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 2009

The board (the "**Board**") of directors (the "**Directors**") 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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000* *(Restated)*
Continuing operations			
Turnover	*4*	**116,182**	103,007
Cost of sales		**(30,681)**	(31,104)
Other revenue and other operating income		**7,313**	8,459
Staff costs	*6*	**(26,369)**	(58,572)
Amortisation and depreciation		**(8,429)**	(2,098)
Administrative costs		**(34,229)**	(35,650)
Impairment loss recognised in respect of goodwill	*15*	**(11,006)**	–
Fair value change in derivative financial instruments		**16,629**	(1,500)
Fair value change in investment properties		**(136,955)**	36,835
(Loss)/profit from operations	*7*	**(107,545)**	19,377
Finance costs		**(36,324)**	(23,240)
Share of results of associates		**3,146**	2,608
Loss on disposal of an associate		**(225,146)**	–
Gain on disposal of a subsidiary		**–**	8,360
(Loss)/profit before taxation		**(365,869)**	7,105
Taxation	*8*	**14,491**	(21,120)
Loss for the year from continuing operations		**(351,378)**	(14,015)
Discontinued operation			
Loss for the year from discontinued operation	*14*	**(412,867)**	(26,706)
Loss for the year		**(764,245)**	(40,721)

	Notes	2009	2008
		HK$'000	*HK$'000*
			(Restated)
Attributable to:			
Equity holders of the Company		**(764,496)**	(39,762)
Minority interests		**251**	(959)
		(764,245)	(40,721)
Loss per share for loss attributable to the ordinary equity holders of the Company – Basic and diluted	*9*		
From continuing and discontinued operations		**HK(3.791 cents)**	HK(0.402 cents)
From continuing operations		**HK(1.744 cents)**	HK(0.132 cents)

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
			(Restated)
Non-current assets			
Investment properties		**503,228**	630,820
Interests in leasehold land and land use rights		–	41,938
Property, plant and equipment		**20,092**	239,849
Intangible assets		**685,811**	116,873
Other financial assets		**444,805**	350,098
Interests in associates		–	–
Goodwill	*15*	**387,557**	11,006
Other non-current assets		**2,277**	2,401
		2,043,770	1,392,985
Current assets			
Properties under development for sale		–	607,714
Inventories		**4,198**	844
Trade and other receivables and prepayments	*10*	**282,577**	735,907
Loan receivables	*11*	**102,898**	61,899
Financial assets at fair value through profit or loss		**80**	98
Tax recoverable		**511**	–
Bank balances – trust and segregated accounts		**7,323**	4,346
Cash and cash equivalents		**34,259**	30,193
		431,846	1,441,001
Assets classified as held for sale	*13*	**589,680**	–
		1,021,526	1,441,001
Current liabilities			
Trade and other payables and deposits received	*12*	**339,687**	257,349
Amount due to a related company		–	78,564
Tax payable		**9,660**	2,297
Derivative financial instruments		–	22,736
Bank borrowings – due within one year		**92,936**	100,357
Other borrowings – due within one year		**126,541**	–
		568,824	461,303
Liabilities classified as held for sale	*13*	**210,370**	–
		779,194	461,303
Net current assets		**242,332**	979,698
Total assets less current liabilities		**2,286,102**	2,372,683

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Equity			
Share capital		**2,028,619**	1,728,619
Share premium and reserves		**(309,154)**	394,369
Equity attributable to ordinary equity shareholders of the Company		**1,719,465**	2,122,988
Minority interests		**155,686**	9,312
		1,875,151	2,132,300
Non-current liabilities			
Bank borrowings – due after one year		**291,936**	199,631
Other borrowings – due after one year		**12,425**	–
Convertible notes		–	–
Deferred tax liabilities		**106,590**	40,752
		410,951	240,383
		2,286,102	2,372,683

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

In the current year, the Group and the Company have adopted, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA which are effective for the current accounting periods.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 the adoption of HK(IFRIC) – Int 12.

