12,339)
At 1 April 2004			
Decrease in minority interests	–	(1,119)	(1,119)
Increase in accumulated loss	(1,190)	(10,624)	(11,814)
Decrease in total equity			(12,933)
At 1 April 2005			
Decrease in minority interests	–	(1,222)	(1,222)
Increase in accumulated loss	(1,190)	(12,086)	(13,276)
Decrease in total equity			(14,498)
At 1 April 2006			
Decrease in minority interests	–	(1,349)	(1,349)
Increase in accumulated loss	(1,607)	(13,809)	(15,416)
Decrease in total equity			(16,765)

(c) Effect on the consolidated income statement for the Relevant Periods:

	HK(SIC)-Int 21	HKAS 17	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2004			
Increase in amortisation and depreciation	–	1,565	1,565
Decrease in deferred tax expenses	(970)	–	(970)
Increase in minority interests	–	(102)	(102)
Total increase/(decrease) in loss attributable to equity holders of the Company	(970)	1,463	493
Increase/(decrease) in basic and diluted losses per share *(cents)*	(0.021)	0.032	0.011

	HK(SIC)-Int 21 HK$'000	HKAS 17 HK$'000	Total HK$'000
Year ended 31 March 2005			
Increase in amortisation and depreciation	–	1,565	1,565
Increase in minority interests	–	(102)	(102)
Total increase in loss attributable to equity holders of the Company	–	1,463	1,463
Increase in basic and diluted losses per share *(cents)*	–	0.032	0.032
Year ended 31 March 2006			
Increase in amortisation and depreciation	–	1,595	1,595
Increase in deferred tax expenses	417	–	417
Increase in minority interests	–	(104)	(104)
Total increase in loss attributable to equity holders of the Company	417	1,491	1,908
Increase in basic and diluted losses per share *(cents)*	0.008	0.030	0.038
Six months ended 30 September 2006			
Increase in amortisation and depreciation	–	798	798
Increase in deferred tax expenses	–	–	–
Increase in minority interests	–	(52)	(52)
Total increase in loss attributable to equity holders of the Company	–	746	746
Increase in basic losses per share *(cents)*	–	0.013	0.013
Six months ended 30 September 2005 (unaudited)			
Increase in amortisation and depreciation	–	798	798
Increase in deferred tax expenses	–	–	–
Increase in minority interests	–	(52)	(52)
Total increase in loss attributable to equity holders of the Company	–	746	746
Increase in basic losses per share *(cents)*	–	0.013	0.013

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

New HKFRSs/ interpretations/ Amendment to standards	Effective date	Description
HKAS 1 (Amendment)	1 January 2007	Capital Disclosures
HKAS 21 (Amendment)	1 January 2006	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	1 January 2006	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	1 January 2006	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	1 January 2006	Financial Guarantee Contracts
HKFRS 1 (Amendment)	1 January 2006	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6	1 January 2006	Exploration for and Evaluation of Mineral Resources
HKFRS 7	1 January 2007	Financial Instruments: Disclosures
HKFRS – Int 4	1 January 2006	Determining whether an Arrangement contain a Lease
HKFRS – Int 5	1 January 2006	Rights to Interests arising from Decommissioning, Restoration and Environmental and Rehabilitation Fund
HK(IFRC) – Int 6	1 December 2005	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
HK(IFRC) – Int 7	1 March 2006	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRC) – Int 8	1 May 2006	Scope of HKFRS 2
HK(IFRC) – Int 9	1 June 2006	Reassessment of Embedded Derivatives

The Group had not early adopted the above new/revised standards and interpretations. The Company's directors and the Group's management anticipate that the adoption of the new/revised standards and interpretations will not result in substantial changes to the Group's accounting policies, except that HKAS 1 (Amendment) and HKFRS 7 will require additional disclosure on the sensitivity analysis to market risk and the capital disclosures. The adoption of the new/revised standards and interpretations will not have any significant impact on the financial position and result of operations to the Group.

2.5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

(i) Subsidiaries

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

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

(ii) Associates

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

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

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

Revenue recognition

(i) Sale of properties

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

(ii) Sale of land

Revenue arising from the sale of land is recognised upon the sale of land or the transfer of land use rights, whichever is the later.

(iii) 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.

(iv) Commission and brokerage income

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

(v) 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.

(vi) Interest income

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

Property, plant and equipment

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

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

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

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

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

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

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Asset held under a finance lease is depreciated over its expected useful live on the same basis as owned assets.

Investment properties

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

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

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

Interests in leasehold land and land use rights

Interests in leasehold land and land use rights 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 income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

Taxation

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

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.

Investment in subsidiaries

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

Interest in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill in so far as it has not already been amortised to the income statement, less any identified impairment loss. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised loss 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 receivables during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

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.

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

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.

Investments

Before adoption of the new and revised HKFRSs, the Group classified the investments in securities into non-trading securities and trading securities except for the investments in subsidiaries, associates and jointly control entities.

(i) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the securities was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

When there was objective evidence that individual investments were impaired the cumulative loss recorded in the investment revaluation reserve was dealt with to the income statement.

(ii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, were recognised in the income statement in the period that arise.

From 1 April 2005 onward, the Group classifies its investment in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluate this designation at every reporting date.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables included loan receivables, convertible notes receivables and trade receivables.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period that arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Properties under development for sale

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

Construction contracts

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

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

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.

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, 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.

Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition of the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the notes are converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to accumulated losses.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefits costs

Payment to Mandatory Provident Fund Scheme and state-managed retirement plan are charged to the income statement as they fall due.

Related parties

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

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(i) Market risk

(1) Foreign exchange risk

The Group operates mainly in both the People's Republic of China ("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 and US dollars against Hong Kong dollars.

(2) Price risk

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

(ii) Credit risk

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

(iii) Liquidity risk

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

(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 adjust the portfolio of borrowings where necessary.

Fair value estimation

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy "Impairment of assets" as stated in note 2.5. 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 13, the investment properties were revalued at the balance sheet date on market value basis by reference to 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

Management assessed the recoverability of the property under development in the Group's consolidated balance sheet during the Relevant Periods which the 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 realizable 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.

Trade debtors

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

Fair values of other financial assets and liabilities

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

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions during the Relevant Periods (six months ended 30 September 2005: four), 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:

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

	Environmental protection and water treatment operation	City development and investment operation	Property investment operation	Securities and financial operation	Elimination	Consolidated total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)			(Restated)
For the year ended 31 March 2004						
TURNOVER						
External sales	–	–	30,187	59,235	–	89,422
Inter-segment sales	–	–	1,084	–	(1,084)	–
	–	–	31,271	59,235	(1,084)	89,422
SEGMENT RESULTS	(13,949)	(17,224)	31,238	33,626		33,691
Interest income and unallocated gains						3,968
Unallocated corporate expenses						(36,079)
Profit from operations						1,580
Finance costs						(31,043)
Share of results of associates	(2,371)	–	–	–	–	(2,371)

	Environmental protection and water treatment operation *HK$'000*	City development and investment operation *HK$'000* (Restated)	Property investment operation *HK$'000* (Restated)	Securities and financial operation *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000* (Restated)
Loss before taxation						(31,834)
Taxation						(130)
Loss for the year						(31,964)
Assets/liabilities						
Segment assets	236,807	345,756	809,988	193,484	–	1,586,035
Unallocated corporate assets						17,178
Total assets						1,603,213
Segment liabilities	51,984	100,865	39,951	18,174	–	210,974
Unallocated corporate liabilities						618,302
Total liabilities						829,276
Other segment information						
Depreciation and amortisation	517	1,738	14,864	649	–	17,768
Unallocated amounts						1,662
						19,430
Capital expenditure	175,882	234,407	2,934	118	–	413,341
Unallocated amounts						908
						414,249
Additions of investment properties	–	–	42,611	–		42,611
Goodwill amortisation	94	137	1,350	(1,478)		103
Impairment loss recognised in the income statement	1,218	–	5,400	–	–	6,618

	Environmental protection and water treatment operation *HK$'000*	City development and investment operation *HK$'000* (Restated)	Property investment operation *HK$'000* (Restated)	Securities and financial operation *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000* (Restated)
For the year ended 31 March 2005						
TURNOVER						
External sales	6,966	181,555	22,953	13,529	–	225,003
Inter-segment sales	–	–	1,023	–	(1,023)	–
	6,966	181,555	23,976	13,529	(1,023)	225,003
SEGMENT RESULTS	(13,010)	(19,924)	27,460	(1,888)		(7,362)
Interest income and unallocated gains						183
Unallocated corporate expenses						(30,731)
Loss from operations						(37,910)
Finance costs						(34,491)
Loss before taxation						(72,401)
Taxation						(100)
Loss for the year						(72,501)
Assets/liabilities						
Segment assets	270,455	898,257	425,661	52,209	–	1,646,582
Interests in associates	943	–	–	–	–	943
Unallocated corporate assets						12,766
Total assets						1,660,291
Segment liabilities	98,905	191,419	4,174	38,225	–	332,723
Unallocated corporate liabilities						611,675
Total liabilities						944,398
Other segment information						
Depreciation and amortisation	4,269	3,010	1,115	283	–	8,677
Unallocated amounts						2,790
						11,467

	Environmental protection and water treatment operation HK$'000	City development and investment operation HK$'000 (Restated)	Property investment operation HK$'000 (Restated)	Securities and financial operation HK$'000	Elimination HK$'000	Consolidated total HK$'000 (Restated)
Capital expenditure	53,528	167,823	483	16	–	221,850
Unallocated amounts						404
						222,254
Addition of investment properties	–	–	31,888	–	–	31,888
Goodwill amortisation	–	332	–	–	–	332
Changes in fair value of investment properties	–	–	10,566	–	–	10,566

	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 (Restated)
For the year ended 31 March 2006						
TURNOVER						
External sales	58,268	66,779	3,724	5,969	–	134,740
Inter-segment sales	–	–	1,023	–	(1,023)	–
	58,268	66,779	4,747	5,969	(1,023)	134,740
SEGMENT RESULTS	(3,037)	(36,129)	2,571	(2,694)		(39,289)
Interest income and unallocated gains						421
Unallocated corporate expenses						(34,349)
Loss from operations						(73,217)
Finance costs						(26,135)
Share of results of associates	(122)	–	(9,351)	–	–	(9,473)
Gain on disposal of subsidiaries						237
Loss before taxation						(108,588)
Taxation						(937)
Loss for the year						(109,525)

	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* (Restated)
Assets/liabilities						
Segment assets	263,767	907,177	107,866	27,940	–	1,306,750
Interests in associates	840	–	82,608	–	–	83,448
Unallocated corporate assets						27,192
Total assets						1,417,390
Segment liabilities	64,544	222,219	4,748	18,031	–	309,542
Unallocated corporate liabilities						398,853
Total liabilities						708,395
Other segment information						
Depreciation and amortisation	8,846	2,725	298	243	–	12,112
Unallocated amounts						709
						12,821
Capital expenditure	13,369	16,858	1,162	40	–	31,429
Unallocated amounts						1,846
						33,275
Impairment loss recognised in the income statement	–	17,738	–	–	–	17,738
Changes in fair value of investment properties	–	–	1,008	–	–	1,008

	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* (Restated)
For the six months ended 30 September 2006						
TURNOVER						
External sales	12,036	–	1,101	1,680	–	14,817
Inter-segment sales	–	–	426	–	(426)	–
	12,036	–	1,527	1,680	(426)	14,817
SEGMENT RESULTS	323	(18,374)	(460)	(1,149)		(19,660)
Interest income and unallocated gains						1,122
Unallocated corporate expenses						(13,115)
Loss from operations						(31,653)
Finance costs						(12,120)
Share of results of associates	–	–	4,663	–	–	4,663
Gain on disposal of subsidiaries						29,828
Loss before taxation						(9,282)
Taxation						(284)
Loss for the period						(9,566)
Assets/liabilities						
Segment assets	271,769	874,744	93,925	16,857	–	1,257,295
Interests in associates	840	–	90,908	–	–	91,748
Unallocated corporate assets						50,404
Total assets						1,399,447
Segment liabilities	42,928	178,744	69,839	10,450	–	301,961
Unallocated corporate liabilities						398,057
Total liabilities						700,018

	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* (Restated)
Other segment information						
Depreciation and amortisation	4,342	1,118	184	36	–	5,680
Unallocated amounts						257
						5,937
Capital expenditure	3,699	4,956	–	20	–	8,675
Unallocated amounts						82
						8,757
Impairment loss recognised in the income statement	–	–	–	–	–	–
Changes in fair value of investment properties	–	–	–	–	–	–

	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 (Restated)
For the six months ended 30 September 2005 (unaudited)						
TURNOVER						
External sales	10,885	66,780	2,186	3,301	–	83,152
Inter-segment sales	–	–	512	–	(512)	–
	10,885	66,780	2,698	3,301	(512)	83,152
SEGMENT RESULTS	(2,146)	(6,649)	1,173	(1,381)		(9,003)
Interest income and unallocated gains						109
Unallocated corporate expenses						(20,513)
Loss from operations						(29,407)
Finance costs						(13,336)
Share of results of associates						(776)
Gain on disposal of subsidiaries						237
Loss before taxation						(43,282)
Taxation						(355)
Loss for the period						(43,637)
Assets/liabilities						
Segment assets	257,942	903,880	186,884	33,182	–	1,381,888
Interests in associates	961	–	90,400	–	–	91,361
Unallocated corporate assets						28,089
Total assets						1,501,338
Segment liabilities	71,517	234,948	8,629	18,987	–	334,081
Unallocated corporate liabilities						481,165
Total liabilities						815,246

	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* (Restated)
Other segment information						
Depreciation and amortisation	4,169	1,505	224	126	–	6,024
Unallocated amounts						507
						6,531
Capital expenditure	4,560	2,209	1,247	–	–	8,016
Unallocated amounts						194
						8,210
Impairment loss recognised in the income statement	–	–	–	–	–	–
Changes in fair value of investment properties	–	–	–	–	–	–

Geographical segments

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

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 *HK$'000*	The PRC *HK$'000*	Consolidated total *HK$'000*
For the year ended 31 March 2004			
Turnover	62,346	27,076	89,422
Segment results	54,095	(20,404)	33,691
Interest income and unallocated gain			3,968
Unallocated corporate expenses			(36,079)
Profits from operations			1,580
For the year ended 31 March 2005			
Turnover	16,211	208,792	225,003
Segment results	(7,005)	(357)	(7,362)
Interest income and unallocated gain			183
Unallocated corporate expenses			(30,731)
Loss from operations			(37,910)
For the year ended 31 March 2006			
Turnover	6,419	128,321	134,740
Segment results	(3,666)	(35,623)	(39,289)
Interest income and unallocated gain			421
Unallocated corporate expenses			(34,349)
Loss from operations			(73,217)
For the six months ended 30 September 2006			
Turnover	1,950	12,867	14,817
Segment results	(1,620)	(18,040)	(19,660)
Interest income and unallocated gain			1,122
Unallocated corporate expenses			(13,115)
Loss from operations			(31,653)

	Hong Kong *HK$'000*	The PRC *HK$'000*	Consolidated total *HK$'000*
For the six months ended 30 September 2005 (unaudited)			
Turnover	3,481	79,671	83,152
Segment results	(2,958)	(6,045)	(9,003)
Interest income			109
Unallocated corporate expenses			(20,513)
Loss from operations			(29,407)

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 *HK$'000*	The PRC *HK$'000*	Consolidated total *HK$'000*
As at 31 March 2004			
Carrying amounts of segment assets	346,948	1,268,009	1,614,957
Additions to property, plant and equipment, investment properties and intangible assets	19,947	441,540	461,487
As at 31 March 2005			
Carrying amounts of segment assets	84,087	1,576,204	1,660,291
Additions to property, plant and equipment, investment properties and intangible assets	12,596	241,546	254,142
As at 31 March 2006			
Carrying amounts of segment assets	194,741	1,222,654	1,417,395
Additions to property, plant and equipment, investment properties and intangible assets	1,431	31,844	33,275
As at 30 September 2006			
Carrying amounts of segment assets	145,428	1,254,089	1,399,517
Additions to property, plant and equipment, investment properties and intangible assets	101	8,656	8,757

6. TURNOVER

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

	For the year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Sale of properties	–	181,555	35,836	–	–
Sale of land	–	–	66,779	–	66,780
Property rental and management fee	30,187	22,953	3,724	1,101	2,186
Brokerage commission income	33,571	8,254	5,263	1,313	2,942
Interest income from margin client	25,664	5,275	706	367	359
Sewage treatment income	–	6,966	22,432	12,036	10,885
	89,422	225,003	134,740	14,817	83,152

7 OTHER OPERATING INCOME

	For the year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Dividend income	2	3	5	4	3
Gain on sales of cash coupon	–	–	58	–	–
Water damage insurance claim	–	–	8	–	–
Sundry income	1,680	1,810	552	854	291
	1,682	1,813	623	858	294

8. STAFF COSTS

	For the year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Salaries and allowance (including directors' remuneration)	30,773	30,250	30,455	13,294	15,467
Retirement benefit scheme contributions	1,073	1,327	1,824	733	951
	31,846	31,577	32,279	14,027	16,418

(a) Directors' emoluments

The aggregate amount of emoluments paid or payable to the directors of the Company for the year ended 31 March 2004, 2005, 2006 and the six months ended 30 September 2006 were HK$14,426,000, HK$12,375,000, HK$11,066,000 and HK$5,472,000 respectively (six months ended 30 September 2005: HK$6,131,000).

