



INTERCHINA HOLDINGS COMPANY LIMITED

國 中 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the “Board”) of Interchina Holdings Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007 (the “Period”) together with the comparative figures for the corresponding period in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
	Notes	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	25,644	14,817
Cost of sales		(2,728)	(2,280)
Other revenue		1,547	858
Interest income		3,196	1,122
Staff costs		(11,993)	(14,027)
Amortisation and depreciation		(5,629)	(5,937)
Selling costs		(8,774)	(8,140)
Administrative costs		(24,124)	(18,066)
Loss from operations	3	(22,861)	(31,653)
Share-based payment expense	4	(32,986)	–
Finance costs		(14,775)	(12,120)
Share of results of associates		2,608	4,663
Gain on disposal of subsidiaries		8,360	29,828
Loss before taxation		(59,654)	(9,282)
Taxation	5	(535)	(284)
Loss for the period		<u>(60,189)</u>	<u>(9,566)</u>
Attributable to:			
Equity holders of the Company		(59,521)	(8,985)
Minority interests		(668)	(581)
		<u>(60,189)</u>	<u>(9,566)</u>
Loss per share for loss attributable to the equity holders of the Company	6		
Basic		<u>HK(0.85) cents</u>	<u>HK(0.16) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	At 30 September 2007 <i>HK\$'000</i> (Unaudited)	At 31 March 2007 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		379,003	65,852
Interests in leasehold land and land use rights		39,543	38,638
Property, plant and equipment		687,379	624,543
Interests in associates		–	77,419
Goodwill		7,571	2,846
Other non-current assets		2,404	2,412
		<u>1,115,900</u>	<u>811,710</u>
Current assets			
Properties under development for sale		391,477	348,527
Inventories		821	–
Trade and other receivables and prepayments	7	243,598	206,668
Financial assets at fair value through profit or loss		186	169
Bank balances – trust and segregated accounts		5,931	86,410
Cash and cash equivalents		119,423	159,430
		<u>761,436</u>	<u>801,204</u>
Current liabilities			
Trade and other payables and deposits received	8	282,216	443,406
Amount due to a related company		280,924	444
Taxation		474	382
Bank borrowings, secured – due within one year		97,104	143,495
Other borrowings, unsecured – due within one year		30,000	–
Obligations under finance leases – due within one year		71	69
		<u>690,789</u>	<u>587,796</u>
Net current assets		<u>70,647</u>	<u>213,408</u>
Total assets less current liabilities		<u><u>1,186,547</u></u>	<u><u>1,025,118</u></u>
Equity			
Share capital		800,919	665,190
Share premium and reserves		172,176	119,305
Equity attributable to equity holders of the Company		<u>973,095</u>	<u>784,495</u>
Minority interests		7,033	23,317
		<u>980,128</u>	<u>807,812</u>
Non-current liabilities			
Bank borrowings, secured – due after one year		203,480	209,674
Obligations under finance leases – due after one year		108	141
Convertible notes		–	4,587
Deferred tax liabilities		2,831	2,904
		<u>206,419</u>	<u>217,306</u>
		<u><u>1,186,547</u></u>	<u><u>1,025,118</u></u>

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The measurement basis used in the preparation of these unaudited condensed consolidated financial statements 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 accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2007.

The adoption of these new HKFRSs had no material effect on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Cost ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangement ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction ²

1 Effect for annual periods beginning on or after 1 January 2009

2 Effect for annual periods beginning on or after 1 January 2008

3 Effect for annual periods beginning on or after 1 July 2008

2. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four (2006: four) operating divisions, namely environmental protection and water treatment operation, city development and investment operation, property investment operation, securities and financial operation. These divisions are on the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

Segment information about these businesses for the six months ended 30 September 2007 and 2006 is as follows:

	Envi- ronmental protection and water treatment operation	City development and investment operation	Property investment operation	Securities and financial operation	Elimination	Consolidated total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2007						
TURNOVER						
External sales	<u>15,967</u>	–	<u>4,956</u>	<u>4,721</u>	–	<u>25,644</u>
SEGMENT RESULTS	<u>1,101</u>	<u>(16,728)</u>	<u>1,993</u>	<u>1,671</u>	–	<u>(11,963)</u>
Interest income						3,196
Unallocated corporate expenses						<u>(14,094)</u>
Loss from operations						<u>(22,861)</u>
2006						
TURNOVER						
External sales	12,036	–	1,101	1,680	–	14,817
Inter-segment sales	–	–	426	–	(426)	–
	<u>12,036</u>	<u>–</u>	<u>1,527</u>	<u>1,680</u>	<u>(426)</u>	<u>14,817</u>
SEGMENT RESULTS	<u>323</u>	<u>(18,374)</u>	<u>(460)</u>	<u>(1,149)</u>	–	<u>(19,660)</u>
Interest income						1,122
Unallocated corporate expenses						<u>(13,115)</u>
Loss from operations						<u>(31,653)</u>

