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INTERCHINA HOLDINGS COMPANY LIMITED

國 中 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the “**Board**”) of Interchina Holdings Company Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Turnover	4	243,770	116,182
Cost of sales		(117,946)	(30,681)
Other revenue and operating income	5	154,280	7,313
Staff costs	6	(43,922)	(26,369)
Amortisation and depreciation		(27,981)	(8,429)
Administrative costs		(75,904)	(34,229)
Share-based payment expense		(76,408)	–
Impairment loss recognised in respect of goodwill		–	(11,006)
Fair value change in derivative financial instruments		1,884	16,629
Fair value change in investment properties		106,667	(136,955)
Profit/(loss) from operations	7	164,440	(107,545)
Finance costs	8	(62,194)	(36,324)
Share of results of an associate		–	3,146
Gain on disposal of subsidiaries		24,031	–
Loss on disposal of an associate		–	(225,146)
Profit/(loss) before taxation		126,277	(365,869)
Taxation	9	(56,661)	14,491
Profit/(loss) for the year from continuing operations		69,616	(351,378)
Discontinued operation			
Loss for the year from discontinued operation		(9,247)	(412,867)
Profit/(loss) for the year		60,369	(764,245)

	<i>Notes</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		63,293	(764,496)
Non-controlling interests		(2,924)	251
		<u>60,369</u>	<u>(764,245)</u>
Earnings/(loss) per share for profit/(loss)			
attributable to the owners of the Company			
	<i>10</i>		
From continuing and discontinued operations			
– Basic (2009 restated)		HK2.901 cents	HK(37.908 cents)
– Diluted(2009 restated)		HK2.841 cents	HK(37.908 cents)
		<u>HK3.325 cents</u>	<u>HK(17.436 cents)</u>
From continuing operations			
– Basic (2009 restated)		HK3.325 cents	HK(17.436 cents)
– Diluted(2009 restated)		HK3.255 cents	HK(17.436 cents)
		<u>HK3.325 cents</u>	<u>HK(17.436 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Investment properties		609,722	503,228
Interests in leasehold land and land use rights		–	–
Property, plant and equipment		19,075	20,092
Intangible assets		702,801	685,811
Other financial assets		452,158	444,805
Interests in an associate		–	–
Goodwill		387,588	387,557
Other non-current assets		2,283	2,277
		2,173,627	2,043,770
Current assets			
Properties under development for sale		–	–
Inventories		3,078	4,198
Trade and other receivables and prepayments	<i>11</i>	1,154,387	282,577
Loan receivables		–	102,898
Financial assets at fair value through profit or loss		143,546	80
Tax recoverable		47	511
Bank balances – trust and segregated account		27,734	7,323
Cash and cash equivalents		129,140	34,259
		1,457,932	431,846
Assets classified as held for sale		41,614	589,680
		1,499,546	1,021,526
Total assets		3,673,173	3,065,296
Equity			
Share capital		2,324,219	2,028,619
Share premium and reserves		(200,268)	(309,154)
Equity attributable to owners of the Company		2,123,951	1,719,465
Non-controlling interests		234,168	155,686
		2,358,119	1,875,151
Non-current liabilities			
Bank borrowings – due after one year		279,147	291,936
Other borrowings – due after one year		–	12,425
Deferred tax liabilities		136,938	106,590
		416,085	410,951

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current liabilities			
Trade and other payables and deposits received	<i>12</i>	230,018	339,687
Tax payable		39,917	9,660
Derivative financial instruments		66	–
Bank borrowings – due within one year		214,257	92,936
Other borrowings – due within one year		394,830	126,541
Convertible notes		19,881	–
		<hr/> 898,969	<hr/> 568,824
Liabilities classified as held for sale		–	210,370
		<hr/> 898,969	<hr/> 779,194
Total liabilities		<u>1,315,054</u>	<u>1,190,145</u>
Total equity and liabilities		<u>3,673,173</u>	<u>3,065,296</u>
Net current assets		<u>600,577</u>	<u>242,332</u>
Total assets less current liabilities		<u>2,774,204</u>	<u>2,286,102</u>

NOTES

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value, as appropriate.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS (Amendments)	Improvement to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for the annual periods beginning on or after 1 July 2009
HKFRS (Amendments)	Improvement to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKFRS 1 & HKAS 27 (Amendments)	Amendment to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations arising on liquidation
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from customers

Except as described below, the adoption of the new and revised HKFRSs had no material impact on the consolidated financial statements of the Group for the current and prior accounting period.