The remuneration of every director during the Relevant Periods is shown as below:–

	Directors' fee	Salaries and benefits-in-kind	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2004				
Executive directors				
Zhang Yang	150	4,446	120	4,716
Lam Cheung Shing, Richard	150	2,200	90	2,440
Chan Wing Yuen Hubert	150	3,092	65	3,307
Liu Shunxin	553	–	–	553
Zhang Yiyei, Jack	150	1,160	–	1,310
	1,153	10,898	275	12,326
Non-executive director				
Hui Ho Ming, Herbert	600	–	–	600
	1,753	10,898	275	12,926
Independent non-executive directors				
Wong Hon Sum	150	–	–	150
Wu Wai Chung, Michael	600	–	–	600
Lee Peng Fei, Allen	600	–	–	600
Ha Ping	150	–	–	150
	1,500	–	–	1,500
	3,253	10,898	275	14,426

	Directors' fee *HK$'000*	Salaries and benefits-in-kind *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
For the year ended 31 March 2005				
Executive directors				
Zhang Yang	200	3,900	120	4,220
Chan Wing Yuen, Hubert	200	3,266	12	3,478
Lam Cheung Shing, Richard	200	2,187	90	2,477
	600	9,353	222	10,175
Non-executive director				
Hui Ho Ming, Herbert	600	–	–	600
	1,200	9,353	222	10,775
Independent non-executive directors				
Lee Peng Fei, Allen	600	–	–	600
Wu Wai Chung, Michael	600	–	–	600
Wong Hon Sum	200	–	–	200
Ha Ping	200	–	–	200
	1,600	–	–	1,600
	2,800	9,353	222	12,375
For the year ended 31 March 2006				
Executive directors				
Zhang Yang	200	3,900	120	4,220
Chan Wing Yuen, Hubert	200	2,455	66	2,721
Lam Cheung Shing, Richard	200	1,635	90	1,925
	600	7,990	276	8,866
Non-executive director				
Hui Ho Ming, Herbert	600	–	–	600
	1,200	7,990	276	9,466
Independent non-executive directors				
Lee Peng Fei, Allen	600	–	–	600
Wu Wai Chung, Michael	600	–	–	600
Wong Hon Sum	200	–	–	200
Ha Ping	200	–	–	200
	1,600	–	–	1,600
	2,800	7,990	276	11,066

	Directors' fee HK$'000	Salaries and benefits-in-kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the six months ended 30 September 2006				
Executive directors				
Zhang Yang	100	1,950	60	2,110
Chan Wing Yuen, Hubert	100	1,463	60	1,623
Lam Cheung Shing, Richard	100	975	45	1,120
	300	4,388	165	4,853
Non-executive director				
Hui Ho Ming, Herbert*	250	–	–	250
	550	4,388	165	5,103
Independent non-executive directors				
Tang Tin Sek	19	–	–	19
Wu Wai Chung, Michael*	150	–	–	150
Wong Hon Sum	100	–	–	100
Ha Ping	100	–	–	100
	369	–	–	369
	919	4,388	165	5,472
For the six months ended 30 September 2005 (unaudited)				
Executive directors				
Zhang Yang	100	1,920	60	2,080
Chan Wing Yuen, Hubert	100	1,645	6	1,751
Lam Cheung Shing, Richard	100	1,055	45	1,200
	300	4,620	111	5,031
Non-executive director				
Hui Ho Ming, Hubert	300	–	–	300
	600	4,620	111	5,331
Independent non-executive directors				
Lee Peng Fei, Allen	300	–	–	300
Wu Wai Chung, Michael	300	–	–	300
Wong Hon Sum	100	–	–	100
Ha Ping	100	–	–	100
	800	–	–	800
	1,400	4,620	111	6,131

* Mr. Hui Ho Ming, Herbert and Mr. Wu Wai Chung, Michael retired as non-executive director and independent non-executive director respectively from 26 August 2006.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2004, 2005, 2006 and the six months ended 30 September 2006 included four, three, three and three (six months ended 30 September 2005: three) directors respectively whose emoluments are reflected in note (a) above and amounted to HK$11,773,000, HK$10,175,000, HK$8,866,000 and HK$4,853,000 (six months ended 30 September 2005: HK$5,031,000) respectively. The emoluments payable to the remaining one, two, two and two (six months ended 30 September 2005: two) individuals during the Relevant Periods were as follows:–

	For the year ended 31 March			**Six months ended 30 September**	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Salaries and other benefits	1,422	1,345	1,122	607	518
Retirement benefit scheme contributions	61	41	42	17	21
	1,483	1,386	1,164	624	539

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

	For the year ended 31 March			**Six months ended 30 September**	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
HK$Nil to HK$1,000,000	–	2	2	2	2
HK$1,000,001 to HK$1,500,000	1	–	–	–	–
	1	2	2	2	2

9. PROFIT/(LOSS) FROM OPERATIONS

	For the year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)			(Unaudited)
Profit/(loss) from operations has been arrived at after charging/ (crediting):					
Depreciation					
– Owned assets	17,705	9,902	11,174	5,087	5,682
– Assets held under finance leases	160	–	52	52	52
Amortisation of leasehold land and land use rights	1,565	1,565	1,595	798	797
Amortisation of goodwill	103	332	–	–	–
	19,533	11,799	12,821	5,937	6,531
Gross rents from investment properties	(30,187)	(22,953)	(3,724)	(1,101)	(2,186)
Less: Outgoings	553	632	–	–	327
	(29,634)	(22,321)	(3,724)	(1,101)	(1,859)
Auditors' remuneration	1,050	926	750	581	312
Loss on disposal of property, plant and equipment	78	69	40	–	–
Operating lease rentals in respect of premise	5,644	5,853	5,528	2,201	2,704
Net foreign exchange loss	–	–	3,508	57	3,959

10. FINANCE COSTS

	For the year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Interests on:					
Bank loans and overdrafts and other loans wholly repayable:					
within five years	12,083	16,313	9,037	4,131	3,852
over five years	6,358	3,893	9,636	5,915	5,321
Other borrowings	17,016	17,661	8,359	3,246	4,646
Interest on obligations under finance leases	27	10	12	5	7
Interest on convertible notes	1,913	–	282	–	–
	37,397	37,877	27,326	13,297	13,826
Less: Amounts capitalised	(6,354)	(3,386)	(1,191)	(1,177)	(490)
	31,043	34,491	26,135	12,120	13,336

11. TAXATION

	For the year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)				(Unaudited)
Current tax:					
Hong Kong	1,100	100	520	284	355
Provision for deferred tax liabilities	(970)	–	417	–	–
	130	100	937	284	355

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit during the Relevant Periods. Taxation on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the tax expense applicable to profit/(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 2004

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	42,193		(74,027)		(31,834)	
Tax at the statutory tax rate	7,384	17.5	(24,429)	(33.0)	(17,045)	(53.5)
Tax effect of expenses not deductible for tax purpose	10,394	24.6	4,506	6.1	14,900	46.8
Tax effect of income not taxable for tax purpose	(11,320)	(26.8)	–	–	(11,320)	(35.6)
Tax effect of tax losses/ deferred tax assets not recognised	(5,358)	(12.7)	19,923	26.9	14,565	45.8
Adjustment in respect to deferred tax	–	–	(970)	(1.3)	(970)	(3.1)
Tax charge/(credit) for the year	1,100	2.6	(970)	(1.3)	130	0.4

The Group – Year ended 31 March 2005

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(16,342)		(56,059)		(72,401)	
Tax at the statutory tax rate	(2,860)	(17.5)	(18,499)	(33.0)	(21,359)	(29.5)
Tax effect of expenses not deductible for tax purpose	88	0.5	4,051	7.2	4,139	5.7
Tax effect of income not taxable for tax purpose	(6,308)	(38.6)	(365)	(0.7)	(6,673)	(9.2)
Tax effect of tax losses/ deferred tax assets not recognised	9,209	56.4	15,190	27.2	24,399	33.7
Utilisation of tax losses previously not recognised	(29)	(0.2)	(377)	(0.7)	(406)	(0.6)
Tax charge for the year	100	0.6	–	–	100	0.1

The Group – Year ended 31 March 2006

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

The Group – Six months ended 30 September 2006

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	12,743		(22,025)		(9,282)	
Tax at the statutory tax rate	2,230	17.5	(7,267)	(33.0)	(5,037)	(54.3)
Tax effect of expenses not deductible for tax purpose	25	0.2	2,122	9.6	2,147	23.1
Tax effect of income not taxable for tax purpose	(5,142)	(40.4)	–	–	(5,142)	(55.4)
Tax effect of tax losses/ deferred tax assets not recognised	3,171	24.9	5,145	23.4	8,316	89.6
Tax charge for the period	284	2.2	–	–	284	3.0

The Group – Six months ended 30 September 2005 (unaudited)

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(29,550)		(13,732)		(43,282)	
Tax at the statutory tax rate	(5,171)	(17.5)	(4,531)	(33.0)	(9,702)	(22.4)
Tax effect of expenses not deductible for tax purpose	(142)	(0.5)	2,183	15.9	2,041	4.7
Tax effect of income not taxable for tax purpose	24,060	81.4	–	–	24,060	55.6
Tax effect of tax losses/ deferred tax assets not recognised	(18,392)	(62.2)	2,348	17.1	(16,044)	(37.1)
Tax charge for the period	355	1.2	–	–	355	0.8

12. LOSS PER SHARE

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

	For the year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)			(Unaudited)
Loss attributable to equity holders of the Company for the purpose of basic and diluted loss per share	26,793	70,656	108,312	8,985	42,530
Number of shares					
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,594,923,632	4,652,622,262	5,000,348,290	5,584,923,632	4,684,923,632

The computation of diluted loss per share did not assume the early conversion of the Company's convertible notes issued during the year ended 31 March 2004, 2005, 2006 and six months ended 30 September 2006 since the assumption of the early conversion would reduce loss per share.

The computation of diluted loss per share did not assume the exercise of the Company's share options existed during the year ended 31 March 2004, 2005, 2006 and six months ended 30 September 2006 since the exercise price of the Company's share options was higher than the average market price for shares during the Relevant Periods.

13. INVESTMENT PROPERTIES

	The Group			
	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Valuation at the beginning of the year/ period	378,200	477,871	394,325	60,694
Exchange alignment	–	–	267	–
Additions	42,611	31,888	–	–
Reclassification from leasehold improvement	32,082	–	–	–
Revaluation surplus	24,978	10,566	1,008	–
Eliminated through disposal of a subsidiary	–	–	(334,906)	–
Disposal during the year	–	(126,000)	–	–
At the end of the year/period	477,871	394,325	60,694	60,694

Investment properties were valued at their open market value at 31 March 2004, 2005, 2006 and 30 September 2006 by Messrs. Chesterton Petty Limited, Messrs. Savills Valuation and Professional Services Limited, independent professional valuers, 北京寶信房地產評估諮詢有限責任公司 and 上海房地產估價師事務所有限公司, the independent PRC valuers. These valuations gave rise to a revaluation surplus of HK$24,978,000, HK$10,566,000, HK$1,008,000 and HK$Nil as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively which the whole amount have been credited to income statement, in accordance of HKAS 40.

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

	The Group			
	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties in Hong Kong, held on:				
Long term leases	–	12,000	12,300	12,300
Medium-term leases	126,000	–	–	–
Investment properties outside Hong Kong, held on:				
Medium-term leases	351,871	382,325	48,394	48,394
	477,871	394,325	60,694	60,694

Investment properties with the carrying amount of approximately HK$455,511,000, HK$394,325,000, HK$60,694,000 and HK$60,694,000 have been pledged to secure banking facilities granted to the Group as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively.

The Group's investment properties, amounting to HK$469,779,000, HK$365,074,000, HK$54,900,000 and HK$56,289,000 are rented out under operating leases as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively.

14. INTEREST IN LEASEHOLD LAND AND LAND USE RIGHTS

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		
Cost				
At the beginning of the year/period				
As previously reported	–	–	–	–
Effect of adopting HKAS 17	89,165	89,165	89,165	90,880
As restated	89,165	89,165	89,165	90,880
Exchange alignment	–	–	1,715	–
At the end of the year/period	89,165	89,165	90,880	90,880
Accumulated amortisation				
At the beginning of the year/ period				
As previously reported	–	–	–	–
Effect of adopting HKAS 17	10,178	11,743	13,308	15,158
	10,178	11,743	13,308	15,158
Exchange alignment	–	–	255	–
Charge for the year	1,565	1,565	1,595	798
At the end of the year/period	11,743	13,308	15,158	15,956
Carrying amount				
At the end of the year/period	77,422	75,857	75,722	74,924

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

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		
Land outside Hong Kong, held on:				
Long term leases	37,727	37,180	37,338	37,059
Medium-term leases	39,695	38,677	38,384	37,865
	77,422	75,857	75,722	74,924

At 31 March 2004, 2005, 2006 and 30 September 2006, all of the Group's interests in leasehold land and land use rights with an aggregate net book value of approximately HK$77,422,000, HK$75,857,000, HK$75,722,000 and HK$74,924,000 were pledged to secure banking facilities granted to the Group respectively.

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.