Geographical segments

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

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

	Hong Kong		The PRC		Consolidated Total	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	<u>4,990</u>	<u>1,950</u>	<u>20,654</u>	<u>12,867</u>	<u>25,644</u>	<u>14,817</u>
Segment results	<u>1,478</u>	<u>(1,620)</u>	<u>(13,441)</u>	<u>(18,040)</u>	<u>(11,963)</u>	<u>(19,660)</u>
Interest income					3,196	1,122
Unallocated corporate expenses					<u>(14,094)</u>	<u>(13,115)</u>
Loss from operations					<u>(22,861)</u>	<u>(31,653)</u>

3. LOSS FROM OPERATIONS

**For the six months ended
30 September**

	2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)
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Loss from operations has been arrived at after charging/(crediting):

Depreciation		
– Owned assets	5,301	5,087
– Assets held under finance leases	26	52
Amortisation of leasehold land and land use rights	<u>302</u>	<u>798</u>
	<u>5,629</u>	<u>5,937</u>
Rents from investment properties	(4,956)	(1,101)
Auditors' remuneration	588	581
Operating lease rentals in respect of premises	1,619	2,201
Net foreign exchange loss	<u>160</u>	<u>57</u>

4. SHARE-BASED PAYMENT EXPENSE

The fair value of the share options granted during the period was approximately HK\$32,986,000. The Company recognised a share option expense of HK\$32,986,000 during the six months ended 30 September 2007 (2006: Nil).

The Company had 165,000,000 share options outstanding under the New Share Option Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in issue of 165,000,000 additional ordinary shares of the Company and an additional share capital of HK\$16,500,000 and share premium of HK\$7,590,000.

5. TAXATION

	For the six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	535	284

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the period. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

At 30 September 2007, the Group had unused estimated tax losses of approximately HK\$562,275,000 (31 March 2007: HK\$502,621,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

6. LOSS PER SHARE

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

	For the six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders for the purpose of basic loss per share	59,521	8,985
Number of Shares	At 30 September	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	6,987,914,452	5,584,923,632

The computation of diluted loss per share amount for the six months ended 30 September 2007 did not assume the exercise of the Company's share options as the effect of the assumed exercise of the Company's outstanding share options would be anti-dilutive.

No diluted loss per share has been presented for the six months ended 30 September 2006 as the Company had no potential dilutive ordinary shares for the six months ended 30 September 2006.

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade customers. The aged analysis of trade receivables of HK\$21,265,000 (31 March 2007: HK\$43,378,000) included in trade and other receivables and prepayments is as follows:

	As at 30 September 2007 <i>HK\$'000</i> (Unaudited)	As at 31 March 2007 <i>HK\$'000</i> (Audited)
Trade receivables:		
0 – 30 days	21,265	43,378
Margin clients accounts receivables	1,227	1,338
Clearing houses, brokers and dealers	12,392	66,238
Prepayments and deposits	179,835	20,369
Other receivables	28,879	75,345
	<u>243,598</u>	<u>206,668</u>

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.

8. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables of HK\$16,787,000 (31 March 2007: HK\$179,139,000) included in trade and other payables and deposits received is as follows:

	As at 30 September 2007 <i>HK\$'000</i> (Unaudited)	As at 31 March 2007 <i>HK\$'000</i> (Audited)
Trade payables:		
0 – 30 days	16,787	179,139
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	4,169	606
Other payables and deposits received	261,260	263,661
	<u>282,216</u>	<u>443,406</u>

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.

Included in the other payables and deposits received are payables for construction works of approximately HK\$113,538,000 (31 March 2007: HK\$84,611,000) and deposits received for the pre-sale of properties approximately HK\$32,984,000 (31 March 2007: HK\$68,776,000).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the six months ended 30 September 2007 (the "Period") amounted to HK\$25,644,000 (2006: HK\$14,817,000), representing an increase of 73.1% as compared with the corresponding period last year. Loss attributable to shareholders was HK\$59,521,000 (2006: HK\$8,985,000), representing an increase of 562.4% as compared with the corresponding period last year. During the Period, although turnover of the Group increased as compared with the corresponding period last year, as the Company recognised share-based payment expense of HK\$32,986,000 (2006: nil) based on the fair value of the share options granted in respect of the share option scheme during the Period in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") 2 "Share-based Payment", loss attributable to the shareholders increased significantly from the corresponding period last year. Also, loss attributable to the shareholders last year included recognised gain of HK\$29,828,000 on disposal of subsidiaries, loss attributable to the shareholders decreased 10.1% as compared with the corresponding period last year excluding the share-based payment expense and the gain on disposal of subsidiaries.