HKFRS 7 (Amendment) Improvement Disclosures about Financial Instruments

HKFRS 7 (Amendments) require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The Group has take advantage of the transition provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

HKFRS 8 “Operating Segments”

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

HKAS 1 (Revised) “Presentation of Financial Statements”

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduced the statement of comprehensive income, it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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

HKFRS (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs in 2008 ¹
HKFRS (Amendments)	Improvement to HKFRSs issued in 2009 ²
HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter ³
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payments – Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HKAS 24	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendments)	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues ⁴
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement ⁶
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendment that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary.

HKFRS 9 “Financial instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The Group is in the process of making an assessment of the impact of these new HKFRSs and anticipates that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group and the Company.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), which is a group of executive directors of the Company, for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor standard (HKAS 14 “Segment reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segment.

In a manner consistent with the way in which information is reported internally to CODM for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments.

Continuing operations

- | | | |
|---|---|--|
| Environmental protection and water operations | – | Operation of water plants and sewage treatment plants in the PRC |
| Property investment operations | – | leasing of rental property in the PRC and Hong Kong |
| Securities and financial operations | – | Securities investment provision of financial service |

Discontinued operation

- | | | |
|---|---|---|
| City development and investment operation | – | Infrastructure construction for urbanisation operation and property development for sale in the PRC |
|---|---|---|

Accordingly, the application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Segment information about these businesses is presented below:

	Continuing operations				Discontinued operation	Consolidated total
	Environmental protection and water treatment operation	Property investment operation	Securities and financial operation	Total	City development and investment operation	
For the year ended 31 March 2010	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>211,945</u>	<u>18,404</u>	<u>13,421</u>	<u>243,770</u>	–	<u>243,770</u>
Segment results	<u>41,127</u>	<u>120,057</u>	<u>122,559</u>	283,743	(4,384)	279,359
Interest income and unallocated gains				924	10	934
Administrative costs				(45,703)	–	(45,703)
Share-based payment expense				(76,408)	–	(76,408)
Fair value change in derivative financial instruments				1,884	–	1,884
Profit/(loss) from operations				164,440	(4,374)	160,066
Finance costs				(62,194)	(4,873)	(67,067)
Gain on disposal of subsidiaries				24,031	–	24,031
Profit before taxation				126,277	(9,247)	117,030
Taxation				(56,661)	–	(56,661)
Profit/(loss) for the year				<u>69,616</u>	<u>(9,247)</u>	<u>60,369</u>
	Continuing operations				Discontinued operation	Consolidated total
	Environmental protection and water treatment operation	Property investment operation	Securities and financial operation	Total	City development and investment operation	
For the year ended 31 March 2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>81,479</u>	<u>18,211</u>	<u>16,492</u>	<u>116,182</u>	–	<u>116,182</u>
Segment results	<u>34,974</u>	<u>(119,567)</u>	<u>11,564</u>	(73,029)	(408,283)	(481,312)
Interest income and unallocated gains				238	5	243
Administrative costs				(40,377)	–	(40,377)
Fair value change in derivative financial instruments				16,629	–	16,629
Loss from operations				(96,539)	(408,278)	(504,817)
Finance costs				(36,324)	(4,589)	(40,913)
Impairment loss on goodwill				(11,006)	–	(11,006)
Share of results of associates				3,146	–	3,146
Loss on disposal of an associate				(225,146)	–	(225,146)
Loss before taxation				(365,869)	(412,867)	(778,736)
Taxation				14,491	–	14,491
Loss for the year				<u>(351,378)</u>	<u>(412,867)</u>	<u>(764,245)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009: nil).

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

For the purposes of monitoring segment performance and allocating resource between segments, all assets and liabilities are allocated to reportable segments other than corporate assets and liabilities.