The following set out information on the significant changes in accounting policies in relation to the first adoption of HK(IFRIC) – Int 12 for the year in the consolidated financial statements.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of HK(IFRIC)-Int 12 to each of the line items in the consolidated income statement and the consolidated balance sheet as previously reported for the year ended 31 March 2008.

Effects on the consolidated income statement for the year ended 31 March 2008

	2008 (as previously reported)	**Effect of HK(IFRIC)-Int 12 increase/ (decrease)**	**2008 (as restated)**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	68,739	34,268	103,007
Cost of sales*	(11,532)	(23,136)	(34,668)
Amortisation and depreciation*	(11,593)	8,287	(3,306)
Minority interest	(1,251)	292	(959)
Taxation	(14,712)	(6,408)	(21,120)
Total effects on the consolidated income statement	29,651	13,303	42,954
Effect on decrease in loss per share – Basic and diluted	HK0.30 cents	HK0.13 cents	HK0.43 cents

* Included in cost of sales and amortisation and deprecation of approximately HK$3,564,000 and HK$1,208,000 were expenses under discontinued operation.

Effects on the consolidated balance sheet as at 31 March 2008

	2008 (as previously reported) *HK$'000*	**Effect of HK(IFRIC) Int 12 increase/ (decrease)** *HK$'000*	**2008 (as restated)** *HK$'000*
Assets			
Property, plant and equipment	608,661	(368,812)	239,849
Intangible assets	–	116,873	116,873
Other financial assets	–	350,098	350,098
	608,661	98,159	706,820
Equity and liabilities			
Reserves	301,905	92,464	394,369
Minority interests	6,849	2,463	9,312
Trade and other payables and deposits received	277,266	(19,917)	257,349
Deferred tax liabilities	17,603	23,149	40,752
	603,623	98,159	701,782

(b) Estimated effect of changes in accounting policies on the current year

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement, the consolidated balance sheet and the consolidated cash flow statement for the year ended 31 March 2009 is higher or lower than it would have been had the previous policies still been applied in the current period, where it is practicable make such estimates.

Effects on the consolidated income statement for the year ended 31 March 2009

	Effect of HK(IFRIC) – Int 12 increase/(decrease) *HK$'000*
Turnover	9,641
Cost of sales	(4,205)
Amortisation and depreciation	16,142
Minority interests	(37)
Taxation	(6,532)
Total effects on the consolidated income statement	15,009
Effect on decrease in loss per share	
– Basic and diluted	HK0.07cents

Effects on the consolidated balance sheet at 31 March 2009

	Effect of HK(IFRIC)-Int 12 increase/(decrease)
	HK$'000
Assets	
Property, plant and equipment	(1,038,772)
Intangible assets	685,811
Other financial assets	444,805
	91,844
Equity and liabilities	
Reserves	81,989
Minority interest	2,426
Trade and other payables and deposits received	35,018
Deferred tax liabilities	(27,589)
	91,844

(c) Service concession arrangements (HK(IFRIC)–Int 12: Service concession arrangements)

In prior years, the Group recognised property, plant and equipment of certain of its build-operate-transfer ("BOT") arrangements as property, plant and equipment or other non-current assets.

During the year, the Group adopted HK(IFRIC)–Int 12. With effective from 1 April 2008, in accordance with HK(IFRIC)-Int 12, the BOT arrangements of the Group, such as sewage water processing projects and tap water processing projects located in the People's Republic of China (the "PRC"), are service concession arrangements under HK(IFRIC)-Int 12. Infrastructure within the scope of HK(IFRIC)-Int 12 is not recognised as property, plant and equipment or other non-current assets as control of the infrastructure of the projects remain in public hands but the Group is responsible for construction or upgrade activities, as well as for operating and maintaining the public sector infrastructure.

As a result, the Group accounts for revenue and costs relating to construction or upgrade services of infrastructure in accordance with HKAS 11, "Construction contracts" for the construction and upgrade services of the plant. Considerations received or receivable by the Group for the construction or upgrade services are recognised at their fair values as financial assets (for sewage water processing projects and tap water processing projects) or intangible assets. For financial assets recognised, they are reduced when payments, being a portion of the sewage water processing revenue and tap water processing revenue are received. Finance income on the financial assets is recognised using an estimate of the service concession grantors' incremental borrowing rate of interest. For intangible assets recognised, they are amortised over its estimated useful life ranged from 10 to 30 years.