15. PROPERTY, PLANT AND EQUIPMENT

	Properties under development	Construction in progress	Buildings	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$'000*	*HK$'000*
	(Restated)	(Restated)						(Restated)
The Group								
Cost								
At 1 April 2003	336,386	28,525	4,233	66,788	9,537	14,471	–	459,940
Additions	235,337	173,802	–	906	1,003	3,201	–	414,249
Acquisition of a subsidiary	54	–	–	–	208	1,669	–	1,931
Reclassification to investment properties	–	–	–	(63,640)	–	–	–	(63,640)
Reclassification to properties under development for sale	(259,432)	–	–	–	–	–	–	(259,432)
Disposals	(54)	–	–	–	(30)	–	–	(84)
Reclassification upon adoption of HKAS 17	(89,165)	–	–	–	–	–	–	(89,165)
At 31 March 2004 and 1 April 2004	223,126	202,327	4,233	4,054	10,718	19,341	–	463,799
Additions	166,040	9,795	–	–	1,328	1,805	43,286	222,254
Reclassification of construction in progress	–	(84,549)	–	–	–	–	84,549	–
Reclassification to properties under development for sale	(43,435)	–	–	–	–	–	–	(43,435)
Disposals	–	–	–	–	(496)	(487)	–	(983)
At 31 March 2005 and at 1 April 2005	345,731	127,573	4,233	4,054	11,550	20,659	127,835	641,635
Additions	18,495	9,464	–	–	1,287	624	3,405	33,275
Exchange alignment	6,650	1,969	81	78	139	480	2,404	11,801
Reclassification from properties under development for sale	128,868	–	–	–	–	–	–	128,868
Disposal of subsidiaries	–	–	(4,314)	–	(5,065)	(1.087)	–	(10,466)
Disposals	–	–	–	–	(1)	(93)	(23,020)	(23,114)
At 31 March 2006 and at 1 April 2006	499,744	139,006	–	4,132	7,910	20,583	110,624	781,999
Additions	4,970	3,398	–	–	9	87	293	8,757
Adjustment in construction cost upon finalisation of construction contract	–	(27,404)	–	–	–	–	–	(27,404)
Disposal of subsidiaries	–	–	–	–	–	(295)	–	(295)
Disposals	–	–	–	–	–	(746)	–	(746)
At 30 September 2006	504,714	115,000	–	4,132	7,919	19,629	110,917	762,311

	Properties under development	Construction in progress	Buildings	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$'000*	*HK$'000*
	(Restated)	(Restated)						(Restated)
Accumulated depreciation								
At 1 April 2003	–	–	127	19,581	4,780	4,344	–	28,832
Charge for the year	–	–	190	13,890	1,151	2,634	–	17,865
Reclassification	–	–	–	(31,558)	–	–	–	(31,558)
Eliminated on disposals	–	–	–	–	(3)	–	–	(3)
At 31 March 2004 and 1 April 2004	–	–	317	1,913	5,928	6,978	–	15,136
Charge for the year	–	–	191	1,205	1,264	3,910	3,332	9,902
Eliminated on disposals	–	–	–	–	(233)	(345)	–	(578)
At 31 March 2005 and 1 April 2005	–	–	508	3,118	6,959	10,543	3,332	24,460
Exchange alignment	–	–	10	60	75	120	64	329
Disposal of subsidiaries	–	–	(530)	–	(3,226)	(643)	–	(4,399)
Charge for the year	–	–	12	315	711	2,396	7,792	11,226
Eliminated on disposals	–	–	–	–	–	(30)	–	(30)
At 31 March 2006 and 1 April 2006	–	–	–	3,493	4,519	12,386	11,188	31,586
Disposal of subsidiaries	–	–	–	–	–	(39)	–	(39)
Eliminated on disposals	–	–	–	–	–	(434)	–	(434)
Charge for the period	–	–	–	–	346	998	3,795	5,139
At 30 September 2006	–	–	–	3,493	4,865	12,911	14,983	36,252
Net book value								
At 30 September 2006	504,714	115,000	–	639	3,054	6,718	95,934	726,059
At 31 March 2006	499,744	139,006	–	639	3,391	8,197	99,436	750,413
At 31 March 2005	345,731	127,573	3,725	936	4,591	10,116	124,503	617,175
At 31 March 2004	223,126	202,327	3,916	2,141	4,790	12,363	–	448,663

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Equipment, motor vehicle and others *HK$'000*	Total *HK$'000*
The Company				
Cost				
At 1 April 2003	1,086	363	3,536	4,985
Additions	766	15	–	781
At 31 March 2004 and 1 April 2004	1,852	378	3,536	5,766
Additions	–	–	13	13
	1,852	378	3,549	5,779
Exchange alignment	35	7	68	110
Additions	–	40	135	175
At 31 March 2006, 1 April 2006 and 30 September 2006	1,887	425	3,752	6,064
Accumulated depreciation				
At 1 April 2003	322	60	534	916
Charge for the year	431	66	636	1,133
At 31 March 2004 and 1 April 2004	753	126	1,170	2,049
Charge for the year	472	82	1,620	2,174
At 31 March 2005 and 1 April 2005	1,225	208	2,790	4,223
Exchange alignment	23	4	54	81
Charge for the year	–	40	135	175
At 31 March 2006, 1 April 2006 and 30 September 2006	1,248	252	2,979	4,479
Net book value				
At 30 September 2006 and 31 March 2006	639	173	773	1,585
At 31 March 2005	627	170	759	1,556
At 31 March 2004	1,099	252	2,366	3,717

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

	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		
The Group				
Properties under development				
Outside Hong Kong, held on:				
Long term leases	36,556	140,077	276,474	276,783
Medium-term leases	186,570	205,654	223,270	227,931
	223,126	345,731	499,744	504,714

	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Buildings, outside Hong Kong, held on:				
Long term leases	–	–	–	–
Medium-term leases	3,916	3,725	–	–
	3,916	3,725	–	–

During the year ended 31 March 2006 and six months ended 30 September 2006, all of the Group's buildings were eliminated through disposal of subsidiaries. At 31 March 2004 and 2005, all of the Group's buildings with an aggregate amount of HK$3,916,000 and HK$3,725,000 were pledged to secure banking facilities granted to the Group respectively.

Properties under development of the Group are situated in the PRC. At 31 March 2004, 2005, 2006 and 30 September 2006, properties under development of the Group included interest capitalised of HK$42,071,000, HK$42,071,000, HK$42,071,000 and HK$21,036,000 respectively.

Construction in progress represents the construction work of a water supply plant and a sewage treatment plant. At 31 March 2004, 2005, 2006 and 30 September 2006, construction in progress of the Group included interest capitalised of HK$6,354,000, HK$3,003,000, HK$3,003,000 and HK$687,000 respectively.

At 31 March 2004, 2005, 2006 and 30 September 2006, the net book value of equipment, motor vehicle and others includes an amount of HK$402,000, HK$347,000, HK$295,000 and HK$268,000 in respect of assets held under finance leases respectively.

16. INVESTMENT IN SUBSIDIARIES

	The Company			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	232,003	453,906	453,906	453,906
Impairment loss recognised	–	(41,722)	(41,722)	(41,722)
	232,003	412,184	412,184	412,184

17. INTEREST IN ASSOCIATES

	The Group				The Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost of investments, unlisted	–	943	962	962	–	–	1	1
Share of post-acquisition profits less losses	–	–	81,335	85,998	–	–	–	–
Amount due from an associate	–	–	1,151	4,788	–	–	68,704	62,659
	–	943	83,448	91,748	–	–	68,705	62,660

The amount due from an associate is unsecured, non-interest bearing and is repayable on demand. The carrying amount of the amount due from an associate approximates to its fair value.

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

	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	–	–	5,005	271
(Loss)/profit for the year/period	–	–	(23,379)	11,657
(Loss)/profit attributable to the Group	–	–	(9,473)	4,663
Total assets	–	4,717	262,842	407,375
Total liabilities	–	–	(40,750)	(192,075)
Net assets	–	4,717	222,092	215,300
Net assets attributable to the Group	–	943	82,297	86,960

During the year ended 31 March 2004, the Group acquired additional interest, up to 93%, in Interchina Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. ("IAH"). As a result, the investors of IAH agreed to change the Articles of Association to allow the Group to appoint majority of the board of directors. Accordingly, IAH became a subsidiary of the Company and the financial result of IAH has been consolidated since then.

18. GOODWILL

	Total
	HK$'000
The Group	
Cost	
At 1 April 2003	17,515
Acquisition of a subsidiary	1,134
Increase in shareholding of subsidiaries	3,493
At 31 March 2004 and 1 April 2005	22,142
Eliminated of accumulated amortisation and impairment upon adoption of HKFRS 3	(19,296)
At 31 March 2006, 1 April 2006 and 30 September 2006	2,846
Amortisation and impairment	
At 1 April 2003	10,765
Charge for the year	1,581
Impairment loss recognised in the year	6,618
At 31 March 2004 and 1 April 2004	18,964
Amortised for the year	332
At 31 March 2005 and 1 April 2005	19,296
Eliminated against cost upon adoption of HKFRS 3	(19,296)
At 31 March 2006, 1 April 2006 and 30 September 2006	–
Carrying amount	
At 30 September 2006	2,846
At 31 March 2006	2,846
At 31 March 2005	2,846
At 31 March 2004	3,178

During the year ended 31 March 2004 and 2005, the amortisation period adopted for goodwill is 10 years.

Following the adoption of HKFRS 3 with effect from 1 April 2005, the Group no longer amortised goodwill. In accordance to the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 April 2005 has been eliminated against the cost of goodwill as at that date.

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

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
City development and investment operation	3,178	2,846	2,846	2,846

The directors reassessed the recoverable amount of goodwill as at 31 March 2006 by reference to the valuation as at 31 March 2006 performed by 上海房地產估價師事務所有限公司, an independent PRC valuer. The recoverable amount of the CGU determined by the valuers is based on the present value of the expected future revenue arising from sales of properties.

Key assumptions used for recoverable amount calculation:

Growth rate	3%
Discount rate	7%

The growth rate used is based on the management's expectation for the market development.

19. LOAN RECEIVABLES

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current portion	8,000	5,600	–	–
Current portion	2,600	2,600	–	–
	10,600	8,200	–	–

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

The loan receivable was fully repaid during the year of 2006. The debtor agreed the early repayment of the loan receivable at a discount of the loan principal.

20. OTHER NON-CURRENT ASSETS

	The Group				The Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contribution to the compensation fund and fidelity fund with The Stock Exchange	354	200	197	197	–	–	–	–
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	100	100	100	100	–	–	–	–
Guarantee fund contributions To HKSCCL	382	486	100	100	–	–	–	–
Statutory deposits with HKFE Clearing Corporation Limited	1,500	1,500	1,500	1,500	–	–	–	–
Reserve fund with Hong Kong Clearing Corporation Limited	–	–	43	–	–	–	–	–
Club membership	380	542	526	516	380	380	380	380
	2,716	2,828	2,466	2,413	380	380	380	380

21. INVENTORIES

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consumables	1,560	604	–	–

All consumables were carried at cost.

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		
Land cost	26,939	101,953	53,836	53,836
Development and construction costs	232,493	294,960	222,794	241,994
Finance costs	–	153	1,344	490
	259,432	397,066	277,974	296,320

The Group's properties under development for sale are situated in Changsha, the PRC.

At 31 March 2004, 2005, 2006 and 30 September 2006, certain of the Group's properties under development for sale with a book value of approximately HK$Nil, HK$113,852,000, HK$148,302,000 and HK$163,165,000 were pledged to secure banking facilities to the Group respectively.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade customers. As at 31 March 2004, 2005, 2006 and 30 September 2006, the aged analysis of trade receivables of HK$27,539,000, HK$13,352,000, HK$26,893,000 and HK$27,437,000 included in trade and other receivables and prepayments are as follows respectively:

	The Group				The Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)						
0-30 days	2,900	6,704	9,155	9,699	–	–	–	–
31-60 days	4,237	1,500	–	–	–	–	–	–
61-90 days	–	1,500	–	–	–	–	–	–
Over 90 days	20,402	3,648	17,738	17,738	–	–	–	–
	27,539	13,352	26,893	27,437	–	–	–	–
Margin clients account receivables	167,154	3,859	1,504	1,451	–	–	–	–
Clearing houses, brokers and dealers	2,504	17,948	961	2,949	–	–	–	–
Prepayment and deposits	59,568	41,514	49,826	40,200	1,434	5,569	10,079	1,028
Other receivables	5,916	15,100	79,389	64,799	–	–	66,770	56,704
	262,681	91,773	158,573	136,836	1,434	5,569	76,849	57,732
Less: Impairment of trade receivables	–	–	(17,738)	(17,738)	–	–	–	–
	262,681	91,773	140,835	119,098	1,434	5,569	76,849	57,732

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.

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		
Held for trading:				
Listed equity securities – Hong Kong, at market value	374	154	172	164

25. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segregated accounts	1,221	1,014	517	–
Trust accounts	9,322	7,610	4,760	3,694
	10,543	8,624	5,277	3,694

26. CASH AND CASH EQUIVALENTS

	The Group				The Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	47,951	55,737	16,894	21,122	8,062	2,547	38	100

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	The Group				The Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000 (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables								
0-30 days	10,057	12,540	4,704	6,473	–	–	–	–
Accounts payable arising from the business of dealing in securities and equity options:								
Margin clients	480	13,585	8,043	137	–	–	–	–
Accounts payable to client arising from the business of dealing in futures and options	3,282	8,648	1,432	–	–	–	–	–
Other payables and deposits received	207,981	304,670	285,351	252,725	8,900	5,594	14,254	6,142
	221,800	339,443	299,530	259,335	8,900	5,594	14,254	6,142

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

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

Included in the other payables and deposits received are payables for construction works of approximately HK$136,000,000, HK$137,000,000, HK$56,300,000 and HK$33,114,000 and deposits received for the pre-sale of properties approximately HK$Nil, HK$72,000,000, HK$95,818,000 and HK$91,688,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively.

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

28. 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.

29. BANK AND OTHER BORROWINGS

	The Group				The Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings, secured	308,607	292,189	301,328	324,233	–	–	–	–
Other borrowings:								
secured	290,878	165,680	65,203	66,984	–	–	–	–
unsecured	–	105,000	40,000	40,000	–	105,000	40,000	40,000
Total other borrowings	290,878	270,680	105,203	106,984	–	105,000	40,000	40,000
Total borrowings	599,485	562,869	406,531	431,217	–	105,000	40,000	40,000
The maturity profile is as follows:								
On demand or repayable within one year:								
bank borrowings, secured	60,762	44,613	155,402	155,544	–	–	–	–
other borrowings, secured	290,878	165,680	65,203	66,984	–	–	–	–
other borrowings, unsecured	–	105,000	–	40,000	–	105,000	–	40,000
Portion classified as current liabilities	351,640	315,293	220,605	262,528	–	105,000	–	40,000
On demand or repayable in the second year:								
bank borrowings, secured	8,982	103,414	18,102	19,064	–	–	–	–
other borrowings, unsecured	–	–	40,000	–	–	–	40,000	–
	8,982	103,414	58,102	19,064	–	–	40,000	–
Bank borrowings, secured repayable								
in the third to fifth years, inclusive	157,701	59,338	59,531	77,800	–	–	–	–
after the fifth year	81,162	84,824	68,293	71,825	–	–	–	–
Portion classified as non-current liabilities	247,845	247,576	185,926	168,689	–	–	40,000	–
Total borrowings	599,485	562,869	406,531	431,217	–	105,000	40,000	40,000

The other borrowings bear interest at rates ranging from 4.8% to 6.9%, 4.8% to 7.2%, 5.5% to 7.2% and 5.5% to 7.2% as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively.

All the bank borrowings are variable-rate borrowings, thus exposing the Group to interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on the Prime Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi range from 5.5% to 6.9%, 4.5% to 6.6%, 4.5% to 6.6% and 4.6% to 8.2% as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively.

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

Secured bank borrowings comprise term loans and mortgage loans which bear interest at commercial rates. The term loans are secured by the assets held by the Group with carrying values during the Relevant Periods as follows:

– the property, plant and machinery amounted to HK$277,156,000, HK$392,266,000, HK$368,084,000 and HK$338,698,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively;

– the properties under development for sale amounted to HK$Nil, HK$113,852,000, HK$148,302,000 and HK$163,165,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively;

– the interests in leasehold land and land use rights amounted to HK$Nil, HK$37,179,000, HK$37,338,000 and HK$37,059,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively; and

– and the buildings amounted to HK$3,916,000, HK$3,725,000, HK$Nil and HK$Nil as at 31 March 2004, 2005, 2006 and 30 September 2006 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$455,511,000, HK$394,325,000, HK$60,694,000 and HK$60,694,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively. 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.