Geographical information

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

	Revenue from external customer		Specified non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong	13,511	16,492	4,643	18,492
The People's Republic of China other than Hong Kong (The "PRC")	230,259	99,690	2,168,984	2,025,278
	<u>243,770</u>	<u>116,182</u>	<u>2,173,627</u>	<u>2,043,770</u>

4. TURNOVER

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

	Continuing operations		Discontinued operation		Consolidated total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Sewage and water treatment operation*	139,929	81,479	–	–	139,929	81,479
Sewage and water treatment construction service income	72,016	–	–	–	72,016	–
Property rental and management fee	18,404	18,211	–	–	18,404	18,211
Brokerage commission income	5,122	3,014	–	–	5,122	3,014
Interest income from clients	8,299	13,478	–	–	8,299	13,478
	<u>243,770</u>	<u>116,182</u>	<u>–</u>	<u>–</u>	<u>243,770</u>	<u>116,182</u>

* Finance income on other financial assets under service concession arrangement of HK\$55,137,000 (2009: HK\$40,390,000) is included in the revenue derived from "Sewage and water treatment operation" disclosed above.

5. OTHER REVENUE AND OPERATING INCOME

	Continuing operations		Discontinued operation		Consolidated total	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	350	238	10	5	360	243
Dividend income	26	4	–	–	26	4
Consultancy service income	4,643	–	–	–	4,643	–
Government subsidies	32,520	5,172	–	–	32,520	5,172
Gain on disposal of financial assets at fair value through profit or loss	114,415	–	–	–	114,415	–
Sundry income	2,326	1,899	–	–	2,326	1,899
	<u>154,280</u>	<u>7,313</u>	<u>10</u>	<u>5</u>	<u>154,290</u>	<u>7,318</u>

6. STAFF COSTS

	Continuing operations		Discontinued operation		Consolidated total	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances (including directors' remuneration)	42,327	25,116	934	2,408	43,261	27,524
Retirement benefit scheme contributions	1,595	1,253	94	242	1,689	1,495
	<u>43,922</u>	<u>26,369</u>	<u>1,028</u>	<u>2,650</u>	<u>44,950</u>	<u>29,019</u>

7. PROFIT/(LOSS)FROM OPERATIONS

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

	Continuing operations		Discontinued operation		Consolidated total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Depreciation	6,675	2,245	239	413	6,914	2,658
Amortisation of leasehold land, land use rights and intangible assets	24,642	6,184	333	666	24,975	6,850
Auditors' remuneration	1,220	1,071	37	106	1,257	1,177
Write-off of property, plant and equipment	–	111	–	–	–	111
Fair value change in financial instruments						
– Financial assets at fair value through profit or loss	–	18	–	–	–	18
– Derivative financial instruments	(1,884)	(16,629)	–	–	(1,884)	(16,629)
Impairment loss recognised in respect of other receivables	1,863	260	–	–	1,863	260
Impairment loss recognised in respect of asset held for sale	1,241	–	–	–	1,241	–
Operating lease rentals in respect of premises	5,520	2,211	–	–	5,520	2,211
Net foreign exchange loss	3,915	288	–	–	3,915	288
Gross rental income from investment properties	(17,008)	(18,211)	–	–	(17,008)	(18,211)
Less: direct operating expenses from investment properties that generated rental income during the year	2,874	2,716	–	–	2,874	2,716
direct operating expenses from investment properties that did not generate rental income during the year	–	180	–	–	–	180
	<u>62,194</u>	<u>36,324</u>	<u>4,873</u>	<u>4,589</u>	<u>67,067</u>	<u>40,913</u>

8. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Interests on:						
Bank borrowings and overdrafts wholly repayable:						
– within five years	35,259	15,861	4,873	4,589	40,132	20,450
– over five years	6,116	4,225	–	–	6,116	4,225
Other borrowings	18,467	16,238	–	–	18,467	16,238
Interest on convertible notes	2,352	–	–	–	2,352	–
	<u>62,194</u>	<u>36,324</u>	<u>4,873</u>	<u>4,589</u>	<u>67,067</u>	<u>40,913</u>

9. TAXATION

	Continuing operations		Discontinued operation		Consolidated total	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax						
Hong Kong Profits Tax	14,468	303	–	–	14,468	303
The PRC Enterprise Income Tax	11,081	1,816	–	–	11,081	1,816
	<u>25,549</u>	<u>2,119</u>	<u>–</u>	<u>–</u>	<u>25,549</u>	<u>2,119</u>
Deferred tax	31,112	(16,610)	–	–	31,112	(16,610)
	<u>56,661</u>	<u>(14,491)</u>	<u>–</u>	<u>–</u>	<u>56,661</u>	<u>(14,491)</u>

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year.