Borrowing costs incurred for the construction and upgrade services are not capitalised and are expensed in the period in which they are incurred.

The new accounting policy has been applied retrospectively with comparatives restated. The adjustments for each line of the consolidated financial statements affected for the year ended 31 March 2009 are set out in notes 2(a) and 2(b).

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

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

HKFRS (Amendments)	Improvement to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendments)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled (Amendment) Entity or Associate[2]
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

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

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

6 Effective for transfer of assets from customers received on or after 1 July 2009

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

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**	
	2009	2008	**2009**	2008	**2009**	2008
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*	***HK\$'000***	*HK\$'000*
		(Restated)				*(Restated)*
Sewage and water treatment income*	**81,479**	71,238	**–**	–	**81,479**	71,238
Property rental and management fee	**18,211**	18,107	**–**	–	**18,211**	18,107
Brokerage commission income	**3,014**	9,562	**–**	–	**3,014**	9,562
Interest income from clients	**13,478**	4,100	**–**	–	**13,478**	4,100
	116,182	103,007	**–**	–	**116,182**	103,007

* Finance income on other financial assets under service concession arrangement of HK$40,390,000 (2008: HK$ 35,139,000, as restated) is included in the revenue derived from "sewage and water treatment income" disclosed above.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four (2008: four) operating divisions, namely environmental protection and water treatment operation, property investment operation, securities and financial operation, city development and investment operation, on which the Group reports its primary segment information.

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

For the year ended 31 March 2009	Continuing operations					Discontinued operation	
	Environmental protection and water treatment operation	**Property investment operation**	**Securities and financial operation**	**Elimination**	**Total**	**City development and investment operation**	**Consolidated total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER							
External sales	**81,479**	**18,211**	**16,492**	**–**	**116,182**	**–**	**116,182**
SEGMENT RESULTS	**34,974**	**(119,567)**	**11,564**	**–**	**(73,029)**	**(408,283)**	**(481,312)**
Unallocated interest income					**238**	**5**	**243**
Unallocated corporate expenses					**(34,754)**	**–**	**(34,754)**
Loss from operations					**(107,545)**	**(408,278)**	**(515,823)**
Finance costs					**(36,324)**	**(4,589)**	**(40,913)**
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					**(351,378)**	**(412,867)**	**(764,245)**

For the year ended 31 March 2008	Continuing operations					Discontinued operation	
	Environmental protection and water treatment operation	**Property investment operation**	**Securities and financial operation**	**Elimination**	**Total**	**City development and investment operation**	**Consolidated total**
	HK$'000 *(Restated)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Restated)*
TURNOVER							
External sales	71,238	18,107	13,662	–	103,007	–	103,007
SEGMENT RESULTS	34,584	48,348	2,587	–	85,519	(20,640)	64,879
Unallocated interest income					2,868	8	2,876
Unallocated corporate expenses					(69,010)	(1,114)	(70,124)
Gain/(loss) from operations					19,377	(21,746)	(2,369)
Finance costs					(23,240)	(4,960)	(28,200)
Share of results of associates					2,608	–	2,608
Gain on disposal of subsidiaries					8,360	–	8,360
Gain/(loss) before taxation					7,105	(26,706)	(19,601)
Taxation					(21,120)	–	(21,120)
Loss for the year					(14,015)	(26,706)	(40,721)

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	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		*(Restated)*
Turnover						
External sales						
Continuing operations	**17,032**	14,203	**99,150**	88,804	**116,182**	103,007
Discontinued operation	**–**	–	**–**	–	**–**	–
	17,032	14,203	**99,150**	88,804	**116,182**	103,007
Segment results						
Continuing operations	**9,914**	236	**(82,943)**	85,283	**(73,029)**	85,519
Discontinued operation	**–**	–	**(408,283)**	(20,640)	**(408,283)**	(20,640)
	9,914	236	**(491,226)**	64,643	**(481,312)**	64,879
Interest income					**243**	2,876
Unallocated corporate expenses					**(34,754)**	(70,124)
Loss from operations					**(515,823)**	(2,369)

