



INTERCHINA HOLDINGS COMPANY LIMITED

國 中 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2008

The board of directors (the “Board”) of Interchina Holdings Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2008 together with the comparative figures for last year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Turnover	3	68,739	33,213
Cost of sales		(11,532)	(4,934)
Other revenue		5,148	1,868
Other operating income		443	1,448
Reversal of impairment of trade receivable		–	15,561
Interest income		2,876	4,881
Staff costs	5	(60,450)	(25,989)
Amortisation and depreciation		(11,593)	(13,178)
Selling costs		(9,961)	(13,952)
Administrative costs		(42,293)	(38,326)
Fair value change in investment properties		36,835	4,439
Loss from operations	6	(21,788)	(34,969)
Finance costs		(28,200)	(36,453)
Share of results of associates		2,608	(6,164)
Gain on disposal of subsidiaries		8,360	48,448
Loss before taxation		(39,020)	(29,138)
Taxation	7	(14,712)	(2,010)
Loss for the year		<u>(53,732)</u>	<u>(31,148)</u>
Attributable to:			
Equity holders of the Company		(52,481)	(31,590)
Minority interests		(1,251)	442
		<u>(53,732)</u>	<u>(31,148)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company			
Basic and diluted	8	<u>(HK0.53 cents)</u>	<u>(HK0.56 cents)</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investment properties		630,820	65,852
Interests in leasehold land and land use rights		41,938	38,638
Property, plant and equipment		608,661	624,543
Interests in associates		–	77,419
Goodwill		11,006	2,846
Other non-current assets		2,401	2,412
		<hr/>	<hr/>
		1,294,826	811,710
Current assets			
Properties under development for sale		607,714	348,527
Inventories		844	–
Trade and other receivables and prepayments	9	735,907	206,668
Loan receivables	10	61,899	–
Financial assets at fair value through profit or loss		98	169
Bank balances – trust and segregated accounts		4,346	86,410
Cash and cash equivalents		30,193	159,430
		<hr/>	<hr/>
		1,441,001	801,204
Current liabilities			
Trade and other payables and deposits received	11	277,266	443,406
Amount due to a related company		78,564	444
Tax payable		2,297	382
Derivative financial instruments		22,736	–
Bank borrowings, secured – due within one year		100,357	143,495
Obligations under finance leases – due within one year		–	69
		<hr/>	<hr/>
		481,220	587,796
Net current assets		<hr/>	<hr/>
		959,781	213,408
Total assets less current liabilities		<hr/>	<hr/>
		2,254,607	1,025,118

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

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

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

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

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

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

3. TURNOVER

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

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

4. SEGMENT INFORMATION

Business segments

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

Principal activities are as follows:

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

Segment information about these businesses for the year ended 31 March 2008 and 2007 is as follows:

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

For the year ended 31 March 2007	Environmental protection and water treatment operation <i>HK\$'000</i>	City development and investment operation <i>HK\$'000</i>	Property investment operation <i>HK\$'000</i>	Securities and financial operation <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
TURNOVER						
External sales	25,218	–	2,968	5,027	–	33,213
Inter-segment sales	–	–	426	–	(426)	–
	<u>25,218</u>	<u>–</u>	<u>3,394</u>	<u>5,027</u>	<u>(426)</u>	<u>33,213</u>
SEGMENT RESULTS	<u>(154)</u>	<u>(19,504)</u>	<u>6,299</u>	<u>(1,301)</u>	<u>–</u>	<u>(14,660)</u>
Interest income and unallocated gains						4,881
Unallocated corporate expenses						(25,190)
Loss from operations						(34,969)
Finance costs						(36,453)
Share of results of associates						(6,164)
Gain on disposal of subsidiaries						48,448
Loss before taxation						(29,138)
Taxation						(2,010)
Loss for the year						<u>(31,148)</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	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	<u>14,203</u>	<u>5,567</u>	<u>54,536</u>	<u>27,646</u>	<u>68,739</u>	<u>33,213</u>
Segment results	<u>236</u>	<u>(263)</u>	<u>45,224</u>	<u>(14,397)</u>	<u>45,460</u>	<u>(14,660)</u>
Interest income and unallocated gains					2,876	4,881
Unallocated corporate expenses					(70,124)	(25,190)
Loss from operations					<u>(21,788)</u>	<u>(34,969)</u>

5. STAFF COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and allowances (including directors' remuneration)	25,843	24,516
Retirement benefit scheme contributions	1,621	1,473
Share-based payment expenses	32,986	–
	<u>60,450</u>	<u>25,989</u>

The fair value of the share options granted during the year was approximately HK\$32,986,000. The Group recognised share option expenses of HK\$32,986,000 during the year ended 31 March 2008 (2007: Nil).

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

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

7. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax	3,986	786
Deferred tax	10,726	1,224
	<u>14,712</u>	<u>2,010</u>

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

8. LOSS PER SHARE

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

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

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

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables:		
0 – 30 days	34,520	43,378
Margin clients accounts receivables	1,227	1,338
Clearing houses, brokers and dealers	1,502	66,238
Prepayments and deposits	661,716	20,369
Other receivables	36,942	75,345
	<u>735,907</u>	<u>206,668</u>

The carrying amounts of the trade receivables are denominated in Hong Kong dollars. No trade receivables are past due nor impaired during the year. The maximum exposure to credit risk at the reporting date is the fair value. 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, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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

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

10. LOAN RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loan receivables	61,899	–

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

11. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables of approximately HK\$18,687,000 (2007: HK\$179,139,000) is as follow:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade payables:		
0 – 30 days	8,851	179,139
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	95	606
Other payables and deposits received	268,320	263,661
	277,266	443,406

Amounts due to margin clients are repayable on demand. 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.

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

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

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

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

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

As at 31 March 2008, approximately 9.3% of the Group's bank borrowings were denominated in Hong Kong dollars while the rest in Renminbi. The Group's bank borrowings were arranged on fixed or floating rate basis of which approximately 83.3% were secured by the Group's investment properties, property, plant and equipment and interests in leasehold land.

BUSINESS REVIEW AND PROSPECT

Environmental Protection and Water Treatment Operation

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

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

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

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

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

City Development and Investment Operation

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

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

Property Investment Operation

During the Year, the Group’s property investment operation is mainly comprised of the leasing of retail properties and offices in Beijing and Shanghai, the PRC. The turnover for this operation in 2008 was HK\$18,107,000, representing an increase of 510.0% compared with the corresponding period of 2007.

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

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

Securities and Financial Operation

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

OUTLOOK

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

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

Significant investments and acquisitions

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

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

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

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

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

Pledge of Group's Assets

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

Foreign Exchange Exposure

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

Employment and Remuneration Policy

As at 31 March 2008, the Group had a total of 240 employees in the PRC and Hong Kong. Staff costs for the Year amounted to HK\$27,464,000 (2007: HK\$25,989,000) and share-based payment expenses amounted to HK\$32,986,000 (2007: Nil). To maintain the Group's competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

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 2008.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. For the year ended 31 March 2008, the Company had complied with the code provision of the CG Code save for the following:

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

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

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 2008.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

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 2008.

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The 2007/08 annual report of the Company will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.interchina.com.hk in due course.

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

Hong Kong, 18 July 2008

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