The PRC Enterprise Income Tax

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

10. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

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

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings/(loss) attributable to owners of the Company for the purpose of basic earnings/(loss) per share	63,293	(764,496)
Effect of dilutive potential ordinary shares:		
– After tax effect of interest on convertible notes	224	–
Earnings/(loss) attributable to owners of the Company for the purpose of diluted earnings/(loss) per share	<u>63,517</u>	<u>(764,496)</u>
	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	2,181,875,802	2,016,701,555
Effect of dilutive potential ordinary shares		
– Convertible notes	53,698,630	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>2,235,574,432</u>	<u>2,016,701,555</u>

(b) From continuing operations

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Earnings/(loss) attributable to owners of the Company for the purpose of basic earnings/(loss) per share	63,293	(764,496)
Add: loss for the year from discontinued operation	<u>9,247</u>	<u>412,867</u>
	72,540	(351,629)
Effect of dilutive potential ordinary shares:		
– After tax effect of interest on convertible notes	<u>224</u>	<u>–</u>
Earnings/(loss) attributable to owners of the Company for the purpose of diluted earnings/(loss) per share from continuing operations	<u><u>72,764</u></u>	<u><u>(351,629)</u></u>

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

(c) From discontinued operation

Basic loss per share for the discontinued operation is HK0.424 cents per share (2009: loss of HK20.472 cents per share) and diluted loss per share for the discontinued operations is HK0.414 cents per share (2009: loss of HK20.472 cents per share), based on the loss for the year from the discontinued operations of HK\$9,247,000 (2009: loss of HK\$412,867,000) and the denominators detailed above for both basic and diluted loss per share.

(d) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 March 2010 has not assumed the exercise of the share options and the exercise of the convertible notes options (2009: has not assumed the exercise of the share options) as these potential ordinary shares are anti-dilutive during the year.

The weighted average number of ordinary shares for the basic and diluted earnings/(loss) per share for the years ended 31 March 2010 and 2009 have been adjusted for the share consolidation which became effective in April 2010.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2009: 60 days) to its trade customers. The aged analysis of trade receivables is as follow:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 30 days	148,178	17,263
31 – 60 days	–	588
61 – 90 days	–	588
Over 90 days	24,450	12,978
	<hr/>	<hr/>
	172,628	31,417
Margin clients accounts receivables	2,570	1,227
Clearing houses, brokers and dealers	6,943	3,346
Prepayments and deposits	905,302	164,370
Other receivables	69,067	82,477
	<hr/>	<hr/>
	1,156,510	282,837
Less: Impairment of other receivables and prepayments	(2,123)	(260)
	<hr/>	<hr/>
	1,154,387	282,577
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

12. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade payables		
0 – 30 days	39,257	22,588
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	106	100
Other payables and deposits received	190,655	316,999
	<u>230,018</u>	<u>339,687</u>

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

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Driven by the growth of the Group businesses, the Group's revenue from its continuing operations for the year ended 31 March 2010 amounted to approximately HK\$243,770,000, representing an increase of 110% from the last year. The Group's profit from the continuing operations for the year ended 31 March 2010 rose significantly to HK\$69,616,000 from a net loss of HK\$351,378,000 of the last year. The substantial increase in profit for the year under review was mainly due to (i) the stable growth of the Group's environmental protection and water treatment operation; (ii) a realized gain of approximately HK\$114,415,000 arising from investment in listed securities; and (iii) a revaluation gain of approximately HK\$106,667,000 arising on change in fair value of the Group's investment properties comparing to a revaluation loss of approximately HK\$136,955,000 were recorded in last year. In addition, the loss on disposal of an associate amounted to HK\$225,146,000 and the loss from discontinued operation amounted to HK\$412,867,000 recorded in the last year were extraordinary items and non-recurrence in nature.

During the year, the Group completed the disposal of its entire equity interest in the city development and investment operation business. The operating loss from discontinued operation amounted to HK\$9,247,000, is a final adjustment for the discontinued operation last year, representing an decrease of 98% from the last year.