6. STAFF COSTS

	Continuing operations		Discontinued operation		Consolidated Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Salaries and allowances (including directors' remuneration)	**24,573**	24,090	**2,408**	1,753	**26,981**	25,843
Retirement benefit scheme contributions	**1,796**	1,496	**242**	125	**2,038**	1,621
Share-based payment expenses	**–**	32,986	**–**	–	**–**	32,986
	26,369	58,572	**2,650**	1,878	**29,019**	60,450

7. (LOSS)/PROFIT FROM OPERATIONS

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

	Continuing operations		Discontinued operation		Consolidated Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)				*(Restated)*
Depreciation						
– Owned assets	**2,245**	2,072	**413**	601	**2,658**	2,673
– Assets held under finance leases	**–**	26	**–**	–	**–**	26
Amortisation of leasehold land, land use rights and intangible assets	**6,184**	–	**666**	607	**6,850**	607
Auditors' remuneration	**1,071**	682	**106**	118	**1,177**	800
Loss on disposal of property, plant and equipment	**–**	5	**–**	–	**–**	5
Write-off of property, plant and equipment	**111**	640	**–**	–	**111**	640
Fair value change on financial instruments						
– Financial assets at fair value through profit or loss	**18**	71	**–**	–	**18**	71
– Derivative financial instruments	**(16,629)**	1,500	**–**	–	**(16,629)**	1,500
Impairment loss recognised in respect of other receivables	**260**	–	**–**	–	**260**	–
Operating lease rentals in respect of premises	**2,211**	2,463	**–**	–	**2,211**	2,463
Net foreign exchange loss	**288**	716	**–**	–	**288**	716
Gross rental income from investment properties	**(16,664)**	(18,107)	**–**	–	**(16,664)**	(18,107)
Less: direct operating expenses from investment properties that generated rental income during the year	**67**	65	**–**	–	**67**	65
direct operating expenses from investment properties that did not generate rental income during the year	**180**	180	**–**	–	**180**	180

8. TAXATION

	Continuing operations		Discontinued operation		Consolidated Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)				*(Restated)*
Current tax						
Hong Kong Profits Tax	**303**	–	**–**	–	**303**	–
The PRC Enterprise Income Tax	**1,816**	3,986	**–**	–	**1,816**	3,986
	2,119	3,986	**–**	–	**2,119**	3,986
Deferred tax	**(16,610)**	17,134	**–**	–	**(16,610)**	17,134
	(14,491)	21,120	**–**	–	**(14,491)**	21,120

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. With effect from the year of assessment 2008/2009, Hong Kong Profits Tax has been reduced from 17.5% to 16.5%.

No Provision for Hong Kong Profits Tax has been made for the year ended 2008 in the consolidated financial statement as the Group and the Company as there has no estimated assessable profits or its estimated assessable profits are wholly absorbed by the estimated tax losses brought forward.

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 become effective on 1 January 2008, when the income tax rules and regulations of the PRC applicable to foreign investment enterprises was abolished. The New Tax Law adopts a uniform tax of 25% of all enterprises including foreign investment enterprises.

9. LOSS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to ordinary equity holders of the Company for the calculation of basic and diluted loss per share		
From continuing operations	**351,629**	13,056
From discontinued operation	**412,867**	26,706
From continuing and discontinued operations	**764,496**	39,762

Number of shares	**2009**	2008
Weighted average number of ordinary shares for the calculation of basic and diluted loss per share	**20,167,015,550**	9,893,806,897

Diluted loss per share for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding share options and convertible notes were not included in the calculation of diluted loss per share because the effect of Company's outstanding share options and convertible notes were anti-dilutive.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2008: 60 days) to its trade customers. Trade receivables that are less than 60 days past due are not considered impaired. The aged analysis of trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
0 – 30 days	**17,263**	36,150
31 – 60 days	**588**	1,630
61 – 90 days	**588**	1,630
Over 90 days	**12,978**	9,780
	31,417	49,190
Margin clients accounts receivables	**1,227**	1,227
Clearing houses, brokers and dealers	**3,346**	1,502
Prepayments and deposits	**164,370**	661,716
Other receivables	**82,477**	22,272
	282,837	735,907
Less: Impairment of other receivables	**(260)**	–
	282,577	735,907

Included in the Group's trade receivables balances are debtors with carrying amounts of approximately HK$13,566,000 which were past due for which the Group has not provided for impairment 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.