As at 30 September 2007, total assets and net assets of the Group valued at HK\$1,877,336,000 (31 March 2007: HK\$1,612,914,000) and HK\$973,095,000 (31 March 2007: HK\$784,495,000) respectively, representing an increase of 16.4% and 24% respectively as compared with those as at 31 March 2007.

As at 30 September 2007, the Group's cash on hand and deposits in bank (including segregated and trust accounts) totaled approximately HK\$125,354,000 (31 March 2007: HK\$245,840,000), representing a decrease of 49% against the balance as at 31 March 2007. Approximately 62.8% of the deposits were denominated in Hong Kong dollars while the remainder in Renminbi. The Group's net current assets amounted to HK\$70,647,000 (31 March 2007: HK\$213,408,000). The Group's outstanding bank and other borrowings were HK\$330,584,000 (31 March 2007: HK\$353,169,000) which mainly comprised bank and other borrowings of approximately HK\$127,104,000 repayable within one year, and HK\$203,480,000 of bank and other borrowings repayable after one year. In addition, the Group's 2-year convertible notes amounted to nil (31 March 2007: HK\$4,587,000). The gearing ratio was 32.6% (total borrowings/total assets).

As at 30 September 2007, approximately 17.9% of the Group's bank and other borrowings were denominated in Hong Kong dollars while the rest in Renminbi. The Group's bank and other borrowings were arranged on fixed or floating rate basis of which approximately 90.9% were secured by the Group's investment properties, property, plant and equipment and interests in leasehold land.

Since the Group's businesses are primarily based in China and Hong Kong, the 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

Environmental Protection and Water Treatment Operation

During the Period, the Group continued to accelerate the pace in the development of existing projects according to the schedule of water treatment operation projects contracted for, and the progress of development was satisfactory. The Group also continued in adjusting the management structure of its environmental protection and water treatment operation to reduce its operating cost and enhance cost effectiveness. 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 Group will also continue to regard environmental protection and water treatment operation as its core businesses.

Since the Group's sewage treatment plant located in the Haigang District of Qinhuangdao in Hebei Province reached a daily average processing capacity of 120,000 tonnes, and the water price with respect to the water processed by the sewage treatment plant increased approximately 9% during the Period, a turnover of RMB15,329,000 (2006: RMB12,518,000) was achieved by the Group's environmental protection and water treatment operation.

Regarding the two sewage treatment projects in Ma'anshan and Changli, the aggregate sewage treatment capacity was 100,000 tonnes on average per day. The Ma'anshan sewage treatment project was completed in May this year and commenced its trial run. The Group expects that the Ma'anshan sewage treatment project will make contribution to the Group's revenue in the near future. For the Changli sewage treatment project, completion is expected by the end of this year and operation will commence in the first quarter next year.

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

In addition to the Qinhuangdao and Ma'anshan sewage treatment plants, it is expected that upon the commencement of operations of both Changli sewage treatment plant as well as the water supply plant in Hanzhong City, the water processed by the Group's environmental protection and water treatment operation will additionally increase by 140,000 tonnes to 320,000 tonnes per day, and the revenue from the Group's environmental protection and water treatment operation will substantially increase. Environmental protection and water treatment operation will be a major and stable source of revenue of the Group.

In addition to the existing environmental protection and water treatment projects, the Group announced a major transaction in relation to the acquisition of 黑龍江黑龍股份有限公司 “Black Dragon”, (stock code: 600187, its A shares are listed on the Shanghai Stock Exchange and have been suspended from trading) during the Period. The Group entered in an agreement with the vendor in relation to the purchase of 70.21% equity interest of Black Dragon (the “Acquisition”) in May this year, and entered into a supplemental agreement for amending the total consideration for the Acquisition to RMB420,000,000 in November this year. In addition, Black Dragon has entrusted the Group to be its agent to purchase the water treatment project, and the Group will offer a loan of not more than approximately RMB173,000,000 to Black Dragon as the consideration for Black Dragon to settle the water treatment project, details of which were set out in the circular dispatched on 3 December 2007. The Group expects that Black Dragon will provide an additional financing platform for the environmental protection and water treatment operation of the Group and further expand the development scale of environmental protection and water treatment operation of the Group. The relevant approval procedures of the Acquisition by the regulatory authorities of Hong Kong and the Mainland are in process, details of which are set out in the announcements dated on 24 August and 15 November 2007 respectively.

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

City Development and Investment Operation

The construction of the Interchina Mall, the Group’s mega-scale luxurious residential and commercial complex in Changsha, comprised three phases. The total gross floor area of Wang Guo Commercial Plaza and four hotel equities in Interchina Mall (Phase One) is about 140,000 square meters. Civil engineering construction works were completed. The planning and design work of the Phase Two residential project, which accounted for a gross floor area of 150,000 square meters, has been completed. Construction will be commenced in the first quarter next year, and is expected to bring huge revenue to the Group.