Business Review

Environmental Protection and Water Treatment Operation

For the year under review, the Group's revenue and profit from environmental protection and water treatment operation have grown steadily and continuously. The revenue from this segment amounted to HK\$211,945,000, an increase of 160% over last year. This was mainly attributable to Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, it's A share listed on the Shanghai Stock Exchange) a 70.2% owned subsidiary of the Group contributed a revenue of HK\$97,300,000 (2009: HK\$20,483,000), representing 46% of the total revenue of this segment (2009: 25%). As the Group consolidated the results of Heilongjiang Interchina since January 2009, only three months results of Heilongjiang Interchina were reflected last year whereas full year contribution from Heilongjiang Interchina was recorded this year.

At the end of March 2010, the Group had ten environmental water projects in the PRC, a summary of which is as follow:

Project	Province	The Group's controlling interest	Daily processing capacity (tonnes)
Project under operation			
Qinhuangdao Sewage Treatment Plant ("Qinhuangdao Project")	Hebei	100%	120,000
Maanshan Sewage Treatment Plant ("Maanshan Project")	Anhui	100%	60,000
Changli Sewage Treatment Plant ("Changli Project")	Hebei	100%	40,000
Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project")	Shannxi	100%	110,000
Yanliang Water Supply Plant ("Yanliang Project")	Shannxi	99%	120,000
Xiongyue Sewage Treatment Plant ("Qinghai Project")	Qinghai	95%	42,500
Sub-total			492,500

Project	Province	The Group's controlling interest	Daily processing capacity (tonnes)
Project under construction			
Hanzhong Shimen Water Supply Plant (“Shimen Project”) – <i>expected to be completed by mid of 2011</i>	Shannxi	80%	100,000
Ordos Sewage & Water Treatment Plant (“Ordos Project”) – <i>expected to be completed by third quarter of 2010</i>	Inn Mongolia	100%	35,000
Dongying Sewage & Water Treatment Plant (“Dongying Project”) – <i>expected to be completed by end of 2010</i>	Shandong	55.4%	150,000
Taiyuan Haofeng Waste Water Treatment Plant (“Taiyuan Project”) – <i>expected to be completed by end of 2010</i>	Shanxi	80%	160,000
Sub-total			445,000
Total			937,500

Upon completion of the above projects under construction, it is expected that the Group’s daily aggregate processing capacity reach 937,500 tonnes. The Group’s profitability and income stream from environmental protection and water treatment operation can be further improved.

The Group has successfully completed the restructuring and acquisition of 70.2% equity interest in 黑龍江黑龍股份有限公司 (“Black Dragon”), stock code 600187, a company listed in the Shanghai Stock Exchange (“SSE”), in early 2009 and the trading of shares of Black Dragon was resumed in 17 April 2009. To reflect this major change in our environmental protection and water treatment operation, Black Dragon has changed its name to Heilongjiang Interchina Water Treatment Company Limited 黑龍江國中水務股份有限公司 (“Heilongjiang Interchina”). To strengthen the investment ability, Heilongjiang Interchina has submitted a proposal to SSE and its shareholders to increase its issued share capital by no more than 115,000,000 new A shares to 10 target investors at a price of not less than RMB6.51 per A share to raise not more than RMB750,000,000 (the “Share Issue”). The new proceeds from the Share Issue will be used to further expand the operation of the environmental protection and water treatment business of Heilongjiang Interchina. The Share Issue was approved by the shareholders of the Company at the extraordinary general meeting held on 22 April 2010. The relevant approval procedures by the regulatory authorities of the PRC are still in process, details of which were set out in the Company’s circular dated 29 March 2010. The acquisition of the new target projects and the Share Issue are expected to be completed by the third quarter of the year.

Pursuant to the Share Issue, the Group will acquire a sewage treatment plant located in Zhuozhou, Hebei Province, namely 涿州中科國益水務有限公司 (Zhuozhou Zhongke Guoyi Water Treatment Company Limited) with daily processing capacity of 80,000 tonnes; and 85% equity interest in 北京中科國益環保工程有限公司 with its business engaged in building and construction of water treatment plant. Besides, the Group successfully acquired the 71% equity interest in Regent Victor Development Limited (“Regent Victor”). Regent Victor held 80% equity interest in Taiyuan Haofeng Waste Water Treatment Limited (“Taiyuan Haofeng”). Taiyuan Haofeng was granted an exclusive right for a period of 25 years by the Taiyuan City Municipal Management Council to finance, design, enhance, re-model and operate the sewage treatment plant located in Taiyuan, Shanxi Province, with water processing capacity of 160,000 tonnes per day. In addition, in September 2009, the Group was granted the right for a period of 30 years by the Shandong Municipal Government to invest, finance, design, construct and operate a water supply plant in Dongying, Shandong Province, with water processing capacity of 150,000 tonnes per day. Both projects are currently undergoing construction and are expected to commence operation by end of this year.