11. LOAN RECEIVABLES

	2009 *HK$'000*	2008 *HK$'000*
Loan receivables	**102,898**	61,899

The loan was unsecured, carrying at the prevailing interest rate ranging from of 7.50% to 15% per annum with fixed repayment terms.

12. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables of approximately HK$22,588,000 (2008: HK$8,851,000) is as follow:

	2009 *HK$'000*	2008 *HK$'000* *(Restated)*
Trade payables		
0 – 30 days	**22,588**	8,851
Accounts payable arising from the business of dealing in securities and equity options:		
Margin clients	**100**	95
Other payables and deposits received	**316,999**	248,403
	339,687	257,349

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.

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 10 December 2008, the Company entered into a conditional sale and purchase agreement with 上海方華實業發展有限公司 (Shanghai Fanghua Shiye Development Limited), relating to the sale of (i) 100% equity interest in 國中(長沙)體育新城投資項目管理有限公司(Interchina (Changsha) Investments and Management Company Limited) ("ICIM"), (ii) 38.9% equity interest in 長沙國中星城置業有限公司 (Changsha Interchina Star City Company Limited) ("CIC") and (iii) a non-interest bearing loan due from ICIM to the Company (collectively referred to as the "Disposal"), at a consideration of approximately RMB330,000,000. The consideration was satisfied in cash. ICIM and CIC were principally engaged in city development and investment operation in Changsha, the PRC. Details of the Disposal were set out in the Company's announcement dated 12 December 2008 and 27 April 2009.

The major class of assets and liabilities classified as held for sale were as follows:–

	HK$'000
Assets of disposal group classified as held for sale	
Interest in leasehold land and land use rights	42,760
Property, plant and equipment	243,249
Other non-current assets	106
Properties under development for sale	490,805
Other receivables and prepayments	28,784
Cash and cash equivalents	276
	805,980
Remeasurement to fair value less costs to sell	(216,300)
	589,680
Liabilities of disposal group classified as held for sale	
Other payables	210,370

14. DISCONTINUED OPERATION

Upon the completion of the Disposal as detailed in note 13, ICIM and CIC will cease to be subsidiaries of the Company and the business of city development and investment operation which are solely carried out by ICIM and CIC will became a discontinued operation to the Group.

Loss for the year from city development and investment operation is presented below:

	2009	2008
	HK$'000	*HK$'000*
Interest income	**5**	8
Cost of sales	**–**	(3,564)
Staff cost	**(2,650)**	(1,878)
Amortisation and depreciation	**(1,079)**	(1,208)
Selling costs	**–**	(9,961)
Administrative costs	**(5,484)**	(5,143)
Impairment loss for properties under development	**(182,770)**	–
Finance costs	**(4,589)**	(4,960)
	(196,567)	(26,706)
Loss on remeasurement to fair value less costs to sell	**(216,300)**	–
Loss for the year from discontinued operations	**(412,867)**	(26,706)
Taxation	**–**	–
	(412,867)	(26,706)
Loss per share, basic and diluted	**HK (2.047 cents)**	HK (0.270cents)

15. GOODWILL

	HK$'000
Cost	
At 1 April 2007	2,846
Additions	8,160
At 31 March 2008 and 1 April 2008	11,006
Additions *(note 16)*	387,557
At 31 March 2009	398,563
Impairment	
At 1 April 2007, 31 March 2008 and 1 April 2008	–
Impairment loss recognised	11,006
At 31 March 2009	11,006
Carrying amount	
At 31 March 2009	**387,557**
At 31 March 2008	11,006