Secured other borrowings bear interest at market rates and are repayable on demand. The secured other borrowings are secured by the assets held by the Group with carrying values during the Relevant Periods as follows:

– the interests in leasehold land and land use rights amounted to HK$39,696,000, HK$38,678,000, HK$38,384,000 and HK$37,865,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively; and

– and the property under development in Shanghai amounted to HK$97,766,000, HK$205,561,000, HK$223,271,000 and HK$227,949,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively.

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

	The Group				**The Company**			
				As at 30 September				**As at 30 September**
	As at 31 March				**As at 31 March**			
	2004	**2005**	**2006**	**2006**	**2004**	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	61,391	140,574	73,074	71,853	–	105,000	40,000	40,000
Renminbi	538,094	422,295	333,457	359,364	–	–	–	–
	599,485	562,869	406,531	431,217	–	105,000	40,000	40,000

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:								
within one year	96	76	77	77	87	64	67	67
in the second to fifth years, inclusive	112	300	223	185	108	277	210	176
	208	376	300	262	195	341	277	243
Less: Future finance charges	(13)	(35)	(23)	(19)	–	–	–	–
Present value of finance leases	195	341	277	243	195	341	277	243
Less: Amount due for settlement within one year					(87)	(64)	(67)	(67)
Amount due for settlement after one year					108	277	210	176

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

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

31. CONVERTIBLE NOTES

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

On 7 November 2005, the Group completed the issue of the convertible notes. On 9 November 2005, 1 December 2005 and 16 December 2005, the Company's convertible notes holders converted their convertible notes with principal amounts of HK$44,000,000, HK$23,000,000 and HK$23,000,000 respectively into shares at the conversion price. 900,000,000 ordinary shares fell to be issued upon the conversion of the convertible notes.

32. SHARE CAPITAL

	Number of shares				Nominal value			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:								
Ordinary shares of HK$0.10 each	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:								
At the beginning of the year	4,594,923,632	4,594,923,632	4,684,923,632	5,584,923,632	459,492	459,492	468,492	558,492
Exercise of share options *(Note a)*	–	90,000,000	–	–	–	9,000	–	–
Conversion of convertible notes *(Note b)*	–	–	900,000,000	–	–	–	90,000	–
	4,594,923,632	4,684,923,632	5,584,923,632	5,584,923,632	459,492	468,492	558,492	558,492

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

Notes:

(a) On 9 August 2004, the Company's sole option holder exercised his option rights to subscribe for an aggregate of 90,000,000 shares at an exercise price of HK$0.161 per share in an aggregate amount of approximately HK$9,000,000.

(b) On 9 November 2005, 1 December 2005 and 16 December 2005, the Company's convertible notes holders converted their convertible notes with principal amounts of HK$44,000,000, HK$23,000,000 and HK$23,000,000 respectively into shares at the conversion price, which is equal to HK$0.10 per share. 900,000,000 ordinary shares fell to be issued upon the conversion of the convertible notes.

33. SHARE PREMIUM AND RESERVES

	Share premium	Convertible notes reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Company				
At 1 April 2003	276,969	–	(6,268)	270,701
Profit for the year	–	–	7,914	7,914
At 31 March 2004 and 1 April 2004	276,969	–	1,646	278,615
Exercise of share option	5,490	–	–	5,490
Loss for the year	–	–	(291,585)	(291,585)
At 31 March 2005 and 1 April 2005	282,459	–	(289,939)	(7,480)
Issue of convertible notes	–	6,354	–	6,354
Conversion of convertible notes	282	(6,354)	–	(6,072)
Profit for the year	–	–	89,347	89,347
At 31 March 2006 and 1 April 2006	282,741	–	(200,592)	82,149
Loss for the period	–	–	(7,447)	(7,447)
At 30 September 2006	282,741	–	(208,039)	74,702

The Company did not have any reserves available for distribution to shareholders during the Relevant Periods.

34. DEFERRED TAX LIABILITIES

The Group

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

	Accelerated tax depreciation HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 April 2003	1,632	528	2,160
Credit to income statement	(442)	(528)	(970)
At 31 March 2004 and 1 April 2004 (Restated)	1,190	–	1,190
Charge to income statement	–	–	–
At 31 March 2005 and 1 April 2005	1,190	–	1,190
Charge to income statement	417	–	417
At 31 March 2006 and 1 April 2006	1,607	–	1,607
Charge to income statement	–	–	–
At 30 September 2006	1,607	–	1,607

At 31 March 2004, 2005, 2006 and 30 September 2006, the Group had unused estimated tax losses of approximately HK$297,604,000, HK$373,314,000, HK$462,340,000 and HK$471,622,000 respectively 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$41,469,000, HK$52,375,000, HK$74,777,000 and HK$82,759,000 as at 31 March 2004, 2005, 2006 and 30 September 2006 respectively which was due to the unpredictability of future profit streams.

35. SHARE OPTIONS

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

(a) Old Share Option Scheme

The share option scheme of the Company (the "Old Share Option Scheme") that was adopted on 25 July 2000 was terminated on 2 September 2002 and was substituted by a new option scheme. Upon the termination of the Old Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

No option under the Old Share Option Scheme remained outstanding at 31 March 2005, 2006 and 30 September 2006. No option had been granted under the Old Share Option Scheme during the Relevant Periods. The following table discloses details of the Company's options under the Old Share option Scheme held by employees (including directors) and movement in such holdings during the year ended 31 March 2004 and 2005:

Exercise Price per Share *HK$*	**Exercise period**	**Date of shares options granted**	**Balance at 1.4.2003**	**Exercise during the year**	**Lapsed during the year**	**Balance at 31.3.2005**
During the year ended 31 March 2004						
0.161	1 April 2001 to 31 March 2005	29 March 2001	109,000,000	–	–	109,000,000
During the year ended 31 March 2005						
0.161	1 April 2001 to 31 March 2005	29 March 2001	109,000,000	90,000,000	19,000,000	–

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

(b) New Share Option Scheme

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

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

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

36. ACQUISITION OF A SUBSIDAIRY

	The Group			
		As at 31 March		As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:				
Property, plant and equipment	1,931	–	–	–
Trade and other receivables and prepayments	141,083	–	–	–
Amount due from a fellow subsidiary	32,075	–	–	–
Cash and cash equivalents	166,054	–	–	–
Trade and other payables	(20,576)	–	–	–
Amount due to a fellow subsidiary	(89,698)	–	–	–
Minority interests	(23,218)	–	–	–
Less: Amount represented interest in an associate acquired in previous year	(53,712)	–	–	–
	153,939	–	–	–
Goodwill arising on acquisition of a subsidiary	1,134	–	–	–
	155,073	–	–	–
Satisfied by:				
Cash	155,073	–	–	–
Net inflow of cash and cash equivalent in connection with the acquisition of a subsidiary				
Cash and bank balances acquired	166,054	–	–	–
Cash consideration	(155,073)	–	–	–
	10,981	–	–	–

During the year ended 31 March 2004, the Group acquired additional interest in IAH. The Group's total interest in IAH increased to 93% and the financial result of IAH has been consolidated during the year ended 31 March 2005.

The subsidiary acquired during 2004 did not contribute to the Group's turnover, but increased the Group's loss for the year ended 31 March 2004 of HK$4,560,000.

During the year ended 31 March 2005, 2006 and the six months ended 30 September 2006, there was no acquisition of subsidiaries.

37. DISPOSAL OF SUBSIDIARIES

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

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties	–	–	334,906	–
Property, plant and equipment	–	–	6,016	256
Inventories	–	–	604	–
Trade receivables	–	–	9,742	–
Deposit, prepayment and other receivables	–	–	1,180	22,906
Cash and cash equivalents	–	–	5,767	26
Other creditors and accruals	–	–	(18,783)	(4,662)
Amount due to an associate	–	–	–	(696)
Amount due (to)/from an ultimate holding company	–	–	(5,973)	442
Bank loans	–	–	(105,521)	–
Net assets disposed of	–	–	227,938	18,272
Less: remaining share of net assets held by the Group as associated companies	–	–	(91,175)	–
	–	–	136,763	18,272
Gain on disposal	–	–	237	29,828
Total consideration	–	–	137,000	48,100
Less: Cash and bank balances of disposed subsidiaries	–	–	(5,767)	(26)
Net cash flow from disposals of subsidiaries	–	–	131,233	48,074
Satisfied by:				
Cash	–	–	137,000	48,100

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

On 26 May 2006, China Field Investments Limited (a wholly-owned subsidiary of the Company) entered into a disposal agreement in relation to the disposal of the entire issued share capital of New Experience Investments Limited and the shareholder's loan amounting to HK$20,750,000 due and owing by New Experience Investments Limited to China Field Investments Limited at an aggregate consideration of HK$48,100,000, which shall be satisfied by the vendor in cash.

During the year ended 31 March 2004 and 2005, there was no disposal of subsidiaries.

The subsidiaries disposed of during the year ended 31 March 2006 and the six months ended 30 September 2006 did not make any significant contribution to the results and cash flows of the Group.

38. CONTINGENT LIABILITIES

	The Group				The Company			
		As at 31 March		As at 30 September		As at 31 March		As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to bankers in respect of banking facilities utilised by:								
– Property buyers	100,000	–	–	–	–	–	–	–
– Subsidiaries	–	–	29,300	–	61,196	27,508	–	–
	100,000	–	29,300	–	61,196	27,508	–	–

(i) As at 31 March 2004, guarantees were given by the Group to the property buyers for obtaining mortgage facilities from a bank. In order to release the guarantees, the Group had arranged to buy back 31 units of properties from the property buyers at a total consideration of approximately HK$34,499,000 ("Purchase"). On 17 April 2003 the Group entered into a loan agreement of amount approximately HK$29,300,000 with a bank to finance the Purchase. The guarantees would be released when the Purchase were completed. As at 31 March 2004, 10 out of 31 units of properties had been bought back by the Group and approximately HK$905,000 had been drawn down under the loan agreement. Up to 7 June 2004, the Group has already bought back all the 31 properties.

(ii) At 31 March 2004, an indemnity had been given by the Group in favour of a bank for issuing a guarantee of HK$5,000,000 to HKFE Clearing Corporation Limited. The guarantee has been terminated and released during the year ended 31 March 2005.

(iii) At 31 March 2004, 2005, 2006 and 30 September 2006, the Group provides a guarantee of RMB5,000,000 to Ma'anshan Municipal Government, the PRC, for the commitment to invest in the sewage treatment project in Ma'anshan, details as per announcement dated 21 May 2004.

39. BANKING FACILITIES

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

40. CAPITAL COMMITMENTS

	The Group				The Company			
		As at 31 March		As at 30 September		As at 31 March		As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:								
– acquisition of shareholdings	168,847	–	–	–	168,847	–	–	–
– acquisition of property, plant and equipment and properties under development for sale	352,897	486,241	512,054	282,281	–	–	–	–
– investments in the PRC subsidiaries and a PRC associate	–	–	–	–	37,750	–	–	–
	521,744	486,241	512,054	282,281	206,597	–	–	–

41. COMMITMENTS

(a) During the Relevant Periods, 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			
		As at 31 March		As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	16,086	13,097	11,951
In the second to fifth year, inclusive	–	85,793	44,124	39,666
After five years	–	85,309	31,008	27,071
	–	187,188	88,229	78,688

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

(b) At 31 March 2004, 2005, 2006 and 30 September 2006, the Group has written certain repurchase options for the pre-sale properties to the property buyers. The options give the right to the property buyers that they can request the Group to buy back the properties at 100% of the original property sales price on the option exercise date. The exercise date of the options is six years after the completion date of the sale and purchase agreements of the properties with the total contract sum of approximately HK$Nil, HK$131,163,000 HK$127,460,000 and HK$115,077,000.

42. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2004, 2005, 2006 and 30 September 2006, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group				The Company			
	As at 31 March			As at 30 September	As at 31 March			As at 30 September
	2004	2005	2006	2006	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,513	4,610	3,479	2,825	342	–	–	–
In the second to fifth year inclusive	3,382	7,590	5,565	6,289	–	–	–	–
After five years	–	8,531	8,043	8,043	–	–	–	–
	6,895	20,731	17,087	17,157	342	–	–	–

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

The Group as lessor

Property rental income earned during the year ended 31 March 2004, 2005, 2006 and six months ended 30 September 2006 were HK$30,187,000, HK$22,953,000, HK$3,724,000 and HK$1,101,000 respectively. Some of the properties held have committed tenants for one to three years.

At 31 March 2006, the Group had contracted with tenants for the following future minimum lease payments:

	The Group			
	As at 31 March			As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	8,070	1,025	1,921	1,492
In the second to fifth year inclusive	30,208	224	315	52
After five years	4,356	–	–	–
	42,634	1,249	2,236	1,544

During the year ended 31 March 2005, the Group disposed of an investment property, including the right of the lease, with a carrying amount of HK$126,000,000. The amounts of the related future minimum lease payments as at 31 March 2004 within one year, in the second to fifth year inclusive and after five years are approximately HK$7,467,000, HK$29,867,000 and HK$4,356,000 respectively.

During the year ended 31 March 2006, the Group disposed of investment properties, including the rights of the lease, with a carrying amount of HK$334,906,000 through disposal of 60% interests in 3 wholly-owned subsidiaries. The aforesaid investment properties did not have any related future minimum lease payments as at 31 March 2005.

43. 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. The forfeited contributions amounted to HK$3,000, HK$222,000, HK$Nil and HK$Nil for the year ended 31 March 2004, 2005, 2006 and 30 September 2006 respectively which are used to reduce the contributions for the year ended 31 March 2006. The contributions are charged to income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund. The Group's employer contributions vest ranging from 30% to 100% with the employees according to the years of employment except those employer contributions which are under the statutory requirement.

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

44. RELATED PARTY TRANSACTIONS

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

(i) Transactions with related parties

For the year ended 31 March 2004

(a) The Group paid interest amounting to HK$674,000 to a director of the Company's subsidiary.

(b) The Group paid interest amounting to HK$1,174,000 to a related company of the Company.

(c) The Group had entered certain construction agreements with an associate, IAH. The associate is engaged in the establishment and operation of city development and environmental protection infrastructure construction. The total contract sum involved was amounting to HK$160,717,000. As at 27 August 2003, the construction cost that has been incurred amounted to approximately HK$115,651,000. As at 27 August 2003, the Group acquire additional interest of IAH, and IAH become the subsidiary of the Group. Detail is set out in note 17 to the financial statements.

For the year ended 31 March 2005

(a) The Group paid interest amounting to HK$139,700 to a director of the Company's subsidiary.

(b) The Group paid interest amounting to HK$759,000 to a related company of the Company.

For the year ended 31 March 2006

(a) The Group paid interest amounting to HK$167,000 to a director of the Company's subsidiary.

(b) The Group paid interest amounting to HK$2,928,000 to a related company of the Company.

(c) The Group received rental income approximately HK$450,000 from a director of the Company.

For the six months ended 30 September 2006

(a) The Group paid interest amounting to HK$90,000 to a director of the Company's subsidiary.

(b) The Group paid interest amounting to HK$380,000 to a related company of the Company.

(c) The Group received rental income approximately HK$270,000 from a director of the Company.

For the six months ended 30 September 2005 (unaudited)

(a) The Group paid interest amounting to HK$70,000 to a director of the Company's subsidiary.

(b) The Group paid interest amounting to HK$2,662,000 to a related company of the Company.

(c) The Group received rental income approximately HK$180,000 from a director of the Company.

(ii) Compensation of key management personnel

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

	For the year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Salaries and other short-term benefits	12,920	13,498	11,912	4,995	5,138
Pension scheme contributions	336	263	318	182	132
	13,256	13,761	12,230	5,177	5,270

Further details of directors' emoluments are included in note 8 to the financial information.