The Group has decided to focus its investments in environmental protection and water treatment operation through Heilongjiang Interchina and expects that environmental protection and water treatment operation will generate a substantial and stable source of revenue of the Group and the profit contribution from its operations will grow steadily.

The Group will continue to seek opportunities of merger and acquisition of quality environmental protection and water treatment projects to further increase its investment in the operation, so as to contribute more profit to the Group.

Property Investment Operation

Rental income generated from the Group’s portfolio of investment property for 2010 amounted to HK\$18,404,000 (2009: HK\$18,211,000), a slight increase of 1% over 2009. At end of March 2010, the Group’s investment properties in Beijing being almost fully let and the Group’s investment property in Shanghai is currently under renovation.

During the year, the Group’s investment properties recorded increase in fair value and revaluation gain of approximately HK\$106,667,000 (2009: loss of HK\$136,955,000). Our investment properties located in the CBD of Shanghai and Beijing, the PRC will help to secure a stable rental income stream and future profit. The Group will carry out review from time to time on its investment properties for renovation potential in order to enhance rental income.

Securities and Financial Operation

During the year, the Group's revenue from securities and financial operation amounted to HK\$13,421,000 which represents a decrease of 19 % when compared with last year's revenue of HK\$16,492,000. As a small to medium size broker firm, the Group was under tremendous pressure and competition from other major securities broker firms and banks in Hong Kong. In addition, the Group had adopted a prudent approach in conducting its financing business and had strengthened its customer credit control.

The Group will continue to strength internal control over the lendings to client but also will continue to launch more customer-oriented value added service to its customers in future with a view to gaining customer confidence in the Group.

Discontinued Operation

During the year, the Group completed the disposal of its entire equity interest in the city development and investment operation business. This segment is presented as discontinued operation in the consolidated financial statements for the year ended 31 March 2010 and 2009.

Prospects

To cope with the global financial crisis, the Chinese government has launched the RMB4 trillion economy-stimulating plan. The PRC Government policies: urbanization of rural population; promotion for water protection scheme and loosen fiscal policies, help the development of second and third ties cities in the PRC. Huge spending by the government in the infrastructure development and the improvement of the city life style stimulated the development of the environment protection and water treatment sector.

Over the last ten years, the Group has successfully positioned itself within the environmental protection and water treatment sector in various territories. We have built up strong alliances with our strategic partners; an excellent professional working team and effective fund raising platforms. The successfully acquisition of Heilongjiang Interchina provides the Group with an easy access to the growing A-share capital market in China. Accommodated with the encouraging Government policies and leveraging on our own efforts and our competitive advantages in the sector, we are sure that our Group will become the best total environmental protection and water treatment solution provider in the China. Heilongjiang Interchina was enlisted and ranked second in the "Most Potential Growth Water Industry Brand 2009 conducted by h2o-China.com". The management of the Group is devoted to themselves to become an outstanding total solution provider in the China and expected the Group's daily processing capacity will reach five million tonnes within three years.

The Group's strategy is to focus on its business on environmental protection and water treatment operation. We believe that the profit contribution from the operation will grow steadily and continuously. We will keep on development more new businesses such as nature resources so as to capture new opportunities with potential in bringing strong returns to the shareholders of the Company in the long run.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2010, the Group's total assets were HK\$3,673,173,000 (2009: HK\$3,065,296,000) and the total liabilities were HK\$1,315,054,000 (2009: HK\$1,190,145,000), and the equity reached HK\$2,358,119,000 (2009: HK\$1,875,151,000).

As at 31 March 2010, the Group's cash on hand and deposits in bank was approximately HK\$156,874,000 (2009: HK\$41,582,000).