16. ACQUISITION OF HEILONGJIANG BLACK DRAGON COMPANY LIMITED

In January 2009, the Group completed the acquisition of Heilongjiang Black Dragon Company Limited and its subsidiaries (the "Black Dragon Group"). The Group acquired 229,725,000 shares, representing 70.2% of the total equity interest of Black Dragon Group. The acquisition was satisfied by cash. The fair value of the identifiable assets and liabilities of the Black Dragon Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Adjustment** *HK$'000*	**Fair value** *HK$'000*
Investment properties	489		489
Property, plant and equipment	2,306	–	2,306
Intangible assets	287,455	273,198	560,653
Other financial assets	65,567	23,149	88,716
Deferred tax assets	76	–	76
Inventories	2,874	–	2,874
Trade receivables and other receivables and prepayments	189,848	–	189,848
Cash and cash equivalent	14,715	–	14,715
Trade payables and other payables and deposits received	(148,799)	–	(148,799)
Tax payable	(32,516)	–	(32,516)
Bank borrowings	(117,116)	–	(117,116)
Deferred tax liabilities	(7,732)	(74,087)	(81,819)
	257,167	222,260	479,427
Minority interests			(146,123)
Goodwill			387,557
Consideration			720,861

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Environmental Protection and Water Treatment Operation

At the end of March 2009, the Group's environmental protection and water treatment operation encompasses Hanzhong Shimen Water Supply Plant ("Hanzhong Project"), Qinhuangdao Sewage Treatment Plant ("Qinhuangdao Project"), Maanshan Sewage Treatment Plant ("Maanshan Project"), Changli Sewage Treatment Plant ("Changli Project"), Hanzhong Xingyuan Water Supply Plant ("Xingyuan Project"), Xian Yanliang Water Supply Plant ("Yanliang Project") and Qinghai Xiongyue Sewage Treatment Plant ("Qinghai Project"), with total average daily aggregate processing capacity of 600,000 tonnes, representing an increase of 280,000 tonnes from last year.

During the year under review, the Group further consolidated resources to focus on developing its core environmental protection and water treatment operation. In the year, the Group completed the acquisition of 229,725,000 shares, representing 70.2% equity interest of 黑龍江黑龍股份有限公司(stock code: 600187, its shares are listed on the Shanghai Stock Exchange) and 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") in March 2009. The total consideration for the acquisition is approximately RMB627,149,000. The trading of its A shares has successfully resumed on 17 April 2009. As at 27 May 2009, the market capitalization of Heilongjiang Interchina was approximately RMB2.4 billion. Heilongjiang Interchina owns Xingyuan Project with daily aggregate processing capacity of 110,000 tonnes, Yanliang Project with daily aggregate processing capacity of 120,000 tonnes and Qinghai Project, with average daily aggregate processing capacity of 42,500 tonnes. The total average daily aggregate processing capacity of Heilongjiang Interchina is approximately 280,000 tonnes.

During the year, total revenue of environmental protection and water treatment operation amounted to HK$81,479,000, an increase of 14% when compared with 2008. However, since the completion of acquisition of Heilongjiang Interchina in December 2008, the Group can only share 3 months revenue of Heilongjiang Interchina which amounted of HK$20,483,000. In view of this, we believe the acquisition of Heilongjiang Interchina has already laid a strong foundation for our business growth and prosperity in future years.

In March 2009, the Group's Changli Project located at, Hebei Province, with a sewage treatment capacity of 40,000 tonnes on average per day, commenced trial operation. The Group expects that the Changli Project will make contribution to the Group's revenue in the coming year. Besides, the Group was granted to the right by the Dalada Qi Government to construct and operate a sewage treatment project in Dalada Qi, Ordos City, Inn Mongolia ("Ordos Project"). The daily average processing capacity of the project will be 70,000 tonnes. The project is in the early and preparatory stage. Taking into account the Hanzhong Project with daily aggregate processing capacity of 100,000 tonnes, Qinhuangdao Project with daily aggregate processing capacity of 120,000 tonnes and Manashan Project with daily aggregate processing capacity of 60,000 tonnes, the total average daily aggregate processing capacity is 280,000 tonnes. Upon completion of the construction of the Ordos Project, the Group had eight water treatment projects in China with a daily aggregate treatment capacity of 670,000 tonnes.