45. SUBSEQUENT EVENTS

(i) On 19 October 2006, the Company entered into a framework agreement (the "Framework Agreement") with Shanghai Lam Hong (Group) Company Limited (上海臨江控股(集團)有限公司) for the sale and purchase of the entire interest in Burlingame (Shanghai) Investment Limited ("BSI"), the entire interest in Interchina (Changsha) Investments And Management Company Limited ("ICIM") (國中(長沙)體育新城投資項目管理有限公司), 38.9% interest in Changsha Interchina Star City Company Limited ("CIC") (長沙國中星城置業有限公司) (Collectively referred to as the "Disposal Group"), a non-interest bearing shareholder loan owing by BSI to Burlingame International Company Limited ("BIC") (the "BIC Shareholder Loan"), a non-interest bearing shareholder loan owing by BSI to Chinese Asial Investments Limited ("CAI") (the "CAI Shareholder Loan") and a non-interest bearing shareholder loan owing by ICIM to the Company (the "ICIM Shareholder Loan") at a total consideration of HK$617,870,000. Pursuant to the Framework Agreement, BIC, CAI and Mr. Zhang entered into an agreement on 19 October 2006 regarding the sale and purchase of the entire interest in BSI, the BIC Shareholder Loan and the CAI Shareholder Loan. Pursuant to the Framework Agreement, the Company and Tangible Wealth Investments Limited entered into an agreement on 19 October 2006 regarding the sale and purchase of the entire interest in ICIM, 38.9% interest in CIC and the ICIM Shareholder Loan. Details of the transactions are set out in the Company's announcement dated 20 October 2006.

The Disposal Group principally engaged in property investment and development in the PRC. BSI is mainly through its 90% owned subsidiary, Shanghai Hung Tai Real Estate Co., Ltd., holding the leasehold land under resettlement of original inhabitants in progress of a site area of approximately 8,910 square meters and situated in Qiu 6/1, No. 81 Jiefang, Tilanqiao Jiedao, Dongdaming Road, Hongkou District, Shanghai, PRC. ICIM does not conduct any business activity or hold any asset except the holding of the 61.1% equity interest in the capital of CIC. CIC is mainly holding the leasehold land of a total site area of approximately 237,281.96 square meters and situated in Land Parcels R-11 West, R-11 East, R-18 South and R-18 North, New Sports City, Yuhua District, Changsha, PRC, which construction work has not commenced, and the property under construction of an gross floor area of approximately 139,071.18 square meters upon completion of the construction work and situated in Interchina Mall and New Sports City Blocks 1-4 (for hotel and serviced apartment use), located at Land Parcel R-18 North New Sports City, Yuhua District, Changsha City, PRC, which construction work commenced in April 2004.

The revenue, expenses and results, assets and liabilities, and cash flows in respect of the Disposal Group are set out as follows:

(a) Revenue, expenses and results

	For the year ended 31 March			For the six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Turnover	–	181,555	66,780	–	66,780
Cost of sales	–	(172,187)	(50,074)	–	(50,074)
Other operating income	132	38	127	–	8
Staff costs	(2,484)	(3,410)	(3,437)	(1,138)	(1,912)
Amortization and depreciation	(2,755)	(2,381)	(2,537)	(1,115)	(1,425)
Selling costs	(4,453)	(6,804)	(12,859)	(7,424)	(1,847)
Administrative costs	(8,864)	(6,568)	(5,044)	(3,018)	(2,637)
Other operating expenses	–	–	(17,738)	–	–
(Loss)/profit from operation	(18,424)	(9,757)	(24,782)	(12,695)	8,893
Finance costs	(3,003)	(13,172)	(7,872)	(4,024)	(3,886)
(Loss)/profit before taxation	(21,427)	(22,929)	(32,654)	(16,719)	5,007
Taxation	–	–	–	–	–
(Loss)/profit for the year/period	(21,427)	(22,929)	(32,654)	(16,719)	5,007

(b) Assets and liabilities

	As at 31 March			As at 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
ASSETS					
Non-current assets					
Interests in leasehold land and land use rights	77,422	75,857	75,722	74,924	78,159
Property, plant and equipment	237,130	351,010	503,314	507,712	488,635
Goodwill	3,178	2,846	2,846	2,846	2,846
Other non-current assets	–	162	146	136	156
	317,730	429,875	582,028	585,618	569,796

	As at 31 March			As at 30 September	
	2004	2005	2006	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current assets					
Properties under development for sale	259,432	397,066	277,974	296,320	257,819
Trade and other receivables and prepayments	1,857	19,961	16,741	11,921	48,305
Amounts due from the Remaining Group	49,987	–	–	–	–
Cash and bank balances	2,473	24,332	138	319	14,149
	313,749	441,359	294,853	308,560	320,273
TOTAL ASSETS	631,479	871,234	876,881	894,178	890,069
LIABILITIES					
Current liabilities					
Trade and other payables and deposits received	118,813	190,955	190,947	217,931	216,914
Amounts due to the Remaining Group	–	296,185	327,358	343,477	277,770
Bank borrowings, secured – due within one year	113,207	103,924	107,244	96,310	107,189
Other borrowings, secured – due within one year	149,369	61,906	65,203	66,984	64,432
TOTAL LIABILITIES	381,389	652,970	690,752	724,702	666,305

(c) Cash Flows

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
(Loss)/profit before taxation	(21,427)	(22,929)	(32,654)	(16,719)	5,007
Adjustments for:					
Depreciation of property, plant and equipment	2,755	2,381	2,537	1,115	1,425
Amortisation of interests in leasehold land and land use rights	1,565	1,565	1,595	798	798
Amortisation of goodwill	332	–	–	–	–
Impairment of trade receivables	–	–	17,738	–	–
Interest income	(132)	(38)	(127)	(8)	–
Interest expenses	3,003	13,172	7,872	4,024	3,886
Operating cash flows before movements in working capital	(13,904)	(5,849)	(3,039)	(10,790)	11,116
(Increase)/decrease in properties under development for sale	(158,468)	(94,199)	(2,143)	(18,346)	12,623
Decrease/(increase) in trade and other receivables and prepayments	564	(20,493)	(24,415)	5,998	(28,344)
(Increase)/decrease in amounts due from group companies	50,583	49,987	–	–	–
Increase/(decrease) in trade and other payables and deposits received	96,241	72,142	(8)	26,984	25,959
Decrease in amount due to a related company	(321)	–	–	–	–
Increase/(decrease) in amounts due to the Remaining Group	–	296,185	31,173	16,119	(18,415)
Cash (used in)/generated from operations	(25,305)	297,773	1,568	19,965	2,939
Interest income received	132	38	127	8	–
Net cash (used in)/generated from operating activities	(25,173)	297,811	1,695	19,973	2,939
Investing activities					
Purchase of property, plant and equipment	(64,638)	(166,040)	(18,495)	(4,970)	(9,714)
Purchase of interests in leasehold land and land use right	(37,256)	–	–	–	–
Net (payment)/refund in other non-current assets	(162)	6	10	136	10
Net cash used in investing activities	(102,056)	(166,034)	(18,485)	(4,834)	(9,704)

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Financing activities					
Interest paid	(3,003)	(13,172)	(7,872)	(4,024)	(3,886)
New bank and other borrowings raised	121,066	14,151	–	–	–
Repayment of bank loans	–	(23,434)	–	(10,934)	–
Repayment of other loans	–	(87,463)	–	–	–
Net cash generated from/(used in) financing activities	118,063	(109,918)	(7,872)	(14,958)	(3,886)
Net (decrease)/increase in cash and cash equivalents	(9,166)	21,859	(24,662)	181	(10,651)
Cash and cash equivalents at the beginning the year/period	11,639	2,473	24,332	138	24,332
Effect of foreign exchange rate changes	–	–	468	–	468
Cash and cash equivalents at the end of the year/period	2,473	24,332	138	319	14,149
Analysis of the balances of cash and cash equivalents					
Cash and bank balances	2,473	24,332	138	319	14,149

(ii) During December 2006, the Group has taken legal proceeding to the People's Court at Changsha, the PRC, in respect of the outstanding receivable of RMB18,448,000 for the disposal of the land located in Changsha, the PRC during 2005 (details as set out in 2006 annual report).

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiary companies in respect of any period subsequent to 30 September 2006 up to the date of this report. In addition, no dividend or distribution has been declared, made or paid by the Company or any of its subsidiary companies in respect of any period subsequent to 30 September 2006.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

2. INDEBTEDNESS

As at 31 October 2006, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this statement of indebtedness, the Group had outstanding secured bank and other borrowings of approximately HK$391,519,000 comprising bank loans of approximately HK$324,076,000, other borrowings of approximately HK$67,205,000 and obligations under finance leases of approximately HK$238,000; and unsecured other borrowings of approximately HK$40,000,000. As at 31 October 2006, the Group provides a guarantee of RMB5,000,000 to Ma'anshan Municipal Government, the PRC, for the commitment to invest in the sewage treatment project in Ma'anshan, details as per announcement dated 21 May 2004.

As at 31 October 2006, the Group's secured bank and other borrowings were secured by the Group's assets with carrying values of approximately HK$871,485,000 comprising investment properties of approximately HK$60,694,000, property, plant and equipment of approximately HK$566,000,000 and interest in leasehold land of approximately HK$74,791,000 and property under development for sale of approximately HK$170,000,000.

Saved as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at the close of business on 31 October 2006.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximately exchange rates prevailing at the close of business on 31 October 2006.

Save as disclosed above, the Directors have confirmed that there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2006.

3. WORKING CAPITAL

Taking into account the Remaining Group's internal resources, the estimated net proceeds from the Disposal and presently available banking facilities and in the absence of any unforeseen circumstances, the Directors are of the opinion that the Remaining Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

The following is the text of a report received from the Reporting Accountant, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, prepared for the sole purpose, of inclusion in this circular.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

5 January 2007

Dear Sirs,

We report on the unaudited pro forma financial information of Interchina Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 113 to 123 under the heading of "Unaudited Pro Forma Financial Information on the Remaining Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's circular dated 5 January 2007 in connection with (i) the proposed disposal of the entire interest in Burlingame (Shanghai) Investment Limited ("BSI") (the "BSI Sale Interest"), a non-interest bearing shareholder loan owing by BSI to Burlingame International Company Limited ("BIC") (the "BIC Shareholder Loan") and a non-interest bearing shareholder loan owing by BSI to Chinese Asial Investments Limited ("CAI") (the "CAI Shareholder Loan") and (ii) the proposed disposal of entire equity interest in 國中(長沙)體育新城投資項目管理有限公司 (Interchina (Changsha) Investments And Management Company Limited) ("ICIM") (the "ICIM Sale Interest"), 38.9% equity interest in 長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited) ("CIC") (the "CIC Sale Interest") and a non-interest bearing shareholder loan owing by ICIM to the Company (the "ICIM Shareholder Loan") (the "Disposals"). The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Disposals might have affected the relevant financial information in respect of the Group.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source document, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Company's directors, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 September 2006 or any future date, or
- the results and cash flows of the Group for the six months ended 30 September 2006 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP UPON COMPLETION OF DISPOSAL

1. Introduction

The unaudited pro forma consolidated balance sheet of the Group after disposal of the BSI Sale Interest, the BIC Shareholder loan, the CAI Shareholder loan, the ICIM Sale Interest, the CIC Sale Interest and the ICIM Shareholder loan (the "Remaining Group") has been prepared to illustrative the effect of the Disposal.

The unaudited pro forma consolidated balance sheet of the Remaining Group has been prepared in accordance of the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposals as if the Disposals took place on 30 September 2006.

The unaudited pro forma consolidated balance sheet of the Remaining Group is based upon the audited consolidated balance sheet of the Group as at 30 September 2006, which has been extracted from the audited consolidated financial statement of the Group for the six months ended 30 September 2006 as set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposals that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma consolidated balance sheet of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on 30 September 2006. The unaudited pro forma consolidated balance sheet of the Remaining Group does not purport to predict the future financial position of the Remaining Group.

The unaudited pro forma consolidated balance sheet of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in the audited consolidated financial statements of the Group for the six months ended 30 September 2006 as set out in Appendix I to this circular and other financial information included elsewhere to this circular.

The statement has been prepared by the Directors for illustrative purposes only and because of its nature it may not give a true picture of financial position of the Remaining Group following completion of the Disposals.

2. Unaudited pro forma consolidated balance sheet

	The Group as at 30 September 2006	Pro forma Adjustment #1	Pro forma Adjustment #2	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	60,694			60,694
Interests in leasehold land and land use rights	74,924	(74,924)		–
Property, plant and equipment	726,059	(507,712)		218,347
Interests in associates	91,748			91,748
Goodwill	2,846	(2,846)		–
Other non-current assets	2,413	(136)		2,277
	958,684			373,066
Current assets				
Properties under development for sale	296,320	(296,320)		–
Trade and other receivables and prepayments	119,098	(11,921)		107,177
Financial assets at fair value through profit or loss	164			164
Tax prepaid	365			365
Bank balances – trust and segregated accounts	3,694			3,694
Cash and cash equivalents	21,122	(319)	617,370	638,173
	440,763			749,573
Current liabilities				
Trade and other payables and deposits received	259,335	(217,931)		41,404
Amount due to a related company	7,616			7,616
Amount due to the Remaining Group	–	(343,477)	343,477	–
Bank borrowings, secured – due within one year	155,544	(96,310)		59,234
Other borrowings, secured – due within one year	66,984	(66,984)		–
Other borrowings, unsecured – due within one year	40,000			40,000
Obligations under finance leases – due within one year	67			67
	529,546			148,321

2. Unaudited pro forma consolidated balance sheet (Continued)

	The Group as at 30 September 2006	Pro forma Adjustment #1	Pro forma Adjustment #2	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net current (liabilities)/ assets	(88,783)			601,252
Total assets less current liabilities	869,901			974,318
Capital and reserves attributable to the Company's equity holders				
Share capital	558,492			558,492
Share premium and reserves	119,814	(169,476)	273,893	224,231
	678,306			782,723
Minority interests	21,123			21,123
	699,429			803,846
Non-current liabilities				
Bank borrowings, secured – due after one year	168,689			168,689
Obligations under finance leases – due after one year	176			176
Deferred tax liabilities	1,607			1,607
	170,472			170,472
	869,901			974,318

Notes to the unaudited pro forma consolidated balance sheet

1. The adjustment reflects the effect of the Disposals, which represents a decrease in the net assets of HK$169,476,000 on the Group balance sheet as at 30 September 2006, taking into account of:-

   (a) Interests in leasehold land and land use right of HK$74,924,000;

   (b) Property, plant and equipment of HK$507,712,000, which included HK$504,733,000 of property under development;

   (c) Goodwill of HK$2,846,000;

   (d) Other non-current assets of HK$136,000;

   (e) Property under development for sale of HK$296,320,000;

   (f) Trade and other receivables and prepayments of HK$11,921,000;

   (g) Cash and cash equivalents of HK$319,000;

   (h) Trade and other payables and deposits received of HK$217,931,000;

   (i) Amount due to the Remaining Group of HK$343,477,000;

   (j) Bank borrowings due within one year of HK$96,310,000; and

   (k) Other borrowings due within one year of HK$66,984,000.

2. The adjustment reflects:

   (a) the consideration of HK$617,870,000 which included (i) HK$219,000,000 being the consideration for the sale of the entire equity interest in BSI, the BSI Shareholder Loan and the CAI Shareholder Loan; and (ii) HK$398,870,000 being consideration for the entire equity interest in ICIM, 38.9% equity interest in CIC and the ICIM Shareholder Loan after taking consideration of the estimated expenses to be incurred in connection to the Disposals of approximately HK$500,000;

   (b) the effect of the Disposals results in changing the reserves of HK$273,893,000 which represents the elimination of the consideration of the Disposals of HK$617,870,000 less the estimated expenses to be incurred in connection to the Disposal of approximately HK$500,000 and the shareholders' loan of HK$343,477,000.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT AND UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP UPON COMPLETION OF DISPOSALS

1. Introduction

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Remaining Group have been prepared to illustrate the effect of the Disposals.

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Remaining Group has been prepared in accordance of the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposals as if the Disposals took place as at 1 April 2006.