As at 31 March 2010, the Group had outstanding bank and other borrowings of HK\$908,115,000 (2009: HK\$523,838,000) comprising bank borrowings of HK\$493,404,000 (2009: HK\$384,872,000), other borrowings of HK\$394,830,000 (2009: HK\$138,966,000) and convertible notes of HK\$19,881,000 (2009: Nil) whereas 56% of the Group's outstanding bank and other borrowings carried interest on floating rate basis and the remaining 44% were at fixed interest rate. The gearing ratio was 25% (total outstanding borrowings/total assets). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK\$628,968,000 repayable within one year, HK\$203,011,000 repayable after one year but within five years and HK\$76,136,000 repayable after five years.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. As at 31 March 2010, 28% of the Group's cash on hand and deposits in bank was held in Hong Kong dollars and 72% in Renminbi; whereas 14% of the Group's outstanding borrowings was denominated in Hong Kong dollars and the rest in Renminbi.

In June 2009, the Group completed the issuance of 2-year convertible notes bearing interest at 5% p.a. convertible into a total of 350,000,000 shares of HK\$0.1 each. The detail of which were set out in the Company's announcement dated 9 June 2009. The relevant convertible notes had been fully converted into share capital on or before 31 December 2009.

Pursuant to the Subscription Agreement dated 27 July 2009, the Company completed in August 2009 the issuance of 1-year convertible notes bearing interest at 5% p.a. convertible into a total of 1,200,000,000 shares of HK\$0.1 each (the "First Tranche Convertible Notes") and granted option to subscribe for 1-year convertible notes bearing interest at 5% p.a. convertible into a total of 2,500,000,000 shares of HK\$0.1 each (the "Second Tranche Convertible Notes Option") for a total consideration of HK\$252,500,000. The detail of which were set out in the Company's announcement dated 27 July 2009. During the year, all the First Tranche Convertible Notes had been converted into share capital and the

Company also issued 1-year convertible notes bearing interest at 5% p.a. convertible into a total of 900,000,000 shares of HK\$0.1 each in respect of the Second Tranche Convertible Notes Option (the “Second Tranche Convertible Notes”). As at 31 March 2010, the Second Tranche Convertible Notes with principal amount of HK\$20,000,000 had been outstanding. The net proceed from the issue of the First Tranche Convertible Notes of approximately HK\$120,000,000 had been used to repay the existing indebtedness of the Company and the net proceed from the issue of the Second Tranche Convertible Notes of approximately HK\$90,000,000 had been applied as general working capital of the Group.

During the year, a total of 1,568,000,000 employee share options were granted by the Company at an exercise price of HK\$0.103 per share. A total of 706,000,000 share options granted were exercised, for which a total of 706,000,000 new shares were issued. The proceeds in the sum of HK\$72,700,000 generated from the exercise of share options were used as general working capital of the Group.

Event after reporting period

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

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

Significant acquisition and disposal

On 9 June 2009, the Company entered into an agreement (the “Disposal Agreement”) with the buyer to disposal of 100% interest in and shareholders’ loan due from Success Flow International Limited and its subsidiaries (the “Success Flow Group”), resulting in indirect disposal of the interest of the investment property (retail units) located in Beijing, at a total consideration of HK\$55,000,000 (the “Proposed Disposal”). Details of the Proposed Disposal were disclosed in the Company’s announcement dated 9 June 2009. However, since the buyer has failed to complete the due diligence reviews on the Success Flow Group within the period set out in the Disposal Agreement (being two months from the date of the Disposal Agreement). The Company and the buyer therefore entered into the termination agreement on 14 September 2009 to terminate the Proposed Disposal under the Disposal Agreement. The Success Flow Group remains as subsidiaries of the Company.

On 17 September 2009, the Group entered into a sale and purchase agreement with Mr. Zhao Libo with respect to the acquisition of 47.57% equity interest in Regent Victor Development Limited (“Regent Victor”), for a consideration of HK\$5,200,004. On the same date, the Group entered into a share subscription agreement with Regent Victor to subscribe for 8,999,996 new shares of Regent Victor at HK\$1.00 each. Upon the completion of the above transactions, the Group ultimately held 71% equity interest in Regent Victor. Regent Victor is mainly engaged in investment holding, which directly holds 80% equity interests in Taiyuan Haofeng Waste Water Treatment Company Limited. Taiyuan Haofeng Waste Water Treatment Limited was granted an exclusive right to upgrade, manage and operate a sewage treatment plant in Taiyuan, Shanxi Province, the PRC for 25 years. Details of the acquisition were set out in the Company’s announcement dated 18 September 2009.