As at 30 September 2007, the total undeveloped site area in Changsha was about 215,000 square meters. The Group will continue to develop the Changsha property development project and is negotiating with established developers for possible cooperation in various ways. However, the Group does not rule out the possibility of disposing the Changsha property development project if opportunity arises.

In addition to the existing projects, in November this year, the Group entered into an agreement at a total consideration of approximately RMB200,000,000 with the Management Committee of Economic Development Zone in Hanzhong, Shaanxi in relation to the construction of the main highway and relevant facilities (such as greening, water, electricity, communication, gas, etc.) in the northern district of the development zone. The Group will share with the district government revenue from disposal of the land of approximately 2,000 hectares for commercial development in the northern district of the development zone, or it may acquire directly the above-mentioned land by ways of tender, listing-for-sale and auction. This will help the Group to develop the city development and investment operations in the western cities of the PRC.

Currently, the PRC government has imposed a series of macro-economic control measures on real estate developers to stabilize the market and enhance the healthy development of the domestic real estate market, which will be beneficial to the long-term development of the Group's real estate operation in the PRC.

Property Investment Operation

During the Period, the Group's rental income was mainly generated from investment properties located in Beijing, Shanghai and Hong Kong. During the Period, the Group's rental income amounted to HK\$4,956,000 (2006: HK\$1,101,000), representing an increase of 350.1% compared with the corresponding period of last year which was mainly due to the repurchase of 60% equity interest and shareholders' loan in a 40% owned associate which had interests in an investment property located in Shanghai, the PRC, during the Period for a total consideration of approximately HK\$195,039,000. As the demand for prime properties remains strong in Beijing, the PRC and we are optimistic about the prospect of the leasing market in the city, the Group has also acquired a 100% interests together with shareholders' loan of a subsidiary which held interests in an investment property located in the centre of Beijing, the PRC, in November this year for a total consideration of approximately HK\$167,000,000 so as to enhance the rental income of the Group, details of which were set out in the circular despatched on 26 October 2007.

Securities and Financial Operation

The Group's securities and futures operation generated commission and interest income from margin clients amounting to HK\$4,721,000 (2006: HK\$1,680,000), representing an increase of 181% as compared with the corresponding period last year, which is mainly attributable to the development of securities operation driven by the continuous economic growth in Hong Kong. However, the Group will continue to strengthen internal control over the borrowings to margin clients, especially in reducing the margin ratio for non-index constituent stocks, so as to reduce the risk resulted from the fluctuation of the securities market.

Liquidity and Financial Resources

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

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

converted into share capital during the Period. In addition, a total of 294,490,000 new shares were also issued through the exercises of certain share options in accordance with the Company's share option scheme and the proceeds in the sum of HK\$42,900,000 generated from the exercise of share options was used as general working capital of the Group.

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

Subsequent to the Period ended, in October this year, the Company also completed the issuance of 2,700,000,000 new shares of HK\$0.1 each and the grant of two tranches of convertible note options totaling HK\$1,850,000,000. Up to 30 November 2007, the Company issued 5-year convertible notes bearing interest at 3% p.a. convertible into a total of 2,500,000,000 shares of HK\$0.1 each in respect of the first tranche convertible notes option, and all of the convertible notes had been converted into share capital. The proceeds in the sum of approximately HK\$505,000,000 (after deducting expenses of issuing new shares and convertible notes) were mainly used as working capital for environmental protection and water treatment, city development operation and property investment.

Pledge of Group's Assets

As at 30 September 2007, the Group's assets were pledged as security for its liabilities, comprising investment properties with a net book value of HK\$50,673,000 (31 March 2007: HK\$65,852,000) and property, plant and equipment with a net book value of HK\$254,770,000 (31 March 2007: HK\$400,864,000) and interest in leasehold land with a net book value of HK\$39,543,000 (31 March 2007: HK\$38,638,000).

Employment and Remuneration Policy

As at 30 September 2007, the Group had a total of 150 employees in the PRC and Hong Kong. Staff costs for the Period amounted to HK\$11,993,000 (2006: HK\$14,027,000). 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 retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

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

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

AUDIT COMMITTEE

The audit committee which comprised three independent non-executive directors of the Company, namely Mr. Wong Hon Sum, Dr. Tang Tin Sek and Ms. Ha Ping, had reviewed with management the accounting principles and policies adopted by the Group and discussed internal control and the financial reporting matters including the review of the condensed consolidated financial statements for the six months ended 30 September 2007.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules, throughout the six months ended 30 September 2007, save for the deviation from the code provision A.4.1 of the CG Code as set out below:

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

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 six months ended 30 September 2007.

BOARD OF DIRECTORS

As at the date this announcement, 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.

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

Hong Kong, 21 December 2007