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Remaining Group is based upon the audited consolidated income statement and the audited consolidated cash flow statement of the Group for the six months ended 30 September 2006, which has been extracted from the audited consolidated financial statement of the Group for the six months ended 30 September 2006 as set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposals that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Remaining Group and (iii) factually supportable.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Remaining Group do not purport to describe the actual results and cash flow of the Remaining Group that would have been attained had the Disposals been completed as at 1 April 2006 or to predict the future results and cash flow of the Remaining Group.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in the audited consolidated financial statements of the Group for the six months ended 30 September 2006 set out in Appendix I to this circular and other financial information included elsewhere to this circular.

The statements has been prepared by the Directors for illustrative purposes only and because of their nature it may not give a true picture of the results and cash flow of the Remaining Group had the Disposals actually occurred as at 1 April 2006 or for any future period.

2. Unaudited pro forma consolidated income statement

	The Group for the six months ended 30 September 2006	Pro forma Adjustment #1	Pro forma Adjustment #2	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	14,817			14,817
Cost of sales	(2,280)			(2,280)
Other operating income	858			858
Interest income	1,122			1,122
Staff costs	(14,027)		1,138	(12,889)
Amortisation and depreciation	(5,937)		1,115	(4,822)
Selling costs	(8,140)		7,424	(716)
Administrative costs	(18,066)		3,018	(15,048)
Loss from operations	(31,653)			(18,958)
Finance costs	(12,120)		4,024	(8,096)
Share of results of associates	4,663			4,663
Gain on disposal of subsidiaries	29,828	87,764		117,592
Loss before tax	(9,282)			95,201
Taxation	(284)			(284)
(Loss)/profit for the period	(9,566)			94,917
Attributable to:				
Equity holders of the Company	(8,985)	87,764	16,719	95,498
Minority interests	(581)			(581)
	(9,566)			94,917

3. Unaudited pro forma consolidated cash flow statement

	The Group for the six months ended 30 September 2006	Pro forma Adjustment #3	Pro forma Adjustment #4	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Loss)/profit before taxation	(9,282)	16,719		7,437
Adjustment for:				
Depreciation of property, plant and equipment	5,139	(1,115)		4,024
Amortisation of interests in leasehold land and land use rights	798	(798)		–
Share of results of associates	(4,663)			(4,663)
Loss on disposal of property, plant and equipment	310			310
Gain on disposal of subsidiaries	(29,828)			(29,828)
Interest income	(1,122)	8		(1,114)
Interest expenses	12,120	(4,024)		8,096
Operating cash flows before movement in working capital	(26,528)			(15,738)
Increase in properties under development for sale	(18,346)	18,346		–
Increase in trade and other receivables and prepayments	(1,239)	(5,998)		(7,237)
Increase in amounts due from associates	(3,383)			(3,383)
Decrease in financial assets at fair value through profit and loss	8			8
Decrease in bank trust and segregated accounts	1,583			1,583

	The Group for the six months ended 30 September 2006	Pro forma Adjustment #3	Pro forma Adjustment #4	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Decrease)/increase in trade and other payables and deposits received	(8,129)	(26,984)		(35,113)
Decrease in amounts due to the Remaining Group	–	(16,119)		(16,119)
Increase in amount due to a related company	7,166			7,166
Cash used in operations	(48,868)			(68,833)
Interest income received	1,122	(8)		1,114
Cash used in operating activities	(47,746)			(67,719)

3. Unaudited pro forma consolidated cash flow statement (Continued)

	The Group for the six months ended 30 September 2006	Pro forma Adjustment #3	Pro forma Adjustment #4	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(8,757)	4,970		(3,787)
Proceeds on disposal of subsidiaries	48,074		617,370	665,444
Net refund/(payment) in other non-current assets	53	(136)		(83)
Net cash generated from investing activities	39,370			661,574
FINANCING ACTIVITIES				
Interest paid	(8,860)	4,024		(4,836)
New bank loan raised	33,653			33,653
Repayment of obligations under finance leases	(34)			(34)
Repayment of bank loans	(12,155)	10,934		(1,221)
Net cash generated from financing activities	12,604			27,562
Net increase/(decrease) in cash and cash equivalents	4,228	(181)	617,370	621,417
Cash and cash equivalents at the beginning of the period	16,894	(138)		16,756
Cash and cash equivalents at the end of the period	21,122			638,173

	The Group for the six months ended 30 September 2006	Pro forma Adjustment #3	Pro forma Adjustment #4	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	24,816	(319)	617,370	641,867
Less: Bank balances – trust and segregated accounts	(3,694)			(3,694)
	21,122			638,173

Notes to the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement

1. (i) The adjustment reflects the gain on the Disposals of HK$87,764,000 attributable to the Remaining Group which is calculated based on the consideration of HK$617,870,000 less (1) the estimated expenses to be incurred in connection to the Disposals of approximately HK$500,000; (2) the shareholders' loan from the Remaining Group of HK$343,477,000; and (3) the net assets of HK$186,129,000 attributable to the Disposal Group as at 1 April 2006.

   (ii) the net assets of HK$186,129,000 attributable to the Disposal Group as at 1 April 2006 which included:–

   (a) Interests in leasehold land and land use right of HK$75,722,000;

   (b) Property, plant and equipment of HK$503,314,000, which included HK$499,746,000 of property under development;

   (c) Goodwill of HK$2,846,000;

   (d) Other non-current assets of HK$146,000;

   (e) Property under development for sale of HK$277,974,000;

   (f) Trade and other receivables and prepayments of HK$16,741,000;

   (g) Cash and cash equivalents of HK$138,000;

(h) Trade and other payables and deposits received of HK$190,947,000;

(i) Amount due to the Remaining Group of HK$327,358,000;

(j) Bank borrowings due within one year of HK$107,244,000; and

(k) Other borrowings due within one year of HK$65,203,000.

2. The adjustment reflects the net effect of the Disposals, which represents the elimination of the net loss of HK$16,719,000 of the Disposal Group for the six months ended 30 September 2006, assuming that if the Disposals has been completed on 1 April 2006.

3. The adjustment reflects the exclusion of cash flow of the Disposed Group for the six months ended 30 September 2006, assuming that if the Disposals has been completed on 1 April 2006.

4. The adjustment reflects the cash consideration net of estimated expenses directly attributable to the Disposals received of HK$617,370,000 assuming the Disposals had been taken place on 1 April 2006.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this Circular received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuation as at 31 October 2006 of the property interest held by the Group.

DTZ Debenham Tie Leung 戴德梁行
International Property Advisers

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

5 January 2007

The Directors
Interchina Holdings Company Limited
Room 701, 7/F Aon China Building,
29 Queen's Road Central,
Hong Kong

Dear Sirs,

Re: A Parcel of Land, Qiu 6/1, No. 81 Jiefang, Tilanqiao Jiedao, Dongdaming Road, Hongkou District, Shanghai, the PRC (BSI Leasehold Land)

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to value the interest in the captioned property held by Shanghai Hung Tai Real Estate Co., Ltd. in the People's Republic of China (the "PRC"). We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you (the "Company") and your subsidiaries (together refer to as the "Group") with our opinion of the market value of the property interest as of 31 October 2006 (the "Date of Valuation").

Basis of Valuation

Our valuation of the property interest is our opinion of the market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as intended to mean the estimated amount for which a property should be exchanged for 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.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

We have relied on the information given by the Group and the opinion of its PRC legal adviser, Zhong Lun Law Firm, regarding the title to the property interest in the PRC and the interest of the Group in the property in the PRC. The status of titles and grant of major approvals and licences, in accordance with the information provided by the Group and the PRC legal opinion are set out in the notes in the valuation certificate.

No allowance has been made in our valuations of the property interest for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature, which could affect its value.

The property valuation complies with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards on Properties (First Edition 2005) of The Hong Kong Institute of Surveyors.

Method of Valuation

In valuing the property interest, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its legal adviser on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development schemes, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

In respect of the property interest in the PRC, we have been provided with extracts of documents in relation to the title to the property interest. However, we have not inspected the original documents to ascertain any amendments, which may not appear on the copies, handed to us.

Site Inspection

We have inspected the exterior of the property. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation certificate are in Renminbi, the official currency of the PRC.

The valuation certificate is attached.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C. Y. Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Senior Associate Director

Note: Mr. Philip C. Y. Tsang is a Registered Professional Surveyor who has over 13 years' of experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property held for future development in the PRC

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2006
A Parcel of Land, Qiu 6/1, No. 81 Jiefang, Tilanqiao Jiedao, Dongdaming Road, Hongkou District, Shanghai, the PRC	The property comprises a parcel of land with a site area of approximately 8,910 sq.m. (95,907 sq.ft.). The property will be developed into financial and commercial buildings with a total gross floor area of approximately 35,640 sq.m. (383,629 sq.ft.). The land use rights of the property have been granted for a term expiring on 21 May 2043 for composite use.	The property is currently under old structures demolition and resettlement.	RMB300,000,000

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership HFDHZ No. (2004) 027733 dated 8 December 2004 issued by Shanghai Housing and Land Resources Administration Bureau, the land use rights of the property has been granted to Shanghai Hung Tai Real Estate Co., Ltd. (上海鴻泰房地產有限公司), a 90% owned subsidiary of the Company, with details as follows:

(i)	Owner	:	Shanghai Hung Tai Real Estate Co., Ltd. (上海鴻泰房地產有限公司)
(ii)	Location	:	A Parcel of Land, No. 81 Jiefang, Dongdaming Road
(iii)	Lot No.	:	Qiu 6/1, 81 Jiefang, Tilanqiao Jiedao, Hongkou District
(iv)	Site Area	:	8,910 sq.m.
(v)	Land Usage	:	Composite
(vi)	Land Use Term	:	From 22 May 1993 to 21 May 2043

(2) According to Grant Contract of Land Use Rights HT (1993) 44 entered into between Shanghai Housing and Land Resources Administrative Bureau (Party A) and Burlingame (Shanghai) Investment Limited (柏寧頓(上海)投資有限公司), Shanghai Hongkou District Gongfang Capital Management Company of China (上海市虹口區公房資產經營公司) and Shanghai Baohong Real Estate Development Company (上海寶鴻房產開發公司) (together as Party B, which later established the joint venture Shanghai Hung Tai Real Estate Co. Ltd (上海鴻泰房地產有限公司) (please see Note (5)) on 16 March 1993, Party A has agreed to grant the land use rights of the land located at No. 81 Jiefang, Dongdaming Road, Hongkou District, Shanghai to Party B. The salient terms and conditions as stipulated in the said contract are, inter alia, summarised as follows:–

(i)	Location	:	No. 81 Jiefang, Dongdaming Road, Hongkou District, Shanghai
(ii)	Site Area:	:	8,910 sq.m
(iii)	Land Grant Fee	:	US$ 3,920,049
(iv)	Land Usage	:	Composite (retail, entertainment and office)
(v)	Plot Ratio	:	Not exceeding 7 (Now cannot be exceeding four. Please see the PRC legal opinion on Note (7) (iii). In the course of our valuation, we have valued the property with a plot ratio of 4.)
(vi)	Completion Time	:	The Grantee should commence the construction before 31 December 1995 and complete the construction before 31 December 1996. (Please see Note 3 below for the change of hand-over time of land.)

(3) According to the Contract For Demolition, Resettlement and Urban Utilities Accommodation entered into between Burlingame (Shanghai) Investment Limited (柏寧頓(上海)投資有限公司), Shanghai Baohong Real Estate Development Company (上海寶鴻房產開發公司) and Shanghai Hongkou District Gongfang Capital Management Company of China (上海市虹口區公房資產經營公司) (together as Party A) and Shanghai Hongkou District People's Government (Party B) on 16 March 1993, Party A appointed Party B to carry out the demolition, resettlement and provision of urban utilities works. The demolition, resettlement and urban utilities accommodation fees are US$357 per sq.m. with a total site area of 8,910 sq.m. for retail, entertainment and office use. The plot ratio is 7. The demolition, resettlement and urban utilities accommodation fees are totally US$ 22,213,611.

(4) According to Extension Permission for Demolition No. CXYZ (2006) 24 issued on 8 June 2006, the property owned by Shanghai Hung Tai Real Estate Co. Ltd. (上海鴻泰房地產有限公司) for retail, entertainment and office use, is permitted to complete the demolition work during the period between 1 July 2006 and 31 December 2006.

(5) According to the Joint Venture Contract and Articles of Association of Shanghai Hung Tai Real Estate Co., Ltd. entered into between Shanghai Hongkou District Gongfang Capital Management Company of China (上海市虹口區公房資產經營公司) (Party A), Shanghai Baohong Real Estate Development Company (上海寶鴻房產開發公司) (Party B) and Burlingame (Shanghai) Investment Limited (柏寧頓(上海)投資有限公司) (Party C) on 7 June 1993, Party A, Party B and Party C will establish Shanghai Hung Tai Real Estate Co., Ltd. (上海鴻泰房地產有限公司) as a Shanghai-Hong Kong joint venture company to develop a parcel of land located at No. 81 Jiefang, Dongdaming Road, Hongkou District, with details as follows:

(i)	Registered Capital	:	US$12,000,000 The holding capital of each Party is listed as follows: - Party A : 10% at US$1,200,000 Party B : 5% at US$600,000 Party C : 85% at US$10,200,000
(ii)	Profit Sharing	:	Party A, Party B and Party C shall allot the profit according to the proportion of registered capital that each party contributed

(iii)	Term of the Company	:	The term of the company shall commence on the establishment date, which is the date on which the Business License of the company is issued, and continue for a period of 50 years

As advised, Party B subsequently transferred its 5% to Party C. Thus, Party A currently holds 10% and Party C currently holds 90%.

(6) According to Business License No. QHHZZ No. 005024 issued by Shanghai Industrial and Commercial Administration Bureau on 1 June 2005, Shanghai Hung Tai Real Estate Co., Ltd. (上海鴻泰房地產有限公司) established with a registered capital of US$12,000,000 for a valid period from 31 January 1994 to 30 January 2044.

(7) According to the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macau and Overseas Chinese in the People's Republic of China issued on 11 March 2004, the details are summarized as follows:-

(i)	Approval Number	:	SWZHHZZ [1993] No. 2083	
(ii)	Name of Enterprise	:	Shanghai Hung Tai Real Estate Co., Ltd. (上海鴻泰房地產有限公司)	
(iii)	Registered Capital	:	US$12,000,000	
(iv)	Capital contribution of each investor	:	Shanghai Hongkou District Gongfang Capital Management Company of China (上海市虹口區公房資產經營公司)	US$1,200,000 (10%)
			Burlingame (Shanghai) Investment Limited (柏寧頓(上海)投資有限公司)	US$10,800,000 (90%)
(v)	Duration of Operation	:	50 years	
(vi)	Date of Approval	:	28 December 1993	

(8) The opinion of the Company's legal adviser on PRC law states, inter alia, that:

(i) Shanghai Hung Tai Real Estate Co., Ltd. (上海鴻泰房地產有限公司) obtained the Business Licence and Certificate of Approval for Establishment of Enterprises.

Shanghai Hung Tai Real Estate Co., Ltd. (上海鴻泰房地產有限公司) is a legally established and existing sino-foreign equity joint venture enterprise. Its investors with capital contribution are Shanghai Hongkou District Gongfang Capital Management Company of China (上海市虹口區公房資產經營公司) (US$1,200,000 (10%)) and Burlingame (Shanghai) Investment Limited (柏寧頓(上海)投資有限公司) (US$10,800,000 (90%)). The profit sharing ratio of each party shall be according to its percentage of capital contribution.