The Group planned to provide an additional financing platform through the water treatment operations offered to the Group by Heilongjiang Interchina, so as to further expand the scale of development in the environmental protection and water treatment operations of the Group. Heilongjiang Interchina intends to increase its share capital by issuing of new shares to original shareholders or strategic investors. The proposed increase of share capital is principally aimed to strengthen the capital base and provide additional funding for the merger and acquisition of any potential water treatment projects available to the Group in the future.

The Group expects that environmental protection and water treatment operation will be a major and stable source of revenue of the Group and the profit contribution from its operations will grow steadily.

City Development and Investment Operation

During the year, worldwide financial tsunami affects the financial systems of many countries. The Group, as a medium size real estate developer also encountered financial difficulties as the bank had tightened its credit policy. The huge capital requirement for continuing the city development and investment operation increased the risks of investment and reduced the financial resources available to other core businesses operation of the Group. As a result, in December 2008, the Group proposed to dispose its entire interests in and shareholders' loan due from two wholly-owned subsidiaries, which held property development projects located in Changsha at a total consideration of RMB330,000,000 (the "Proposed Disposal"), to enhance the working capital of the Group. Details of the transactions were set out in the Company's announcement dated 12 December 2008 and 27 April 2009.

Upon completion of the Proposed Disposal, the Group has no business operation and activities in the city development and investment operation and will concentrate its resources on development its environmental protection and water treatment operation and property investment operation as the core businesses of the Group. This segment is presented as discontinuing operation in the consolidated financial statements for the year ended 31 March 2009.

Property Investment Operation

During the year, total revenue of property investment operation amounted to HK$18,211,000 (2008: HK$18,107,000). Investment properties of the Group were valued at 31 March 2009 and recorded a revaluation loss of HK$136,955,000 as a result of the downturn of the property markets in China and Hong Kong.

Looking forward, sentiment in the property market will continue to be influenced by the impact of the financial crisis. Rental income from properties will inevitably be affected. Nevertheless, our properties located in the CBD of Shanghai and Beijing, the PRC will help secure a stable rental income stream and future profitability. The Group will carry out review from time to time on its retail properties for renovation potential in order to enhance rental income.

Securities and Financial Operation

During the year, the revenue for securities and financial operation increased by 21% to HK$16,492,000, mainly due to increase in interest income. 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.

Prospect

The slowdown of the global economy has brought forth many uncertainties over the operating environment of different industries. After the disposal of city development and investment operation, the Group will concentrate on the development of environmental protection and water treatment operation and property investment operation as the core businesses of the Group. Given the Group's competitive advantages and expertise in environmental protection and water treatment operation, and the favourable government policies on environmental protection and water treatment industry, we believe that the environmental protection and water treatment operation is less influenced by economy downturns.

Challenges and opportunities will be abundant in the year 2009. The Directors are equipped with confidence to confront and resolve the setbacks arising from the financial crisis. Meanwhile, we will grasp this opportunity to effectively accomplish our established development strategies, with the aim to strengthen the foothold of the Group and maximize shareholders' benefit.

Financial Review

Results

During the year, the Group's revenue from its continuing operations was approximately HK$116,182,000 (2008: restated HK$103,007,000), representing an increase of 13% from last year. The increase in revenue is attributable to the Group sharing 3 months revenue of Heilongjiang Interchina which amounted of HK$20,483,000 as the acquisition of Heilongjiang Interchina was completed in December 2008. No revenue had been recorded from the discontinuing operation this year and last year.

During the year, the Group's operating loss from its continuing operations was HK$351,378,000 (2008: restated HK$14,015,000). The increase was mainly attributable to (i) a revaluation loss of approximately HK$136,955,000 arising on change in fair value of the Group's investment properties; and (ii) the loss on disposal of the Group's investment in an associate of approximately HK$225,146,000. By excluding the effects of the above losses, the Group recorded profit from its continuing operations of HK$10,723,000.