On 4 November 2009, Heilongjiang Interchina had submitted a proposal to the Shanghai Stock Exchange to increase its issued shares by no more than 130,000,000 new A shares to 10 target investors at a price not less than RMB6.55 to raise not more than RMB900,000,000 (the “Share Increase Proposal”). Upon completion of the Share Increase Proposal, the Group’s interest in Heilongjiang Interchina will be diluted to 50.2%, which constituted a major disposal of the Company. On the even date, Interchina Water Treatment Limited, a wholly-owned subsidiary of the Company entered into internal disposal agreements with Heilongjiang Interchina for to dispose of and Heilongjiang Interchina to acquire the entire equity interests of Changli, Maanshan and Ordos and 75% equity interest of Qinhuangdao (the “Internal Disposal and Internal Acquisition”). Details of the Share Increase Proposal and Internal Disposal and Internal Acquisition were set out in the Company’s announcement dated 13 November 2009 and circular dated 29 December 2009. Although the Share Increase Proposal was approved by the shareholders of the Company at the extraordinary general meeting held on 22 January 2010, it had subsequently discontinued and was superseded by the Revised Share Increase Proposal as detailed below.

On 4 March 2010, Heilongjiang Interchina had submitted the Revised Share Increase Proposal to the Shanghai Stock Exchange to increase its issued shares by no more than 115,000,000 new A shares to 10 target investors at a price not less than RMB6.51 to raise not more than RMB750,000,000 (the “Revised Share Increase Proposal”). Upon completion of the Revised Share Increase Proposal, the Group’s interest in Heilongjiang Interchina will be diluted to 51.9%, which constituted a major disposal of the Company. On the even date, Interchina Water Treatment Limited entered termination agreement with Heilongjiang Interchina to terminate the Internal Disposal and Internal Acquisition and entered into new disposal agreements with Heilongjiang Interchina for to dispose of and Heilongjiang Interchina to acquire the entire equity interests of Changli, Maanshan and Ordos and 75% equity interest of Qinhuangdao and 80% equity interest of Taiyuan by Regent Victor (the “New Internal Disposal and Internal Acquisition”). Details of the Revised Share Increase Proposal and the New Internal Disposal and Internal Acquisition were set out in the Company’s announcement dated 4 March 2010 and circular dated 29 March 2010. The Revised Share Increase Proposal was approved by the shareholders of the Company at the extraordinary general meeting held on 22 April 2010. The relevant approval procedures by the regulatory authorities of the PRC are still in process.

Save as disclosed above, during the year, the Group did not have other significant investment or acquisition or disposal of subsidiaries.

Pledge of Group's Assets

As at 31 March 2010, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK\$213,628,000, intangible assets with carrying amounts of HK\$275,079,000 and other financial assets with carrying amounts of HK\$340,109,000. In addition, certain shares of subsidiary held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Foreign Exchange Exposure

During the year, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

Employment and Remuneration Policy

As at 31 March 2010, the Group had a total of 715 employees in the PRC and Hong Kong. To maintain the Group's competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and includes the implementation details for the CG Code and, where appropriate, the Recommended Best Practices. For the year ended 31 March 2010, the Company had complied with the code provision of the CG Code save as disclosed below.

Code Provision A.4.1

Pursuant to the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all directors of the Company (including executive and non-executive directors) are not appointed for any specific term. However, in view of the fact that they

are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the code provisions.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2010.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company and had reviewed with management of the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including review of the annual results of the Group for the year ended 31 March 2010.

PUBLICATION ON THE STOCK EXCHANGE'S WEBSITE

This results announcement will be published on the Company's website at www.interchina.com.hk and Stock Exchange's website at www.hkexnews.hk. The 2010 Annual Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and Stock Exchange in due course.

By order of the Board of
Interchina Holdings Company Limited
Lam Cheung Shing, Richard
Executive Director and Chief Executive Officer

Hong Kong, 23 June 2010

As at the date of this announcement, the executive Directors are Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Mr. Zhang Chen, and the independent non-executive Directors are Ms. Ha Ping, Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Dr. Fu Tao.