(ii) Shanghai Hung Tai Real Estate Co. Ltd. (上海鴻泰房地產有限公司) obtained Shanghai Certificate of Real Estate Ownership as follows:

Location	:	A Parcel of Land, No. 81 Jiefang, Dongdaming Road
Nature of Land Use Rights	:	Grant
Site Area	:	8,910 sq.m.
Land Usage	:	Composite
Land Use Term	:	From 22 May 1993 to 21 May 2043

(iii) According to the Technical Regulation of Shanghai Urban Plan and Administration issued on 1 December 2003, the site is located in the central area on the Inner Ring Road, and the plot ratio shall not exceed four.

(9) The status of the title and grant of major approvals and licences in accordance with the PRC legal opinion and the information provided by the Group is as follows: -

Shanghai Certificate of Real Estate Ownership	Yes
Grant Contract of Land Use Right	Yes
Contract for Demolition, Resettlement and Urban Utilities Accommodation	Yes
Extension Permission for Demolition	Yes
Red-line Drawing	Yes
Joint Venture Contract	Yes
Business Licence	Yes
Certificate of Approval for Establishment of Enterprises	Yes

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with their valuation as at 31 October 2006 of the property interests of the CIC Leasehold Land held by the Group.

Member of RHL International Property Consultants
永利行國際物業顧問集團成員

RHL Appraisal Ltd.
永利行評值顧問有限公司

Surveyors, Valuers, Land & Property Consultants
Room 1010, Stars House, Tsimshatsui, Kowloon, HK

5 January 2007

The Board of Directors
Interchina Holdings Company Limited
Room 701, 7/F
Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs,

Re: CIC Leasehold Land

INSTRUCTIONS

In accordance with your instructions to value the properties in which Interchina Holdings Company Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 October 2006 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange 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".

METHODS OF VALUATION

In the valuation of the properties, the following valuation approaches were adopted to arrive the market values of the properties:

Direct Comparison Method – the "Direct Comparison Method" is applied assuming sale of the property in existing state with the benefit of immediate vacant possession and by making reference to comparable land sale transactions as available in the relevant market; as well as the latest benchmark land price published by the local government authority.

Depreciated Replacement Cost Method – Having regard to the special nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, the property interests have been valued on the basis of their depreciated replacement cost. The valuation from two approaches will be reconciled to arrive at our final opinion of value.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." This method has been used due to the lack of an established market upon which to base comparable transactions and is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the valuation date. In this approach, the land value of the property is derived from the land sale comparables in the locality and also by making reference to the benchmark land price as published by the local government authority.

VALUATION ASSUMPTIONS

In valuing the property interests which are currently under construction, we have assumed that they will be developed and completed in accordance with the Group's latest development proposal provided to us. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the developments.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

TITLE INVESTIGATION

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contract, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. However, we have not examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the information given by the Group and the Company's PRC legal adviser – Jiao Yang Law Firm of Hunan China (湖南驕陽律師事務所), concerning the validity of the Group's titles to the property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
FHKIS AAPI RPS(GP)
Managing Director

Shirley Y. F. Yeung
BSc MRICS MHKIS
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 15 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of the Hong Kong Institute of Surveyors as well as an eligible real estate appraiser in the PRC.

Ms. Shirley Y. F. Yeung is a Chartered Surveyor with over 7 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Yeung is a member of the Royal Institute of Chartered Surveyor as well as a member of the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

GROUP I – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP IN THE PRC

No.	Property	Market value in existing state as at 31 October 2006 *RMB*
1	Interchina Mall and New Sports City Blocks 1-4 located at Land No. 10L0158-2 Land Parcel R-18 North New Sports City Yuhua District Changsha City Hunan Province The PRC	301,010,000
	Sub-total:	**301,010,000**

GROUP II – PROPERTY INTERESTS HELD FOR FUTURE DEVELOPMENT BY THE GROUP IN THE PRC

2.	Land No. 10L0158-3 and temporary sales office located at Land Parcel R-18 North New Sports City Yuhua District Changsha City Hunan Province The PRC	14,490,000
3.	Land No. 1999983 located at Land Parcel R-18 South New Sports City Yuhua District Changsha City Hunan Province The PRC	54,120,000

No.	Property	Market value in existing state as at 31 October 2006 *RMB*
4.	Land No. 1999985 located at Land Parcel R-11 West New Sports City Yuhua District Changsha City Hunan Province The PRC	109,700,000
5.	Land No. 1999986 located at Land Parcel R-11 East New Sports City Yuhua District Changsha City Hunan Province The PRC	108,220,000
6.	Land No. 10L0158-1 located at Land Parcel R-18 North New Sports City Yuhua District Changsha City Hunan Province The PRC	16,550,000
	Sub-total:	**303,080,000**
	Total:	**604,090,000**

VALUATION CERTIFICATE

GROUP I – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006 *RMB*
1.	Interchina Mall and New Sports City Blocks 1-4 located at Land No. 10L0158-2 Land Parcel R-18 North New Sports City Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 49,859.70 sq.m. on which a commercial/residential complex which comprises a commercial plaza, 4 blocks of commercial/residential buildings with 605 car parking spaces are under construction. The development was commenced in 2003. The total planned gross floor area of the buildings upon completion will be approximately 139,071.18 sq.m. and will comprise the following accommodations:	The property is currently under construction. The development is planned to be completed in various phases in 2007.	301,010,000

Interchina Mall	**Gross Floor Area** *(sq.m.)*
Basement 1 527 Car parking spaces	25,242.44
Levels 1-3 Commercial	29,343.97
Sub-total	**54,586.41**

New Sports City Blocks 1 and 2	**Gross Floor Area** *(sq.m.)*
Basement 1 Equipments	4,191.54
Levels 1-2 Commercial	7,799.71
Levels 3-15 Residential	29,876.83
Sub-total	**41,868.08**

New Sports City Blocks 3 and 4	**Gross Floor Area** *(sq.m.)*
Basement 1 78 Car parking spaces and equipments	5,071.41
Levels 1-2 Commercial	7,743.70
Levels 3-15 Residential	29,801.58
Sub-total	**42,616.69**

The land use rights of the property were granted for a term of 70 years commencing on 20 February 2006 for commercial/residential use.

Notes:

1. Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by Interchina (Changsha) Investments and Management Company Limited, a company incorporated in the PRC and is wholly owned by the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2003066 dated 20 February 2006 entered into between Changsha City State Land Resources Bureau and Changsha Interchina Star Company Limited (長沙國中星城置業有限公司), the land use rights of a parcel of land with a total site area of approximately 427,926.14 sq.m., including granted land of approximately 336,202.77 sq.m., were granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years commencing from 20 February 2006 for commercial/residential use at a consideration of RMB63,660,962.50.

3. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2006) Di No. 030905 dated 9 August 2006 issued by Changsha City Municipal Government, the land use rights of a parcel of land with a site area of approximately 49,859.70 sq.m. was granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years expiring on 20 February 2073 for residential use. The site has additional road area of 11,832.50 sq.m. and green area of 4,376.28 sq.m.

4. Pursuant to a Construction Land Planning Permit No. Chu (2003) 0015 dated 25 April 2005 issued by Changsha City Planning Management Bureau, the construction of 國中星城住宅小區 with a total planned gross floor area of approximately 352,607.71 sq.m. has been approved for construction on the land of the property.

5. Pursuant to a Construction Planning Permit – Jian 2 (2004) No. 0138 dated 19 April 2004 issued by the Changsha City Planning Management Bureau, a building named as Interchina Mall with a total planned gross floor area of approximately 56,267.13 sq.m. has been approved for construction.

6. Pursuant to a Construction Planning Permit – Jian 2 (2004) No. 0137 dated 31 March 2005 issued by the Changsha City Planning Management Bureau, 4 buildings named as Blocks 1-4 with a total planned gross floor area of approximately 85,198.05 sq.m. have been approved for construction. Blocks 1 and 3 are for hotel use and Blocks 2 and 4 are for serviced apartment use.

7. Pursuant to a Construction Commencement Permit – No. 430103200404190105 issued by the Changsha City Construction Committee, permission by the relevant local authority was given to begin construction of New Sports City Blocks 1 and 2 with a total gross floor area of approximately 100,200 sq.m. on 31 December 2003. The scheduled completion date was on 5 June 2005.

8. Pursuant to a Construction Commencement Permit – No. 430103200404190106 issued by the Changsha City Construction Committee, permission by the relevant local authority was given to begin construction of Blocks 3 and 4 with a total gross floor area of approximately 38,196 sq.m. on 31 December 2003. The scheduled completion date was on 31 January 2005.

9. Pursuant to a Planning Amendment Permit and the attached plan dated 16 June 2005 issued by the Changsha City Planning Management Bureau, Land Parcel M-09 has been approved for C2 use with plot ratio of 2.2, building density less than 35%, green area ratio greater than 45% and building height restriction less than 50 m.

10. Pursuant to a Commodity House Pre-Sales Permit – Chang Fang Shou Xu Zi (2004) Di No. 2952 dated 28 January 2005, Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is freely entitled to pre-sell portion of Phase I of the Development-Interchina Mall, with a gross floor area of approximately 29,336.19 sq.m. including 27,256.13 sq.m. for commercial use and 2,079.29 sq.m. for other use, in the market to local and overseas purchasers.

11. Pursuant to a Commodity House Pre-Sales Permit – Chang Fang Shou Xu Zi (2005) Di No. 3826 dated 18 April 2005 issued by Changsha City House Title Management Bureau, Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is freely entitled to pre-sell portion of Blocks 3 and 4 of the Development, with a gross floor area of approximately 35,501.13 sq.m. including 14,879.05 sq.m. for residential use, 4,603.85 sq.m. for commercial use and 16,018.23 sq.m. for other use, in the market to local and overseas purchasers.

12. Pursuant to a Commodity House Pre-Sales Permit – Chang Fang Shou Xu Zi (2005) Di No. 4197 dated 22 September 2005 issued by Changsha City House Title Management Bureau, Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is freely entitled to pre-sell portion of Blocks 1 and 2 of the Development, with a gross floor area of approximately 37,541.05 sq.m. including 15,054.66 sq.m. for residential use, 7,434.12 sq.m. for commercial use and 15,052.27 sq.m. for other use, in the market to local and overseas purchasers.

13. As advised by the Group, the estimated total construction costs expended as at 31 October 2006 was approximately RMB282,400,000 and the outstanding construction costs to complete the development was approximately RMB133,830,000. In the course of our valuation, we have taken into account the aforesaid construction costs.

14. The breakdown of the market value of the property is as follows:

Portion	**Gross Floor Area** *(sq.m.)*	**Market Value** *RMB*
Interchina Mall	54,586.41	128,520,000
New Sports City Blocks 1 and 2	41,868.08	70,160,000
New Sports City Blocks 3 and 4	42,616.69	102,330,000
Total	139,071.18	301,010,000

15. Pursuant to a Mortgage Agreement No. 362006110029 dated 24 January 2006 entered into between Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) (the "Mortgagor") and 興業銀行長沙韶山路支行 (the "Mortgagee"), the construction works of portion of Interchina Mall with a gross floor area of approximately 43,999.92 sq.m. and the land use rights of the land with a site area of approximately 19,996.96 sq.m. were subject to a mortgage in favour of the Mortgagee for a term of 1 year commencing from 24 January 2006 and expiring on 23 January 2007 for a loan of RMB15,000,000.

16. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

(i) The land use rights of the property are legally owned by Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司);

(ii) All land premium payments have been paid in full;

(iii) The construction works of the property are legally owned by Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司); and

(iv) The property is subject to a mortgage agreement in favour of 興業銀行長沙韶山路支行 for a term of 1 year commencing from 24 January 2006 and expiring on 23 January 2007 and portion of the property have been pre-sold.

GROUP II – PROPERTY INTERESTS HELD FOR FUTURE DEVELOPMENT BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006 *RMB*
2.	Land No. 10L0158-3 and temporary sales centre located at Land Parcel R-18 North New Sports City Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 10,751.99 sq.m. on which a temporary 4-storey sales centre with a total gross floor area of 6,507.56 sq.m. was erected. The land use rights of the property were granted for a term of 70 years expiring on 20 February 2073 for residential uses.	The property is currently occupied as temporary sales office and the land parcel is currently vacant.	14,490,000

Notes:

1. Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by Interchina (Changsha) Investments and Management Company Limited, a company incorporated in the PRC and is wholly owned by the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2003066 dated 20 February 2006 entered into between Changsha City State Land Resources Bureau and Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司), the land use rights of a parcel of land with a total site area of approximately 427,926.14 sq.m., including granted land of approximately 336,202.77 sq.m., were granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years commencing from 20 February 2006 for residential use at a consideration of RMB63,660,962.50.

3. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2006) Di No. 030906 dated 9 August 2006 issued by the Changsha City Municipal Government, the land use rights of a parcel of land with a site area of approximately 10,751.99 sq.m. was granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term expiring on 20 February 2073 for residential use. There is an additional road area of 7,725.25 sq.m.

4. Pursuant to a Planning Amendment Permit and the attached plan dated 16 June 2005 issued by the Changsha City Planning Management Bureau, Land Parcel M-09 has been approved for C2 use with plot ratio of 2.2, building density less than 35%, green area ratio greater than 45% and building height restriction less than 50 m.

5. As advised by the Group, the temporary sales centre, with a total gross floor area pf approximately 6,507.56 sq.m. has not obtained any construction permit from the local government department and is for temporary sales use only. Therefore, the value of the temporary sales centre has not been included in our valuation of the whole property.

6. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

   (i) The land use rights of the property are legally owned by Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司); and

   (ii) All land premium payments have been paid in full.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2006 *RMB*
3.	Land No. 1999983 located at Land Parcel R-18 South New Sports City Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 42,770.92 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 20 February 2073 for residential use.	The property is currently vacant with some temporary structures for construction.	54,120,000

Notes:

1. Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by Interchina (Changsha) Investments and Management Company Limited, a company incorporated in the PRC and is wholly owned by the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2003066 dated 20 February 2006 entered into between Changsha City State Land Resources Bureau and Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司), the land use rights of a parcel of land with a total site area of approximately 427,926.14 sq.m., including granted land of approximately 336,202.77 sq.m., were granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years commencing from 20 February 2006 for residential use at a consideration of RMB63,660,962.50.

3. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2006) Zi Di No. 005442 dated 16 May 2003 issued by the Changsha City Land Resources Bureau, the land use rights of a parcel of land with a site area of approximately 42,770.92 sq.m. was granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years expiring on 20 February 2073 for residential use.

4. Pursuant to a Construction Land Planning Permit No. Chu (2003) 0015 issued by Changsha City Planning Management Bureau, the construction of 國中星城住宅小區 with a total planned gross floor area of approximately 352,607.71 sq.m. has been approved for construction on the land of the property.

5. Pursuant to a Planning Amendment Permit and the attached plan dated 16 June 2005 issued by Changsha City Planning Bureau, Land Parcel M-07 has been approved for R2 use with plot ratio of 2.2, building density less than 28%, green area ratio greater than 40% and building height restriction less than 50 m.

6. Pursuant to a Mortgage Agreement No. 06-1269-10 and a Land Third Party Title Certificate – Chang Guo Tu Ta Xiang (2006) Zi Di No. 222, land use rights of the property and property nos. 4 and 5 were subject to a mortgage in favour of 中國建設銀行股份有限公司長沙華興支行 for a term commencing from 20 September 2006 and expiring on 19 March 2008 for a loan of RMB85,000,000.

7. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

   (i) The land use rights of the property are legally owned by Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司);

   (ii) All land premium payments have been paid in full; and

   (iii) The property subject to a mortgage agreement in favour of 中國建設銀行股份有限公司長沙華興支行 for a term commencing from 20 September 2006 and expiring on 19 March 2008.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006 *RMB*
4.	Land No. 1999985 located at Land Parcel R-11 West New Sports City Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 86,694.82 sq.m. The land use rights of the property were granted for a term of 70 years commencing from and expiring on 20 February 2073 for residential use.	The property is currently vacant with some temporary structures for construction.	109,700,000

Notes:

1. Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by Interchina (Changsha) Investments and Management Company Limited, a company incorporated in the PRC and is wholly owned by the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2003066 dated 20 February 2006 entered into between Changsha City State Land Resources Bureau and Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司), the land use rights of a parcel of land with a total site area of approximately 427,926.14 sq.m., including granted land of approximately 336,202.77 sq.m., were granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years commencing from 20 February 2006 for residential use at a consideration of RMB63,660,962.50.

3. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2003) Zi Di No. 005440 dated 16 May 2003 issued by the Changsha City Land Resources Bureau, the land use rights of a parcel of land with a site area of approximately 86,694.82 sq.m. was granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years expiring on 20 February 2073 for residential use.

4. Pursuant to a Construction Land Planning Permit No. Chu (2003) 0015 issued by Changsha City Planning Management Bureau, the construction of 國中星城住宅小區 with a total planned gross floor area of approximately 352,607.71 sq.m. has been approved for construction on the land of the property.

5. Pursuant to a Planning Amendment Permit and the attached plan dated 16 June 2005 issued by Changsha City Planning Bureau, Land Parcel M-06 has been approved for R2 use with maximum plot ratio of 1.6, building density less than 22%, green area ratio greater than 40% and building height restriction less than 60 m.

6. Pursuant to Mortgage Agreement No. 06-1269-10 and a Land Third Party Title Certificate – Chang Guo Tu Ta Xiang (2006) Zi Di No. 222, land use rights of the property and property nos. 4 and 5 were subject to a mortgage in favour of 中國建設銀行股份有限公司長沙華興支行 for a term commencing from 20 September 2006 and expiring on 19 March 2008 for a loan of RMB85,000,000.

7. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

   (i) The land use rights of the property are legally owned by Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司);

   (ii) All land premium payments have been paid in full; and

   (iii) The property subject to a mortgage agreement in favour of 中國建設銀行股份有限公司長沙華興支行 for a term commencing from 20 September 2006 and expiring on 19 March 2008.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006 *RMB*
5.	Land No. 1999986 located at Land Parcel R-11 East New Sports City Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 84,789.13 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 20 February 2073 for residential use.	The property is currently vacant with some temporary structures for construction.	108,220,000

Notes:

1. Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by Interchina (Changsha) Investments and Management Company Limited, a company incorporated in the PRC and is wholly owned by the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2003066 dated 20 February 2006 entered into between Changsha City State Land Resources Bureau and Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司), the land use rights of a parcel of land with a total site area of approximately 427,926.14 sq.m., including granted land of approximately 336,202.77 sq.m., were granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years commencing from 20 February 2006 for residential use at a consideration of RMB63,660,962.50.

3. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2003) Zi Di No. 005439 dated 16 May 2003 issued by the Changsha City Land Resources Bureau, the land use rights of a parcel of land with a site area of approximately 84,789.13 sq.m. was granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years expiring on 20 February 2073 for residential use.

4. Pursuant to a Construction Land Planning Permit No. Chu (2003) 0015 issued by Changsha City Planning Management Bureau, the construction of 國中星城住宅小區 with a total planned gross floor area of approximately 352,607.71 sq.m. has been approved for construction on the land of the property.

5. Pursuant to a Planning Amendment Permit and the attached plan dated 16 June 2005 issued by Changsha City Planning Management Bureau, Land Parcel M-06 has been amended to R2 use with maximum plot ratio of 1.6, building density less than 22%, green area ratio greater than 40% and building height restriction less than 60 m. Land Parcel M-07 has been approved for R2 use with maximum plot ratio of 2.2, building density less than 22%, green area ratio greater than 40% and building height restriction less than 50 m. Portion of the subject site with a site area of approximately 73,539.13 sq.m. is situated at Land Parcel M-06 and the remaining portion of the subject site with an area of 11,250 sq.m. is situated at Land Parcel M-07.

6. Pursuant to Mortgage Agreement No. 06-1269-10 and a Land Third Party Title Certificate – Chang Guo Tu Ta Xiang (2006) Zi Di No. 222, land use rights of the property and property nos. 4 and 5 were subject to a mortgage in favour of 中國建設銀行股份有限公司長沙華興支行 for a term commencing from 20 September 2006 and expiring on 19 March 2008 for a loan of RMB85,000,000.

7. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

   (i) The land use rights of the property are legally owned by Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司);

   (ii) All land premium payments have been paid in full; and

   (iii) The property subject to a mortgage agreement in favour of 中國建設銀行股份有限公司長沙華興支行 for a term commencing from 20 September 2006 and expiring on 19 March 2008.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006 *RMB*
6.	Land No. 10L0158-1 located at Land Parcel R-18 North New Sports City Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 12,275.10 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 20 February 2073 for residential use.	The property is currently vacant.	16,550,000

Notes:

1. Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) is a company incorporated in the PRC and a wholly owned subsidiary of the Company, 38.9% shareholding of which is owned directly by the Company and 61.1% shareholding of which is owned by Interchina (Changsha) Investments and Management Company Limited, a company incorporated in the PRC and is wholly owned by the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2003066 dated 20 February 2006 entered into between Changsha City State Land Resources Bureau and Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司), the land use rights of a parcel of land with a total site area of approximately 427,926.14 sq.m., including granted land of approximately 336,202.77 sq.m., were granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years commencing from 20 February 2006 for residential use at a consideration of RMB63,660,962.50.

3. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2006) Zi Di No. 030904 dated 9 August 2006 issued by the Changsha City Land Resources Bureau, the land use rights of a parcel of land with a site area of approximately 12,275.10 sq.m. was granted to Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司) for a term of 70 years expiring on 20 February 2073 for residential use. There is an additional road area of 3,468.38 sq.m.

4. Pursuant to a Construction Land Planning Permit No. Chu (2003) 0015 issued by Changsha City Planning Management Bureau, the construction of 國中星城住宅小區 with a total planned gross floor area of approximately 352,607.71 sq.m. has been approved for construction on the land of the property.

5. Pursuant to a Planning Amendment Permit and the attached plan dated 16 June 2005 issued by Changsha City Planning Management Bureau, Land Parcel M-09 has been approved for C2 use with maximum plot ratio of 2.2, building density less than 35%, green area ratio greater than 45% and building height restriction less than 50 m.

6. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

   (i) The land use rights of the property are legally owned by Changsha Interchina Star City Company Limited (長沙國中星城置業有限公司); and

   (ii) All land premium payments have been paid in full.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which were required pursuant to section 352 of Securities and Futures Ordinance to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares
Zhang Yang	The Company	Interests of controlled corporation *(Note)*	103,495,000 Shares (L)

(L) denotes the long position held in the Shares

Note: These Shares are held by Wealth Land Development Corp., which is wholly and beneficially owned by Mr. Zhang Yang, who is a Director and the chairman of the Company.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which were required, pursuant to section 352 of Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, no persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS

None of the Directors has or has had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2006, being the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates (as defined in the Listing Rules) has any interests in a business which competes or may compete with the business of the Group.

7. SERVICE CONTRACT

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group, excluding contracts which expire or may be terminated by the employer within a year without payment of any compensation (other than statutory compensation).

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, save as disclosed in Note 45(ii) of the Financial Information on the Group in Appendix I no member of the Group was engaged in any litigation or arbitration or claim of material importance and the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

9. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, being the date to which the latest published audited financial statements of the Company were made up.

10. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date:

(a) the purchase agreement dated 5 February 2005 entered into between 西安國中星城置業有限公司 (Xian Guo Zhong Xingcheng Zhiye Company Limited) (a wholly-owned subsidiary of the Company) and Gao Xin sub-bureau of the State Land Resources and Housing Management Bureau of Xian, Shaanxi Province, the PRC, in relation to acquisition of the land of approximately 378.53 acres, which situated in the New Industrial Park of the Xian Hi-tech Industrial Development Zone, Xian, the PRC, at the consideration of RMB235,000,000;

(b) the legally binding memorandum of understanding dated 8 April 2005 entered into between the counter-parties (錢春華 (Qian Chun Hua) and 上海錢匯實業有限公司 (Shanghai Qian Hui Shiye Company Limited)) and the Company, in relation to the acquisition of the entire equity interests in Shanghai You Lian Enterprise (Holdings) Limited, at an aggregate consideration of RMB150,000,000;

(c) the disposal agreement dated 23 April 2005 entered into between Li Gong Tao and the Company, in relation to the disposal of the 60% interests in Money Capture Investment Limited, at an aggregate consideration of HK$137,000,000;

(d) the co-operation agreement dated 9 May 2005 entered into between Interchina Water Treatment Limited (a wholly-owned subsidiary of the Company) and the People's Government of Zhuozhou, Hebei Province, in relation to granting an exclusive right to finance, design, construct, own, manage, maintain and operate two sewage treatments plants in Zhuozhou, Hebei Province, the PRC for 25 years;

(e) the subscription agreement dated 14 October 2005 entered into between the Company and the subscribers in relation to the issue of the convertible notes in principal amount of HK$90,000,000 (as to HK$23,000,000 subscribed by Shanghai Hengnasi Property Management Limited, as to HK$23,000,000 subscribed by Shanghai Aishu Trading Company Limited, as to HK$22,000,000 subscribed by Shanghai Juyi Technology Development Limited and as to HK$22,000,000 subscribed by Shanghai Yuandan Investment and Management Company Limited) at the conversion price of HK$0.1 per Share;

(f) the sale and purchase agreement dated 26 May 2006 entered into between Hu Yishi and China Field Investments Limited (a wholly owned subsidiary of the Company) in relation to the disposal of the entire issued capital of a subsidiary and the shareholder's loan amounting to HK$20,750,000 due and owing by the subsidiary to China Field Investments Limited at an aggregate consideration of HK$48,100,000;

(g) the termination agreement entered into between the Company and the People's Government of Xianyang City, Shaanxi Province on 23 June 2006, in relation to the Water Treatment Plant Project in Xianyang, Shaanxi Province, the PRC;

(h) the termination agreement entered into between Interchina Water Treatment Limited (a wholly-owned subsidiary of the Company) and the People's Government of Zhuozhou, Hebei Province on 6 July 2006, in relation to granting an exclusive right to finance, design, construct, own, manage, maintain and operate two sewage treatments plants in Zhuozhou, Hebei Province, the PRC for 25 years;

(i) the Framework Agreement;

(j) the BSI Agreement; and

(k) the ICIM & CIC Agreement.

11. QUALIFICATIONS OF EXPERT

The following is the qualification of the expert who has given their opinion or advice which are contained in this circular:

Name	Qualification
DTZ Debenham Tie Leung Limited	Professional surveyors and valuers
RHL Appraisal Ltd	Professional surveyors and valuers
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Zhong Lun Law Firm	Legal adviser of PRC laws
Jiao Yang Law Firm of Hunan China	Legal adviser of PRC laws

12. EXPERT'S INTEREST

As at the Latest Practicable Date, each of DTZ Debenham Tie Leung Limited, RHL Appraisal Ltd., HLB Hodgson Impey Cheng, Zhong Lun Law Firm and Jiao Yang Law Firm of Hunan China:

(a) was not interested directly or indirectly, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to the Company since 31 March 2006, the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding in the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.

13. CONSENT

Each of DTZ Debenham Tie Leung Limited, RHL Appraisal Ltd., HLB Hodgson Impey Cheng, Zhong Lun Law Firm and Jiao Yang Law Firm of Hunan China has given and has not withdrawn its written consents to the issue of this circular with the inclusion of and references to its name in the form and context in which they appear.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at Room 701, 7/F., Aon China Building, 29 Queen's Road Central, Hong Kong, up to and including 9 February 2007:

(a) the memorandum and articles of association of the Company;

(b) the audited financial statements of the Group for the three years ended 31 March 2006;

(c) the report issued by HLB Hodgson Impey Cheng in connection with the unaudited pro forma financial information of the Remaining Group after completion of the Disposals as set out in Appendix II to this circular;

(d) the letter and valuation certificate from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix III to this circular;

(e) the letter and valuation certificate from RHL Appraisal Ltd., the text of which is set out in Appendix IV to this circular;

(f) the legal opinion given by Zhong Lun Law Firm referred to in the letter and valuation certificate from DTZ Debenham Tie Leung Limited;

(g) the legal opinion given by Jiao Yang Law Firm of Hunan China referred to in the letter and valuation certificate from RHL Appraisal Ltd.;

(h) the consent letter referred to in the paragraph headed "Consent" in this appendix;

(i) the material contracts referred to in the paragraph headed "Summary of material contracts" in this appendix; and

(j) this circular.

15. MISCELLANEOUS

(a) The registered office of the Company is at Room 701, 7/F., Aon China Building, 29 Queen's Road Central, Hong Kong.

(b) The share registrar of the Company is Tengis Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Mr. Lam Cheung Shing, Richard, who is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

(d) The qualified accountant of the Company is Mr. Tsang Heung Yip, Wallace who is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants (as required under Rule 3.24 of the Listing Rules).

(e) The English text of this circular shall prevail over the Chinese text.

國中控股有限公司

INTERCHINA HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 202)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Interchina Holdings Company Limited ("Company") will be held at Royal I, 1/F., Majestic Hotel, 348 Nathan Road, Kowloon, Hong Kong on 10 February 2007 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the terms and conditions, execution, delivery, performance and implementation of each of:

(1) the conditional framework agreement dated 19 October 2006 ("**Framework Agreement**") (a copy of the Framework Agreement has been produced to the meeting marked "A" and has been signed by the Chairman of the meeting for the purpose of identification) made between Interchina Holdings Company Limited ("**Company**") and Shanghai Lam Hong (Group) Company Limited,

(2) the conditional agreement dated 19 October 2006 ("**BSI Agreement**") (a copy of the BSI Agreement has been produced to the meeting marked "B" and has been signed by the Chairman of the meeting for the purpose of identification) made between Burlingame International Company Limited ("**BIC**"), Chinese Asial Investments Limited ("**CAI**") and Mr. Zhang Yun, and

(3) the conditional agreement dated 19 October 2006 (the "**ICIM & CIC Agreement**") (a copy of the ICIM & CIC Agreement has been produced to the meeting marked "C" and has been signed by the Chairman of the meeting for the purpose of identification) made between the Company and Tangible Wealth Investments Limited,

respectively for the disposals of the entire interest in the capital of Burlingame (Shanghai) Investments Limited ("**BSI**"), the entire interest in the capital of Interchina (Changsha) Investments And Management Company Limited ("**ICIM**"), 38.9% equity interest in the capital of Changsha Interchina Star City Company Limited, the non-interest bearing shareholder loan owing by BSI to BIC as at the completion of the BSI Agreement, the non-interest bearing shareholder loan owing by BSI to CAI as at the completion of the BSI Agreement and the non-interest bearing shareholder loan owing by ICIM to the Company as at the completion of the ICIM & CIC Agreement, and the transactions contemplated under each of the Framework Agreement, the BSI

Agreement, the ICIM & CIC Agreement and the performance by the Company thereof be and are hereby confirmed, ratified and approved and that any one or more of the directors of the Company (the "**Directors**") be and is and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver supplemental agreements, deeds or such other documents and do all such acts, matters and things as he or she or they may in his or her or their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing the Framework Agreement, the BSI Agreement, the ICIM & CIC Agreement and completing the transactions contemplated by the Framework Agreement, the BSI Agreement, the ICIM & CIC Agreement with such changes including but not limited to change of the date for completion of the transactions as any such Director(s) may consider necessary, desirable or expedient."

By Order of the Board of
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Director and Company Secretary

Hong Kong, 5 January 2007

Registered Office:
Room 701, 7/F.
Aon China Building
29 Queen's Road Central
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and vote in his stead. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's share registrar, Tengis Limited, Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. As at the date of this notice, the executive Directors are Mr. Zhang Yang, Mr. Chan Wing Yuen, Hubert and Mr. Lam Cheung Shing, Richard and the independent non-executive Directors are Mr. Wong Hon Sum, Ms. Ha Ping and Dr. Tang Tin Sek.