The operating loss from the discontinuing operation was HK$412,867,000 (2008: restated HK$26,706,000). The increase was mainly attributable to (i) a revaluation loss of approximately HK$182,770,000 arising on change in fair value of the Group's properties under development for sale which is classified as assets held for sale; and (ii) the Company disposed of the entire equity interests of two major subsidiaries in the city development and investment operation, for a consideration of RMB330,000,000, with an impairment loss of approximately HK$216,300,000 has been realized.

Financial Resources, Liquidity and Capital Structure

As at 31 March 2009, the Group's total assets were HK$3,065,296,000 (2008: restated HK$2,833,986,000) and the total liabilities were HK$1,190,145,000 (2008: restated HK$701,686,000), and the equity reached HK$1,875,151,000 (2008: restated HK$2,132,300,000).

As at 31 March 2009, the Group's cash on hand and deposits in bank (including segregated and trust accounts) totaled approximately HK$41,582,000 (2008: HK$34,539,000).

As at 31 March 2009, the Group had outstanding borrowings of HK$523,838,000 (2008: HK$299,988,000) comprising secured bank and other borrowings of HK$397,031,000 (2008: HK$252,210,000) and unsecured bank borrowings of HK$126,807,000 (2008: HK$47,778,000) whereas 76% of the Group's outstanding borrowings carried interest on floating rate basis and the remaining 24% were at fixed interest rate. The gearing ratio was 18% (total outstanding borrowings/total assets). The maturity profile of the outstanding borrowings was spread over a period of more than five years with HK$219,477,000 repayable within one year, HK$233,741,000 repayable after one year but within five years and HK$70,620,000 repayable after the five years.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. As at 31 March 2009, 36% of the Group's cash on hand and deposits in bank was held in Hong Kong dollars and 64% in Renminbi; whereas 29% of the Group's outstanding borrowings was denominated in Hong Kong dollars and the rest in Renminbi.

Pursuant to the Share Subscription Agreement dated 5 July 2007, in April 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 during the year. The net proceeds were mainly applied as working capital.

Significant disposal

On 21 January 2009, the Company held an extraordinary general meeting, during which the disposal of its 29.52% equity interest in an associate China Pipe Group Limited was approved by the Company's shareholders. Upon completion of the disposal, the Company ceased to have any interest in China Pipe since January 2009.

On 10 December 2008, the Company entered into a sale and purchase agreement with Shanghai Fanghua Shiye Development Limited for the disposal of the entire interest in Interchina (Changsha) Investments and Management Company Limited ("ICIM"), 38.9% interest in Changsha Interchina Star City Company Limited and a non-interest bearing shareholder's loan owing by ICIM to the Company at a total consideration of RMB330,000,000. Details of the transactions were set out in the Company's announcement dated 12 December 2008 and 27 April 2009 respectively.

Save as those 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 2009, the Group's assets were pledged as security for its liabilities, comprising investment properties with carrying amounts of HK$179,976,000, intangible assets with carrying amounts of HK$293,916,000 and other financial assets with carrying amounts of HK$334,334,000. In addition, certain shares of subsidiaries 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. For the year ended 31 March 2009, 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 2009, the Group had a total of 820 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.

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 2009.

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 2009, 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, 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.

ii) The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company ("AGM"). Due to business appointments overseas, the Chairman was not in Hong Kong on 6 September 2008 and therefore could not attend the AGM on that day. The Chief Executive Officer and an executive Director attended the AGM to ensure effective communication with the shareholders of the Company.

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 2009.

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 2009.

PUBLICATION ON THE STOCK EXCHANGE'S WEBSITE

This results announcement will be published on the Company's website (http://www.interchina.com.hk) and Stock Exchange's website (http://www.hkex.com.hk). The 2009 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
Chairman

Hong Kong, 29 May 2009

As at the date of this announcement, the executive Directors are Mr. Lam Cheung Shing, Richard, Mr. Zhu Yongjun and Mr. Chan Wing Yuen, Hubert and the independent non-executive Directors are Ms. Ha Ping, Mr. Ho Yiu Yue, Louis and Mr. Ko Ming Tung, Edward.